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Guidelines for Valuation of Immovable Properties 2009

DIRECTORATE OF INCOME-TAX

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INCOME-TAX DEPARTMENT

NEW DELHI-110001

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GUIDE LINES
FOR VALUATION OF
IMMOVABLE PROPERTIES

VALUATION CELL
INCOME TAX DEPARTMENT

MINISTRY OF FINANCE
GOVERNMENT OF INDIA

2009



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MESSAGE

I greatly value the collective efforts of entire Valuation cell Team to have come up with this much awaited compendium on the subject of valuation of immovable properties. This compilation contains all the relevant material and updated guidelines on the subject of valuation covering its various legal and procedural aspects.

I am sure that book on "Guidelines for Valuation of Immovable Properties" will be of great use to the Valuation Officers as well as Income Tax Authorities in estimating the value of immovable properties as required by the tax statutes uniformly throughout the country.

(Saroj Bala)



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MESSAGE

I am happy to note that Shri D. Hore, Chief Engineer (Valuation) NR, New Delhi, alongwith his team of officers has brought out a book "Guidelines for Valuation of Immovable Properties", covering various legal and procedural aspects of valuation.

Earlier also Valuation Cell had brought out publications from time to time. The Valuation Officers have to perform techno-legal functions which are entirely different from the normal activity of CPWD. When the offices from CPWD joined the Valuation Unit of C.B.D.T., they have to acquaint themselves with the procedure for valuation of properties. This compilation will go a long way in proper appreciation of the rules and regulations relating to the valuation of fixed assets.

I hope that the book would be updated from time to time, in the light of the modification of Acts and interpretation of Acts by the Courts.

(D.S. Sachdev)



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FOREWORD

Income Tax including Capital Gains, Wealth Tax and Gift Tax are the direct taxes levied by Govt. of India. Any person having a property has to prove its valuation under the provisions of those taxes whenever the property is built, purchased, sold, inherited or gifted.

To prevent undervaluation of land and building for tax evasion, valuation cell was created in 1968. The objective was to assist the assessing officers to ensure proper valuation of the properties for tax realizations. Initially it functioned as an advisory committee.

The Valuation Cell in the present form was set up in 1972. In Taxation Law (Amendment) Act 1972 provisions for reference to Valuation Officers were made under sections 16A of W.T. Act, 55A of I.T. Act and 15(6) of Gift Tax Act with effect from 01.01.1973. Under these acts Valuation Officers were vested with statutory powers.

Valuation Cell had been quite effective in generating additional revenue. Further, its presence acts as a deterrent as would be evident from the PAC report of 1990-91.

-----"In purely technical sense the Valuation Cell is not only cost effective, but also there were other intangible benefits such as the tax paying public know that their property values are susceptible to verification by the Cell."-----

With a view to adopt uniformity in preparation of valuation reports by Valuation Officers, guidelines were prepared by Shri A. Chattopadhyaya, Chief Engineer (Valuation), (North), New Delhi during October `1996, and were circulated in the Northern Region. Similarly Shri S.K. Dhawan, Chief Engineer (Valuation), Southern Region issued the guidelines during September-1999 and circulated to the Valuation Officers of the Southern Region. Thus the Valuation Cell of the Department has been following Guidelines for valuation of immovable

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properties which were defined long back. After these guidelines were laid down, there have been several changes in the related acts. Incorporating these changes and clarifying other issues various detailed instructions were issued by Shri P.K. Majumdar, the then C.E. (Val.), Northern Region during 2005-2007 for the Valuation Officers while evaluating the cost of the property. Similarly CE (Valuation) Southern Region also issued instructions from time to time. Considering all above it was felt that there is a dire need to issue updated guidelines, owing to modifications in the tax rules and multiplicities of various instructions issued on the subject. It was also found necessary that same guidelines are followed by the officers in the Valuation Cell irrespective of the regions.

Shri S.P. Singh, Chief Engineer (Valuation) Northern Region (Now ADG, NR), took a lead and with a view to compile updated guidelines and requested the Chief Engineer (Valuation) (Southern Region) and District Valuation Officers of both Northern Region & Southern Region to offer their comments on the existing guidelines and the instructions issued from time to time by respective Chief Engineers, (Valuation). The arduous task of compiling the earlier guidelines, incorporating the instructions issued from time to time by the CEs, and the suggestions received from various DVOs, was entrusted to Shri Ravi Kant Soni, District Valuation Officer, Jaipur. The suggestions received from the CE (Val.) (S.R.) and DVOs were compiled by hectic efforts by Shri Ravi Kant Soni, DVO and the draft book was finalized, which incorporates all feasible modifications and it has the blend of experience gained during the intervening period also.

The draft book was circulated to CE (Valuation) Southern Region and all DVOs under Northern & Southern Regions. The valuation suggestions were received from Shri H.L. Padamnabhan, Chief Engineer (Valuation) Southern Region. In a meeting held in the chamber of Chief Engineer (Valuation) Northern Region during January 2009 the suggestions given by various District Valuation Officers were discussed and suitably incorporated.

This book containing guidelines, supersedes, all instructions as well as "Guidelines for Valuation of Immovable Property" issued till date in this regard. It is also mentioned, that these "Guidelines for Valuation of Immovable Property" shall be effective for all the Valuation Cells under

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the entire jurisdictions of Northern Region as well as Southern Region. Thus these Guidelines would help the technical experts towards familiarization with the techno-legal requirement of the works of the Valuation Cell and to adopt correct and uniform methods of valuation. In valuation money value attributed to an asset is ascertained. It is difficult to have an exact value as certain amount of assumption is inevitable in the process. The assumption must however be an intelligent one based on certain objective factors derived after scientific analysis of available data. The valuer has to apply his own judgment depending upon the prevailing conditions and choose the most appropriate method and value.

In most cases assessee goes for appeal whenever valuation leads to increased tax liabilities. Therefore the real worth of a valuation is evident only after the test of appeals. In appeals the assessee musters private valuers, engineers, lawyers etc. for his defense. To prove that the valuation declared by the assessee is not correct, Valuation Officer has to thoroughly study the documents of the assessee, make thorough investigation and collect data. Then he has to establish the correctness and suitability of the methods of valuation adopted by him and correctness of the data relied upon by him. The valuation report should explain the reasons for which it is of different amount than the declared value so that the appellate authorities can appreciate. Investigation and collection of data are therefore very important. For this Valuation Officer has to freely interact with local people also.

The Valuation Officer has to convince the Appellate Authority who are not conversant in technical matters. This makes his work more challenging. Preparation of valuation report is an important part of his assignment. Conducting it through appeals unscathed is equally important.

The Valuation Officers have also to strive for earning confidence of the assessing officers by correct, effective and quick disposal of cases and offering co-operation to ensure a steady flow of references that would make the presence of Valuation Cell more meaningful. Interaction with the assessing officers therefore is an important aspect.

The study of cases finalized in the Valuation Cell indicates generation of additional revenue mostly in Income Tax cases involving investment

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in land and buildings. Such cases should be handled with due importance alongwith all high value cases concerning other direct taxes.

This book is the outcome of the discussion with a large number of Valuation Officers working in different parts of the country. Shri S.P. Singh, the then Chief Engineer (Valuation) Northern Region (now AGD, NR) and Shri H.L. Padmanabhan, Chief Engineer (Valuation) Southern Region have given valuable suggestions. Other District Valuation Officers have significantly contributed for the guidelines, notable among them are Shri Ravi Kant Soni, DVO, Jaipur, Shri A.K. Sharma, the then DVO, Chandigarh, Shri V.T. Arasu, the then DVO, Chennai, Shri S.H. Gondane the then DVO, Hyderabad, Shri A.K. Silekar, DVO, Bhopal, Shri N.K. Gupta, DVO, Kolkata, Shri Rajiv Kumar, DVO, Mumbai, Shri O.P. Purohit, DVO, Ahmedabad and Shri S.M. Verma, DVO, New Delhi. Shri N.K. Jain, Valuation Officer, Jaipur and Sh. S.K. Rampal, V.O., Rohtak also helped in preparing the manuscript and others had helped in the publications.

All the contributions and assistances are gratefully acknowledged.

Despite best efforts in preparation of a document, there is always ample scope for its improvement. Readers may send unhesitatingly their valuable suggestions, based on their vast experience in the field.

I hope this book would contribute towards better valuation by Valuation Officers and it would be updated from time to time.

Dated -----

(D. Hore)
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CHAPTER 1

ORGANISATION AND JURISDICTION OF VALUATION CELL

1. Background

There are two Regional Valuation cells in the Income Tax Department of Government of India and each Regional Valuation Cell is headed by the Regional Valuation Officer of the rank of Commissioner of Income Tax Department. They are manned by Chief Engineer (Civil) of C.P.W.D. Northern Region Valuation Cell has headquarters at New Delhi and Southern Region has it at Chennai. This book on Guidelines for Valuation of Immovable Properties shall be applicable to all the Valuation Cells under the entire jurisdictions of Northern Region as well as Southern Region.

Functional units are headed by District Valuation Officers (DVO) of the scale/rank of Additional Commissioners of Income Tax Department. There are seven DVOs in Northern Region and five in Southern Region, which are manned by Superintending Engineer (Civil) of CPWD.

Valuation Officers (V.O.) of the scale / rank of the Deputy / Joint Commissioners of Income Tax Department and Assistant Valuation Officers (AVO) of the scale / rank of Income Tax Officers are manned by Executive Engineers and Assistant Engineers of CPWD (Civil) respectively. Two Junior Engineers assist each DVO and each V.O. and one Junior Engineer assists each A.V.O.

The jurisdiction of areas of various DVOs, VOs and AVO are decided by CBDT and are well defined. One VO Plant & Machinery (P & M) is attached to each Chief Engineer (Valuation) for the valuation of Plant & Machinery for the entire region.

1.1 Jurisdiction & Financial limits of Valuation Officers.

Regional Valuation Officers exercise general supervision over the work of DVOs, VOs and AVOs.

DVOs, VOs and AVOs perform the functions of Valuation Officers within their specific geographical jurisdiction and financial limits. Financial limits specified in Rule 3 A of the Wealth Tax Act 1957 are as follows :-

“If the value of the asset declared by the assessee exceeds Rs. 300 lakhs or

if the asset is not disclosed or the value of the asset is not declared or no return has been made and the value of the asset, in the opinion of the Assessing Officer, exceeds Rs. 300 lakhs, the function of the Valuation Officer shall be performed by the District Valuation Officer.”

Similar limits for Valuation Officer are exceeding Rs. 40 (forty) lakhs but not exceeding Rs. 300 (three hundred) lakhs and for Assistant Valuation Officer not exceeding Rs. 40 (forty) lakhs respectively.

Further, where the valuation of any asset, being building or land or any right in any building or land, refer to the District Valuation Officer, the Valuation Officer or the Assistant Valuation Officer, as the case may be, is pending with him on the 13th February, 2009, being the date of commencement of the Wealth-tax (Second Amendment) Rules, 2009,

- i) the District Valuation Officer shall transfer the reference to the Valuation Officer, if the value of the asset as declared in the return made by the assessee under section 14 or section 15 does not exceed Rs. 300 lakhs;
- ii) the Valuation Officer shall transfer the reference to the Assistant Valuation Officer, if the value of the asset as declared in the return made by the assessee under section 14 or section 15 does not exceed Rs. 40 lakhs.”

Note : *Above mentioned financial limits are according to the Wealth Tax (Second Amendment) Rules 2009, w. e. f. 13.02.2009. [Gazette Notification S.O.No. 470(E)]*

The DVO having jurisdiction in respect of the area may, if he considers it necessary or expedient so to do for the purpose of proper and efficient management of the work of valuation, himself perform such function in relation to any asset which is within the financial limits of Valuation Officer. Similarly VO can perform the functions of AVO, if the former considers it necessary or expedient to do so.

Cases, where assessed value exceeds more than 50% of monetary jurisdiction in the case of VO and 100% of monetary jurisdiction in the case of AVO, should be referred to the DVO or VO respectively for review before finalization of the valuation cases. Cases, where declared value exceeds Rupees 10 (ten) crores, may be discussed with the CE (Valuation) for review before finalization of the valuation.

Note : (i) *The monetary jurisdiction shall be based on the declared cost of complete undivided property, irrespective of the amount of the share held by the assessee, wherever more than one share holders of property are existing. The monetary jurisdiction for references u/s 142A of the Income Tax Act, 1961 will be the same as prescribed in the rule 3A of the Wealth Tax Act, 1957 till any separate notification is issued by the C.B.D.T..*

(ii) *In case one assessee is having more than one property, then the cost of each property would be the criterion for monetary jurisdiction amongst the VOs however, DVO or VO, as the case may be, may send the compiled valuation reports to the Assessing Office.*

1.2 Appropriate Authority

Finance Act 1986 introduced a chapter XXC titled "Purchase by Central Government of immovable properties in certain cases of transfer" in the Income-tax Act u/s 269U with effect from 1.10.86. This empowers Central Government to purchase a property which has already been offered for sale. The object is inducing the transferor and transferee to declare the full amount of consideration in the agreement for transfer. The appropriate Authorities have been established in 7 cities namely Delhi, Mumbai, Calcutta, Chennai, Bangalore, Lucknow & Ahmedabad having jurisdiction in some nearby cities also. This Appropriate Authorities consisting of 2 members of the rank of Commissioner of Income-tax and one of the rank of Chief Engineer CPWD (Civil), wing have been established in each of 7 cities. For some cities Valuation Officers work on behalf of the Appropriate Authorities. Transfer of any immovable property of value exceeding a prescribed limit which is specified for each city, is prohibited except after entering into agreement for transfer at least 4 months before the intended date of transfer. Such agreement should be reduced in writing in the prescribed form called Form No. 37-I which should be filed before the concerned appropriate authority within 15 days of the date of the agreement by the transferor.

The Fair Market Value of the property is ascertained by the appropriate authority. In case it works out to be in excess of more than 15% of the apparent consideration then the Appropriate Authority, if it so decides, after issue of show cause notice and giving an opportunity of hearing to the parties, may pass an order of purchase of the property within a period of 3 full calendar months. After the order is passed the property shall vest in the Government with all existing encumbrances. If such order is not passed, within the prescribed time limit, then the

parties can go ahead with the transfer on the basis of no objection certificate issued by the Authority. The registrar is prohibited under this Act from registering any transaction without such an NOC from Appropriate Authority. Violation of the provisions of the act is punishable by prosecution. Orders passed by the Appropriate Authorities are final and conclusive and unquestionable in any court of Law except by writ in the respective High Courts.

1.2.1 Chapter XXC has since been abolished in 2002. However, the Officers of CPWD are still functioning the Appropriate Authority on some important locations to dispose off pending cases related to this chapter.

Chapter 2

PROVISIONS OF ACTS FOR REFERENCE TO VALUATION CELLS

PROVISIONS OF DIRECT TAX ACTS RELATING TO VALUATION CELLS

2.1 V. O. under Wealth Tax Act

S2 (r) S12A

2.1.1 Valuation Officer is appointed by the Central Government under section 12A of the Wealth Tax Act, 1957. He may be a Regional Valuation Officer, District Valuation Officer, Valuation Officer or an Assistant Valuation Officer.

2.1.2.1 He is one of the 'authorities' mentioned in Chapter III of the Wealth Tax Act.

S46(e)

2.1.3 The jurisdiction of the various Valuation Officer is notified by the CBDT in accordance with Rule 3A of the Wealth Tax Rules 1957.

S16A(1)

2.1.4 The function of a Valuation Officer begins as soon as the Valuation of an asset is referred to him by the Assessing Officer under section 16A(1) of the Act.

Valuation Order

Rules 20(2) of Sch. III

2.1.5 Under Rule 20(2) of schedule III of the Wealth-tax Act, the value of an asset so for valuation to VO shall be estimated to be the price which, in the opinion of the VO, it would fetch if sold in the open market on valuation date.

Note : *Valuation of Fair Market Value under Wealth Tax Act, 1957, have undergone numerous changes over a period of time from the date of its introduction. Various Methods in vogue were being adopted for estimating the value of a property by the individuals as per his choice and judgment which resulted into different values with wide variations. This resulted into unending litigations without any tangible benefits*

by way of taxes to the Government. Therefore, in order to reduce these litigations, valuation of any immovable property, residential or commercial, either land or building or both for Wealth Tax purpose were simplified by introduction of simple rules particularly Rule 3 w.e.f. 01.04.1998 under Schedule III, according to which, the value of any immovable property shall be the amount arrived at by multiplying the net maintainable rent with a suitable factor, depending up on whether the property is free hold or lease hold and the un-expired period of lease.

It must be noted that the value obtained by application of Rule -3 of Schedule – III, does not represent the fair market value but gives a value which is depressed but adequate from the consideration of the government to charge wealth tax from the individuals who are liable to pay this tax. However, under the following circumstances, Rule 3 is not applicable and the value of the property shall be determined as laid down in Rule 20 as provided in Rule 8.

- (I) Where, having regard to the facts and circumstances of the case the Assessing Officer with the prior approval of the Joint Commissioner is of the opinion that it is not practicable to apply the provisions of the said rule to such a case ; Or*
- (II) Where the difference between the un-built area and the specified area exceed 20% of the aggregate area ; Or*
- (III) Where the property is constructed on lease hold land and the lease expires within a period not exceeding 15 years from the relevant valuation date and the deed of lease does not give an option to the lessee for the renewal of the lease.*

S 16A(2)

2.1.6 The VO may serve on the assessee, a notice requiring him to produce or cause to be produced on a date fixed, accounts, records or other documents that may be required.

S 16A (3)

2.1.7 If the VO considers that the value of the asset declared by the assessee is correct, he has to pass an order in writing to that effect and send a copy of the order to the AO and to the assessee. Copy of Valuation report is to be sent only to senior officers of the Valuation Cell.

S 16A (4) & (5), S 34 AA S44

2.1.8 If the VO considers that the Value declared is low, he should serve

a notice on the assessee intimating the value which he proposes to estimate and give the assessee an opportunity to file his objections if any, in person or in writing on a date fixed, and produce evidence if any, in support of his objections. The assessee need not attend personally. He may be represented by a Registered Valuer or an authorised representative (the Authorised Representative is one who could represent the assessee U/s 288 of the Income Tax Act or under Rule 8 of the Wealth-tax Rules, 1957). After considering the assessee's objections, the evidence produced and the other relevant materials that VO may have, he has to pass an order in writing, estimating the value of asset referred to him. A copy of his order has to be sent to the Assessing Officer and the assessee.

Note: *Any reference received from Assessing Officer for estimating value under Wealth Tax Act to be proceed with by the Valuation Officer only when it is found that the fair market value is required to be estimated under rule 20 of Schedule III. If it is found that the value is required to be estimated as provided under Rule 3, then the Valuation Officer shall not proceed further and the reference is required to be returned back to the Assessing Officer for estimating the value at his end as per CBDT Circular No. F. No. 328/114/92-WT dated 06.12.1992, which is annexed as Annexure 16 in the Guidelines.*

(a) *Under Enforcing Attendance on page 14 in para 2.4, Proforma of Summon can be enclosed as a separate Annexure (copy enclosed)*

Continuity

S 39

2.1.9 If a VO is succeeded by another VO, the latter may continue the proceedings from the stage at which they were left by his predecessor. However, the proceedings have to be wholly or partly reopened, if the assessee so desires.

Amending a Valuation

S 35 (i) (aa), 35 (3) & (5), 35 (6A)

2.1.10 If there is any mistake apparent from the record, the VO may amend the order by passing another order in writing.

S 35 (4)

2.1.11 An amendment which has the effect of enhancing the valuation of the asset can be made only after due notice to the assessee.

S 35 (7)

2.1.12 An amending order rectifying a mistake cannot be passed after the expiry of four years from the date of the order which has to be amended.

In Appeal

S 23 (4) (b)

2.1.13 The Commissioner (Appeal) is empowered to direct the VO to make any further enquiry regarding the valuation of an asset which is disputed in appeal before him on receipt of any such directions from the Commissioner (Appeal) the VO has to carry them out.

S 23(3A) (a) 24 (5)

2.1.14 In cases where appeals are filed before the Commissioner (Appeal) or Appellate Tribunal against the valuation made by him, the V.O. has a right of representation before the Commissioners of Appeal or the Appellate Tribunal.

S 23 (3A) (b), 24 (5)

2.1.15 Even in cases where valuation has not been made by the VO, the AO may nominate him to appear before the Commissioner (A) or AT on behalf of the Department to represent matters regarding valuation of assets.

2.2 VO'S Powers under Wealth Tax Act

2.2.1 In respect of the following matters, the VO has, for the purpose of the Wealth-tax Act the same powers as Court has under the Code of Civil Procedure, 1908 when trying a suit :

- * Discovery and inspection

S 37 (1)

Enforcing the attendance of any person (including any officer of a banking company) and examining him on oath;

- * Compelling the production of books of account and other documents ; and

- * Issuing commissions.

Discovery and Inspection

2.2.2 In a civil suit one party may ask the other to declare what are the

documents in his possession which are relevant to the suit. The party is also entitled to inspect all such documents. Section 30 of the Civil Procedure Code contain relevant provisions regarding the powers of discovery and inspection. However, there is hardly any need to resort to the power of discovery and inspection in tax proceedings since the powers of enforcing the attendance of a person and compelling production of books of account and documents are generally found sufficient for tax purpose.

Enforcing Attendance

2.2.3 The powers of enforcing the attendance of any person and examining him on oath and compelling the production of books of account and other documents are widely used in tax proceedings. The VO also may have occasion to use these powers.

2.2.4 A Summon has to be served for personal attendance or production of books of accounts or documents. The Summons should bear the seal of the Officer issuing it. Copy enclosed in Annexure 'A'. The books of account or documents required to be produced should be clearly specified.

2.2.5 If a person fails to comply with a Summon intentionally, a fine of Rs. 10000 or less can be levied on him. Besides levy of penalty, the following powers to enforce attendance and production of documents are available by virtue of section 32 of the Civil Procedure Code :-

- * Issue of a Warrant for arrest of the person who has not responded to the Summons ;
- * Attachment and sale of his property ;
- * Ordering him to furnish security for his appearance and committing him to the civil prison in default.

If any occasion arises for taking drastic action against the assessee or other person U/s 37(1) of the Wealth-Tax Act, detailed instructions for the procedure to be adopted may be taken from the Standing Counsel to the Income Tax Department through the Commissioner of Income Tax.

2.2.6 It should be noted that only a person who is living within the jurisdictional area of the VO or who is living at a place less than 500 km from the Office (or camp office) could be summoned to appear in person.

2.2.7 The power of issuing commission could also be conveniently resorted to. Using this power, a Valuation Officer could authorise (in other words,

issue commission to) any other VO to examine a person on oath and record his statement with or without interrogatories (i.e. a set of questions) sent by the former. If a person to be examined is living at a place 500 km or more away from the VO's office, a commission may be issued for his examinations to a VO whose office is near the person's residence. This power could also be used for convenience of a person whose statement has to be recorded.

2.2.8 The subject of issue of commissions is dealt within section 75 of the Civil Code and in order XX in the First Schedule to the Code.

2.2.9 If a person who has been summoned to appear to give evidence or produce any books of account or documents, intentionally omits to attend or produce them, the VO is empowered to levy a fine of Rs. 10000/- or any lower amount. The fine can be imposed only if the VO is satisfied, after giving the person concerned an opportunity of being heard, and his failure to comply with the summons was intentional.

A copy of the order levying the fine should be sent to the Assessing Officer concerned so that he may take action of recovering the fine levied.

S 23 (i)

2.2.10 The person on whom a fine is levied has a right to appeal to the CIT (Appeal) against the VO's order imposing the fine.

S 37 (3)

2.2.11 The VO is empowered to retain in his custody, any books of account or other documents produced before him, for a maximum period of 15 days excluding holidays. If he wants to retain the books or documents for any longer period, he can do so after obtaining the approval of the Commissioner of Income Tax for such retention.

It is important to note that no books of account or other documents should be impounded without the VO recording his reasons for doing so.

Inspection

2.2.12 At any time between 6 AM and 6 PM on any working (i.e. a day other than Sunday or a holiday under the Negotiable Instrument Act), a Valuation Officer or any Overseer, Surveyor or Assessor, authorised by him in this behalf by an order in writing, is empowered to:-

- a) enter any land within the limits of the area assigned to the VO or
- b) enter any land, building or other place belonging to or occupied by any person in connection with whole assessment, a reference has been received by the VO under Section 16A of Wealth-tax Act, or
- c) inspect any asset in respect of which a reference U/s 16A of WT Act has been received by the VO.

2.2.13 The VO or any of his assistants aforesaid is empowered to require the person in charge of, or in occupation or possession of such land, building or other place or asset to afford him the necessary facility to survey or inspect such land, building or other place or asset for estimate its value.

2.2.14 He is also empowered to require any such person mentioned above to afford him necessary facility to inspect any books of account, document or record which may be relevant or the valuation of such land, building or other place or asset and gather particulars relating to such land, building or other place or asset.

S 38A (1)

2.2.15 In cases falling under (b) & (c) of paragraph 2.12, the person in charge of or in occupation or possession of the building, place or asset should be given as least two days notice in writing of the intimation of the VO to enter the land building or other place or inspect the asset.

S 38A (2)

2.2.16 Even without such notice, the power could be exercised, if the person in charge of or in occupation or possession of such building, place or asset gives his consent.

S 38A (3)

2.2.17 If the person mentioned above, who has to afford necessary facility to the Valuation Officer either refuses or evades affording such facilities, the VO gets all the powers specified in sub section (1) and (2) of Section 37 of Wealth-tax Act for enforcing compliance of the requirements made by the VO.

2.2.18 It will be seen that the power specified U/s 37(2) is the power of levying a fine of an amount of Rs. 10000 or less.

2.3 VO's under the Income Tax Act

S 55A

2.3.1 Under section 55A of the Income Tax Act, the Assessing Officer may refer the Valuation of a Capital Asset to a Valuation Officer for the purpose of Capital Gains. The Fair Market Value of the property shall be estimated as on 01.04.1981, even if the Capital Asset becomes the property of the assessee before 01.04.1981, the cut-off date under section 55A of the Income Tax Act. Being 01.04.1981.

S 2(22B)

2.3.2 'Fair Market Value' means the price that the capital asset would ordinarily fetch on sale in the open market on the relevant date'.

S 55A

2.3.3 Under Sub section 2 of section 50C of the Income Tax Act, inserted by the Finance Act of 2002, the Assessing Officer, may refer the valuation of a Capital Asset being land or building or both, when the assessee claims before the Assessing Officer that the value adopted or assessed by the Stamp Valuation Authority exceeds the value of property shown in the agreement on the date of sale. This situation arises when the Assessing Officer adopts the value as adopted or assessed by the Stamp Valuation Authority for payment of stamp duty in respect of such transfer for the purpose of estimating Capital Gain tax payable by the seller. The Assessing Officer shall however, not entertain any appeal by the assessee of such value adopted by the Assessing Officer being high if the value so adopted by the Stamp Valuation Authority has been disputed in any appeal or revision before any Authority, Court or High Court.

2.3.4 Where the value ascertained by the Valuation Officer under Sub Section (2) exceeds the value assessed or adopted by Stamp Valuation Authority, the value adopted or assessed by such Authorities shall be taken as the full value by the Assessing Officer for Capital Gain purpose. If the value ascertained by the Valuation Officer is less than the value shown in the agreement shall be taken as the full value by the Assessing Officer for the Capital Gain purpose and if the value ascertained by the Valuation Officer is in between value indicated in the agreement and the value ascertained by the Stamp Valuation Authority, the value estimated by Valuation Officer shall be taken as the value for the purpose of estimating Capital Gain.

2.3.5 Under the above two Sections Section 55A and 50C of the Income Tax Act, 1961 the reference to the Valuation Officer, are statutory references, similar to references under section 16A(2) of the Wealth Tax Act and Valuation Officer shall have Sub Section 2, 3, 4, 5 & 6 of Section 16A, Clause-(i) of Sub – Section (1), Sub Sections 3A & 4 of Section 23, Sub section 5 of section 24, section 34AA, Section 35 and section 37 of Wealth Tax Act, 1957.

2.3.6 Under Sub Section 1 of Section 142A of Income Tax Act, 1961 introduced by the Finance Act of 2004, subsequent to the Supreme Court Judgment in Amiya Bala Pal case, the Assessing Officer may refer the Valuation Officer to make an estimate of the value of an investment referred to in Section 69A and 69B of the Income Tax Act. It is to be understood that investment referred to in this section pertains to the investment made by the assessee in the construction of the property and not the investment made in the purchase of the property. The Valuation Officer under this section shall have the same powers as he has under section 38A of the Wealth Tax Act, 1957. The reference made under this section 142A is an Advisory Reference and the Assessing Officer may after giving the assessee an opportunity of being heard take into account such report of the Valuation Officer for making assessment or re-assessment.

2.4 Salient provisions of the Acts relevant to Valuation Cell.

2.4.1 Income Tax Act 1961

Valuation Officers as explained above undertake valuation of immovable properties that are referred to the Valuation Cell by the Assessing Officers under the following Direct Tax Law :-

2.4.1.1 Income Tax Act, 1961 : Advisory References

There is no direct mention of Valuation Officers in this Act and hence they do not have any statutory powers. Under section 131(1) Income Tax authorities have the same powers as are vested to a Court under code of Civil procedure 1908 (V of 1908) in respect of, interalia, issuing commissions. Under this provision Assessing Officers make reference to the Valuation Officers for the determination of the cost of construction of the immovable property.

- a) to examine any person.
- b) to make a local investigation.

- c) to examine or adjust accounts, or
- d) to make a partition
- e) to hold a scientific, technical or expert investigation.
- f) to conduct sale of property which is subject to speedy check natural decay and which is in the custody of the court (here to AO) pending the determination of the suit.
- g) to perform any ministerial act.

The Valuation Officer acts as a commissioner of the Assessing Officer on receiving a commission U/s 131(1) (d) of I.T. Act 1961.

The Income-tax Act does not specify the preconditions for advisory references under 142 'A' read with 131(1) (d). However, C.B.D.T. instructions dated 17.09.1990 specifies.

"All cases where during the course of pending assessment, an assessee claims to have constructed a building, whether consisting of a single unit or several units, and the cost of the whole building is declared by him as Rs. 2 lakhs or more, should be referred to the Valuation Cell. These instructions should followed with the existing instruction regarding reference to Valuation Cell., where the suspected-under-investment is Rs. 50,000/- or more".

Under 131 (1A) of I.T. Act officer of the investigation wing have the power to refer cases to the valuation cell by issuing commission under 131 (1) (d) if he has reason to feel it necessary even if no proceedings are pending before him or any owner Income Tax Authority regarding that property.

2.4.1.2 Income Tax Act, 1961 : Statutory reference Capital Gains

Under section 55A of I.T. Act Assessing Officers with a view to ascertaining the Fair Market Value of a Capital Asset, as on 01.04.1981 date of transfer of property. Can make a reference to a Valuation Officer for computation of Income from capital gains.

- a) In case the Assessing Officer is of the opinion that valuation of a registered valuer is less than its Fair Market Value.
- b) In any other case the Assessing Officer is of the opinion.
 - (i) that the fair market of the asset exceeds the declared value by the 15% or Rs. 25,000/-.
 - (ii) that having regard to the nature of the asset other relevant circumstances, it is necessary to do so.

Section 55A also stipulates that in such references all the relevant provisions of the Wealth Tax Act 1957 should be applicable. This gives statutory powers to Valuation Officers.

2.4.2 Wealth Tax Act : Statutory Reference

The Assessing Officers can make a reference to the Valuation Officer under 16A of the W.T. Act 1957 for determination of the value fair market value of a property if in his opinion.

- a) The declare value of asset as per the registered valuer estimate is less than the fair market value.
- b) (i) The fair market value exceed the declared value be 33 1/3 % or 50,000/-
(ii) Having regard to the nature of the assets and other relevant circumstances, it is necessary to do so.

Under section 7 of W.T. Act valuation of a property is to done as per schedule- III.

Schedule III, Rule 3 to 7 stipulates how valuation is to done by Rent capitalization. CBDT Instruction said that Assessing Officer can do valuation under rule 3 to 7.

Rule 8 of schedule III stipulates that reference Valuation Officer can be made with prior approval of Deputy Commissioner. It is not practicable to apply rules 3 to 7 and two other conditions regarding inbuilt areas and leasehold land. The fair market value is then to be determined under rule 20 (part H Residuary). CBDT instructions are as follows for reference to Valuation Cell (instruction No. 290 dated 30.01.1970).

- 1) In all cases of wealth tax and gift tax where the declared value is 3 lakhs or more.
- 2) For lesser declared values than Rs. 3 lakhs if the Assessing Officer estimates the value at Rs. 3 lakhs of more.

2.4.3 Gift Tax Act 1958 : Statutory Reference

Assessing Officer can make a reference to the Valuation Officer under section 15(6) of Gift Tax Act 1958 for assessing fair market value of any property transferred by the way of gifts.

- a) When the returned value of the property as estimated by a registered

valuer is in the opinion of the Assessing Officer is less than the fair market value.

- b) (i) In any other cases if the Assessing Officer is of the opinion that the fair market value is 33 1/3% or Rs. 50,000/- more than the returned value.

(ii) That having regard to the nature of the asset other relevant circumstances, it is necessary to do so.

Where any such references are made relevant sections of W.T. Act, 1957 would be applicable. The references are thus statutory.

2.4.4 Tax Recovery etc. : Advisory reference

References in advisory capacity for determination of reserve price of asset for tax recovery purposes and of fair market value of property are dealt by Valuation Officers. Tax Recovery Officer (TRO) refers the case for valuation of the property to ascertain the reserve price. Immediately upon receipt of reference, the V.O. may request the TRO to submit complete documents including plans & drawings and a notice may also be issued to the assessee. The inspection of the property may be done in consultation with the TRO, where his representative may also be requested to accompany. Normally there would not be any co-operation from the assessee hence it is important to keep informed the TRO and take his assistance for early disposal of the case.

2.5 At a glance a ready reference chart of relevant sections and rules for Valuation Officers is given as follows :

Various Acts and section there-under are given below in a tabular form with brief remarks :-

| Sr. No. | Reference to be Under : | Made | Purpose | Remarks |
|---------|-------------------------|---------|--|--|
| | Act | Section | | |
| 1 | 2 | 3 | 4 | 5 |
| 1 | Wealth-tax Act, 1957 | 16 A | To estimate the market value of an immovable property in accordance with rule-20 of part II of Schedule III indicated in subsection (I) of section 7 of the Act. | On receiving reference under this section, V.O. shall examine whether rule 3 of Schedule-III of the Act is applicable or not. If Rule-3 is applicable, clarification may be sought from the Assessing Officer as to why reference under 16 A is made. In this connection provisions of rule 8 of Schedule-III of the Act shall be kept in view. |
| 2.1 | Income-tax Act, 1961 | 50 C | To estimate fair market value of an immovable property as on the date of transfer for the purpose of computing income from capital gains. | Following conditions need to be fulfilled before the Assessing Officer refer the case under this section : i)The assessee is to claim that the fair market value of the property as on the date of transfer is less than the value adopted or assessed by the stamp valuation authority for the purpose of payment of stamp duty in respect of such transfer. |

| | | | | |
|-----|----------------------|-------|---|---|
| | | | | ii) Value adopted or assessed by the stamp valuation authority has not been disputed in appeal or revision or no reference has been made before any other authority, court of the High Court. If the Assessing officer is silent on the above aspects at the time of making reference, necessary clarifications may be sought from him as to whether provisions of sub section (2) of section 50 C have been fully complied with. |
| 2.2 | Income-tax Act, 1961 | 55 A | To estimate fair market value of an immovable property as on 01.04.1981 or date of transfer both for the purpose computing income from capital gains. | It is imperative to know the date or date s for which valuation is required. If any clarification of required in this regard the same may be obtained immediately on receipt of the reference. |
| 2.3 | Income-tax Act, 1961 | 142 A | To estimate value of investment made by the Assessee. This investment can be land or land and building or in construction of building. | Previously reference for cost of construction cases was being made under clause (d) of subsection (I) of section 131 under garb of issuing commission. However, the Hon'ble Supreme Court in Amiya Bala Paul case |

| | | | | |
|-----|-----------------------|-------|---|--|
| | | | | pronounced that the power of the Assessing Officer u/s 131(1) did not include the power to refer a matter to the Valuation Officer. It is, therefore, necessary that cost of construction case referred u/s 142 A. |
| 2.4 | Income-tax Act, 1961 | 269L | To determine the fair market value an immovable property on the date of transfer to initiate proceedings for acquisition of the property and to determine amount of compensation u/s 269 J. | These provisions ceased to be applicable in relation to the transfer of property made after 30.09.1986. |
| 3 | Estate Duty Act, 1953 | 41 | To determine the principle value an immovable property on the date of death of deceased. | Under this section the controller of Estate Duty authorizes a person to inspection the property and report the value to him for the purpose of levying Estate Duty. This is an advisory reference. Estate duty has been abolished w.e.f. 16.03.1985. |
| 4 | Gift Tax Act, 1958 | 15(6) | To determine fair market value of an immovable property on the date on which the gift was made | As per the schedule-II of the Gift Tax Act, the value of any property shall be determined in accordance with the schedule –III of the W.T. |

| | | | | |
|--|--|--|--|---|
| | | | | Act, 1957. Therefore, remarks against Sl. No. 1 are also applicable in this case. This act ceased to operate w.e.f. 01.10.1998. |
|--|--|--|--|---|

Chapter 3

FUNCTIONING OF VALUATION CELL

Income Tax cases regarding investment in land and buildings or Wealth Tax, Gift Tax, Capital Gains Tax etc. regarding fair market value of land and building are referred by Assessing Officers to the Valuation Officers for expert valuation under the relevant acts.

On receipt of reference its content is checked. For complete references the cases is entered in the case Register having the following informations :-

1. Date of receipt.
2. Officer from whom received.
3. Reference of letter No.
4. Section and Act under which valuation required.
5. Name of assessee & address.
6. Property description.
7. Declared value with each date of valuation.
8. Share of the assessee.
9. Date of issue of notice for filling documents.
10. Date of subsequent adjournments
11. Date of issuing proposed Valuation estimate (in case of statutory reference).
12. Date of receipt of objections from the assessee.
13. Date of final disposal.
14. Final value determined.
15. Difference in assessed value & declared value.
16. Reference number of dispatching the final reports under remarks columns.

The register is an important document and should be in the personal custody of the DVO for cases pertaining to his monetary jurisdiction and similarly VO / AVO may maintain for references received by them.

Whenever a reference is received, the Valuation Officer should examine whether reliable and comparable contemporary sale instances relevant to the valuation dates are available or not. If not available,

actions are to be initiated to collect such sale instances. The Valuation Officer has to create data bank on a continuous basis. Primary source of sale instances is sub registrar office. Sometimes sale deeds furnished by assessee or ITOs / WTOs and these can also be a sources. Apart from the above following additional sources should be tapped for guidance/consultation and to support rate derived by analysis of sale instances :-
i) News paper advertisement, ii) Web sites related to real estates, iii) documents received in other case iv) data collected from property developers or realtors or estate agents v) land rate circulated by D.M or stamp valuation authority for the purpose of stamp duty leviable at the time of transfer of property.

If reference is made under the wrong section and the wrong Act, this should be immediately brought to the notice of the Assessing Officer and request him to make correct reference for initiating any further action by the Valuation Officer. No notice shall be issued to the Assessee until reference is made under the proper section and the Act.

It is one of the duties of the Valuation Officer to scrutinize the correctness of the reference made. If there is any deficiency or incorrectness in the reference letter the same shall be set right by pointing it out to the Assessing officer.

A classic example of this is highlighted in the *Amiya Bala case Smt. Amiya Bala Paul Vs. Commissioner of Income-tax, (2003) 262 ITR 407 (Sc)*. In this case the Assessing Officer referred a case of cost of construction of house under section 55 A of the Income Tax Act, 1961 which is not a correct section under which such reference can be made. The Valuation Officer instead of bringing this deficiency in the notice of the Assessing Officer proceeded to estimate the cost of construction and submitted report resulting in long drawn legal wrangling and setting aside of the report by the highest court of the land.

After getting relevant informations, notice is served to the Assessee for submission of relevant documents / informations upto a specified date. The Assessee on receipt of the notice either submits all or some of the documents on the appointed date or asks for some more time. In case of partial submission balance documents is asked for. Request for more time should be considered sympathetically and reasonable extension of date for submission be given, keeping in view that non statutory cases are to be disposed of within 90 days and statutory case in 120 days.

After receipt of relevant documents, and its scrutiny, date of inspection is decided preferably in consultation with the Assessee and notice is issued to the assessee. Detailed recording of measurements and specifications are carried out during inspection. During inspection of property, the Valuation Officer may make a habit of taking recourse to making local enquiries regarding prevailing market rate from diverse sources to form an idea.

Thereafter valuation is carried out in most appropriate method keeping in view the nature of reference, status of the property, submissions made and documents provided by the assessee including his objections if any.

In case of advisory reference of investment in land and building under Income Tax Act 1961 the valuation report is sent to the assessing officer. He seeks objections / comments of the assessee and those are normally passed on to the Valuation Officers for consideration. Thereafter the assessing officer finalises the valuation report. In the present section 142 A of the I.T. Act, 1961, there is neither scope for the Valuation Officer to invite objections on the report on cost of construction nor to deal with the objection submitted directly by the Assessee without being referred by the Assessing Officer. Subsection (3) of the aforesaid section allows only the Assessing Officer to hear objection on the report of the Valuation Officer. Therefore, it follows that it is the prerogative of the Assessing Officer to refer such objections to the Valuation Officer to hear the opinion of the other-side for making a fair assessment.

In case of statutory references of Gift Tax, Wealth Tax and Capital Gains the proposed valuation is sent by the Valuation Officer to the assessee inviting his written or oral objections. Final order is passed under the appropriate section considering the informations supplied by the assessee and his objections and the informations gathered by the Valuation Officers.

Simplicity and clarity of report should be of paramount importance. Special care should be taken in the matter of syntax, spelling and use of appropriate words. Better to have short sentences instead of long winding sentence of paragraph length. Do not use abbreviated form of technical terms. However, if unavoidable, provide 'LEGEND' for such abbreviation at the beginning.

Report should by and large be understandable to lay person. As the

report is subject to judicial review it should be as exhaustive as practicable and well reasoned.

The final valuation report should be prepared on the prescribed proforma and all the supporting statements should be annexed. The report should be sent to assessing officer well in time to enable him to make tax assessment.

The Valuation Officer may be of a great help in the tax recovery proceedings which may be taken up by the Income Tax Officer and the Tax Recovery Officer. The Tax Recovery under the Income Tax Act 1961 is to be effected by the Tax Recovery Officer functioning under Second Schedule, to the Income Tax Act 1961. Presently all the taxes due under the Wealth-tax and Gift-tax are also recovered through recovery proceedings under the Second Schedule of the Income Tax Act 1961.

Sometimes it is seen that the assessee offer some of their properties as security for the tax for payment of which extension of time is sought for. Where a property is thus officered as a security, it would be necessary for the Tax Recovery Officer to find its adequacy as a security. That can only be known if he can determine its fair market value correctly. In this regard the Tax Recovery Officer may seek the assistance of the Valuation Officer.

TRO may also take proceedings for restraints of movable property within the powers given to him under Third Schedule. Restraint of movable property is essentially attachment of movable property by seizure and the Tax Recovery Officer can sell the property so detained. The attachment and sale of the property proceeds in the same manner as is provided in Second Schedule. So much of the detained property as seems likely to fetch an amount proportionate to the tax in arrears can alone be sold. For this purpose the Tax Recovery Officer may seek the assistance of the Valuation Officer to determine what portion of the detained property should be sold.

According to rule, the attachment cannot be excessive which means that the Tax Recovery Officer can only direct the sale of that much of the property as necessary to satisfy the amount shown in the certificate. This decision has necessarily to be made by the Recovery Officer before he authorises the sale of the property. There will be several instances where it may not be possible for the Tax Recovery Officer to determine the value of the movable property attached. In this context he may seek the

assistance of the Valuation Officer to determine what price the property would fetch if sold and there upon decide what portion of the property to be sold.

Under rule 52 of the Second Schedule, the Tax Recovery Officer is required to sell whole or part of the attached immovable property as may seem necessary to satisfy the certificate. Therefore, before the sale is actually authorised the Tax Recovery Officer has to consider whether he should sell the entire property or only a part of it. Here again for this purpose he has to determine the price the property would fetch if sold. For determining this he can seek the help of the Valuation Officer.

It is within the competence of the Tax Recovery Officer to fix a reserve price in respect of any property attached (except agricultural produce) whether movable or immovable. This is under I.T.C.P. Rule 18. He has to indicate in the content of proclaim also. The object of the fixation of reserve price is that if the bid is below the reserve price, the property shall not be sold (Rule-56). For this the reserve price has to be generally fixed in consultation with the Assessing Officer and requires to be very carefully done. In fixing the reserve price the Tax Recovery Officer has to necessarily bear in mind the market value of the property and also the arrears of tax to be recovered. Though the reserve price may be much lower than the market value, yet it has some bearing to it. Therefore he must ask for the help of the Valuation Officers who will determine the fair market value of the property.

Rule 66 empowers the Tax Recovery Officer to postpone a sale already ordered so that the defaulter can raise the amount necessary for paying of arrears by a mortgage, lease or a private sale. The Tax Recovery Officer can postpone the sale for a specified period and on such terms as he may deem fit. He may, for instance, ask for furnishing of adequate security. He may also impose the condition that the property should not be sold for a price less than a fixed amount, which is to ensure against any fraud on the revenue. In accepting any property as security, or in fixing the sale price of the property released, the Tax Recovery Officer must necessarily determine the value of such property. In this regard also he can avail of the expert advice of the Valuation Officer.

3.1 Role of Valuation Officer in aiding investigation

Valuation Officer can render help in proving concealed income in so far as it has been canalized in constructing / acquiring house property

and in land transactions. Where the investigating officer suspects that concealed income is canalized in house property land, the Valuation Officer can render a good deal of help. The Valuation Officer has special knowledge of various technical aspects of construction and is in a position to judge properly the quality of construction and on that basis arrive at accurate estimates of cost of construction or the fair market value. The Valuation Officers are also in a position to analyse the cases stated as comparable by the assessee and to see whether in fact they are comparable.

Since the question of the financial year in which an investment was made is important, the Valuation Officer should also record in the report the period when the investment must have been made. Sections 69, 69B of the Income Tax Act, provide for taxing the unexplained difference.

Since transactions in immovable property form a substantial proportion of concealed income transactions, the Valuation Officer can help the Department, to a large extent in making a dent into this problem. Where the Valuation Officer is able to show that not only the assessee's version is false, but that there are incontrovertible materials to show that the cost / fair market value was definitely higher than declared, there would be a case for imposing penalty or launching prosecution and obtaining conviction. The Valuation Officer can thus make a positive contribution to investigation in any case where concealed income is canalized into immovable property transactions.

DEFINITIONS

4.1 Assessee

Assessee means a person by whom Wealth-tax or any other sum of money is payable under Wealth Tax Act, and includes ;

- i) every person in respect of whom any proceeding under WT Act has been taken for the determination of Wealth Tax payable by him or by any other person or the amount of refund due to him or such other person ;
- ii) every person who is deemed to be an assessee under WT Act ;
- iii) every person who is deemed to be an assessee in default under WT Act ;

4.2 Assets

Asset includes property of every description, movable or immovable, but does not include;

4.2.1 In relation to the assessment year commencing on the 1st day of April, 1969, or any earlier assessment year.

- i) Agriculture land and growing crops, grass or standing trees on such land ;
- ii) Any building owned or occupied by a cultivator of, or receiver of rent or revenue out of, agricultural land ;
Provided that the building is on or in the immediate vicinity of the land and is a building which the cultivator or the receiver of rent or revenue by reason of his connection with the land requires as a dwelling house or a store-house or an out-house.
- iii) Animals ;
- iv) A right to any annuity in any case where the terms and conditions relating thereto preclude the commutation of any portion thereof into a lump sum grant
- v) Any interest in property where the interest is available to an assessee for a period not exceeding six years from the date the interest vests in the assessee ;

4.2.2 In relation to the assessment year commencing on the 1st day of

April, 1970 or any subsequent assessment year (but before the first day of April, 1993).

- i) Animals ;
- ii) Any interest in property where the interest is available to an assessee for a period not exceeding six years from the date the interest vests in the assessee:

(Provided that in relation to the assessment year commencing on the 1st day of April, 1981, (and the assessment year commencing on the 1st day of April, 1982) this sub-clause shall have effect subject to the modification that for item (i) thereof, the following item shall be substituted, namely :-

4.2.2.1

- a) Agriculture land other than land comprised in any tea, coffee, rubber or cardamom plantation;
- b) Any building owned or occupied by a cultivator of, or receiver of rent or revenue out of, agricultural land other than land comprised in any tea, coffee, rubber or cardamom plantation ;
- c) Animals ;

(Provided further that in the relation to the assessment year commencing on the 1st day April, 1983 or any subsequent assessment year, this sub-clause shall have effect subject to the modification that for item (i) thereof, the following item shall be substituted namely :-

4.2.2.2

- a) Agricultural land and growing crops (including fruits on trees), grass or standing trees on such land
- b) One building or one group of buildings owned or occupied by a cultivator or, or receiver of rent or revenue out of, agricultural land ;
- c) Animals ;

(Provided also that) in relation to the State of Jammu and Kashmir, this sub-clause shall have effect subject to the modification that for the assets specified in [item (i)] of this sub-clause, the assets specified in [item(i) to 9iii)] of sub-clause (1) shall be substituted and the other provisions of this Act shall be construed accordingly;]

4.3 "Assets", in relation to the assessment year commencing on the 1st day of April, 1993 or any subsequent assessment year, means-

i) Any guest house and any residential house [including a farm house situated within twenty-five kilometers from the local limits of any municipality (whether known as a municipality, municipal corporation, notified area committee, town area committee, town committee or by any other name) or a cantonment board] but does not include.

- 1) A house meant exclusively for residential purposes and which is allotted by a company to any employee or an officer or a director who is in whole-time employment, having a gross annual salary of less than five lakh rupees;
- 2) Any house for residential or commercial purpose which forms part of stock-in trade ;
- 3) Any house which the assessee may occupy for the purposes of any business or profession carried on by him ;
- 4) Any residential property that has been let-out for a minimum period of three hundred days in the previous year ;
- 5) Any property in the nature of commercial establishments or complexes.

- ii) Motor cars (other than those used by the assessee in the business or running them on hire or as stock-in-trade);
- iii) Jewellery, bullion and furniture utensils or any other article made wholly or partly gold, silver, platinum or any other precious metal or any alloy containing one or more of such precious metals ;
- iv) Yachts, boats and aircrafts (other than those used by the assessee for commercial purposes) ;
- v) Urban land ;
- vi) Cash in hand, in excess of fifty thousand rupees, for individuals and Hindu undivided families and in the case of other persons any amount not recorded in the books of account.

4.4 Valuation Date

Valuation date in relation to any year for which an assessment is to be made under WT Act, means the last day of the previous year as defined in [Section 3] of the Income Tax Act, if an assessment were to be made under that Act for that year :

(Provided that in relation to the assessment year commencing on the 1st day of April, 1981, (and the assessment year commencing on the

1st day of April, 1982) this sub-clause shall have effect subject to the modification that for item (i) thereof, the following item shall be substituted, namely :-

i) In the case of a person who is not an assessee within the meaning of the Income Tax Act, the valuation date for the purposes of this Act shall be the 31st day of March immediately preceding the assessment year ;

ii) Where an assessment is made in pursuance of section 19A, the valuation date shall be the same valuation date as would have been adopted in respect of the net wealth of the deceased if he were alive;]

4.5 Property

It means any interest in property; movable or immovable. Immovable property means any land, building or part of a building together with machinery, plant and other permanent fixtures.

4.6 Land Appurtenant to Building

Where there are building regulations, the land allowed under such regulations for the enjoyment of the existing building shall be the appurtenant land.

Where there are no building regulations, the land appurtenant to the building shall not exceed 2.5 times the built-up areas at ground floor (assuming) 40% ground coverage.

4.7 Free Hold Land

A parcel of land is said to be free-hold when the owner has absolute right of enjoyment, possession and ownership over it and it is free from any kind of encumbrance as to the transfer of title/occupancy/use.

4.8 Lease Hold Land

A parcel of land is said to be lease-hold when the right of enjoyment and possession is vested in a person other than the owner for a definite period of time in consideration for a fixed sum of rent known as lease (ground) rent. The owner of the land is known "Lessor" and the person holding the lease title is known as "Lessee". Apart from the period of lease and the rate of lease rent, the lease agreement may stipulate other restrictive covenants such as use of land, sharing of unearned profit, conversion of title into free hold, renewal of lease, resumption of lease

and right to sale / transfer of land. Long term leases having term of 99 years and above are considered leases in perpetuity.

4.9 Economic Life

Economic life of building means its life expectancy with normal repairs and maintenance. Economic life of structure depends on the type of construction, the quality of construction materials, climatic conditions, use of structure and the level of maintenance and upkeep. The expected economic life of different types of structure depends on the type of construction, the quality of construction materials climatic conditions, use of structure and the level of maintenance and upkeep. The expected economic life of different types of structures with normal maintenance as given in Annexure-IV of CBDT instruction No. 1671, shall be followed.

4.10 Depreciation

Depreciation means the decline in the value of structure/asset due to its normal wear the tear on account of its use and age.

4.11 FAR / FSI

Floor are ratio/Floor space Index is the ratio of the total area of all floors of building including area of walls as well as area of mezzanine floors but excluding staircase, passages elevators and other services areas as permitted by local building bye-laws, to the area of plot.

4.12 Ground Rent

When land only is given on lease for construction buildings or any other use by the lessee, the periodic payment the lessee under the covenants of the lease is called "ground rent". The ground rent is of two kinds : Secured ground rent Unsecured ground rent.

- 1) Secured ground rent : If under the lease agreement the lessee is required to construct a building on the plot, the ground rent is said to be secured one.
- 2) Unsecured ground rent : When under the lease agreement the plot remains open without any construction of building, the ground rent is said to be an unsecured one.

4.13 Standard Rent

Rent which can be lawfully charged from a tenant under relevant rent control act is known as standard rent.

4.14 Concessional Rent

When the property is let out at rent lower than the prevailing market rent, the rent is known as concessional rent.

4.15 Annual Gross Rent

It is the total amount of the rent received from a property during the year.

4.16 Annual Net Rent

It is the net amount of the rent deducting the outgoings from the annual gross rent.

4.17 Out-Goings

The amount of taxes levied by local authority/state govt. and other recurring expenses in respect of a house property such as repairs & maintenance, collection charges, insurance, ground rent, service charges etc. is known as "outgoings".

4.18 Service Charges

It is the expenditure incurred by the owner for maintenance of common services like watch and ward, operation of lifts and illumination of the common spaces, fire fighting arrangement, for proper enjoyment of the properties by the users.

4.19 Annual Sinking Fund

Sinking fund is the notional fixed sum of money allocated annually at the prevailing rate of interest to create the necessary capital for the replacement of an asset after the economic life span of the asset is over.

4.20 Year's Purchase

The multiplier of the net rent or net return to obtain capital value on material date of valuation is termed as year's purchase. This multiplier depends upon the rate of return expected from the capital investment in the property.

4.21 Rate of Capitalization

It is the rate of return which a prudent investor would expect from a particular kind of investment in an asset or immovable property.

4.22 Value and Cost

The cost of an asset represents the actual amount spent in the construction of the asset while the value is defined as the present worth of future rights in the property and depends to a great extent on demand and supply. The cost relates to the past while the value relates to the future. With the inflationary trend in land values and construction costs, it is inconceivable that the historic cost could ever represent the value of a property on a specific date. In simple words the term value means the amount of money for which the asset will exchange in the open market.

4.23 Market Value and Fair Market Value

"Market value" is the price that a willing purchaser would pay to a willing seller for a property, having due regard to its existing conditions, with all its existing advantages and its potential possibilities when laid out in its most advantageous manner.

"Fair Market Value" is the estimated price which any asset in the opinion of WTO/VO would fetch, if sold in the open market on the valuation date.

The terms "Market Value" and "Fair Market Value" are synonym except the word "Fair" introduces an element of a hypothetical market. The expression "if sold" does not contemplate actual sales or actual state of market. The expression "Open Market" does not contemplate a purely hypothetical market exempt from restriction imposed by law. The fair market value excludes sentimental value advertisement, brokerage, stamp-duty, commission etc. for affecting the sale transaction.

4.24 Potential Value

This is the inherent value in the property which is realised when the property is developed in its most advantageous manner. For example, land on outskirts of a town possesses building potential. Similarly, an under-developed property possesses value which can be realised by fully developing the property.

4.25 Guideline Value

The value adopted for stamp duty is based on the land / building rates fixed by the local authorities for the purpose of stamp duty charges.

4.26 Salvage Value

This term is mainly in case plant & machinery. It is the value of an

asset realised on sale after it has outlived its useful span of life but has not yet become useless. In other words, it is the amount realised over and above the cost of its removal.

4.27 Scrap Value/Residual Value

It is the value which is realised when the property become absolutely useless except for sale as junk. In other words, this is the value of old materials less cost of demolition and disposal. It is also known as residual value. This value depends upon type of structure and quantities of useful materials which can be obtained on its demolition.

4.28 Reversionary Value of Land

The valuation on yield basis (except for yield in perpetuity) has got two main components, namely (a) Capitalised value of present rights to receive future income (b) Present worth of sale proceeds of an open plot at the expiry of a specified period. Price paid for a property purchases not only the present rights to receive future income but also purchases the reversion to free land. The capitalised value of net annual income in case of a rented out property will be for a assumed future life of the building and thereafter the owner will have the open plant of land without structure standing thereon. This is known as Reversion to Land. Reversion means right to repossess the property at the end of term granted to the tenant or the lessee or it can be said that the property comes back to the person who granted it to someone after the specified term of grant is over.

Reversionary value of land should be considered in valuation of a property, where the remaining life period of the structure is fifteen years or less.

Chapter 5

METHODS OF VALUATION

Valuation should be realistic depending on the nature of property, its use, potential and all other characteristics.

A valuer of land and buildings needs the knowledge of.

- (i) Purpose, time and place of valuation.
- (ii) Laws relating to valuation.
- (iii) Building industry including method of construction, structural arrangements, specifications, type of foundations finishing and services provided etc.
- (iv) Plant and machineries installed.

The following methods are usually followed.

5.1 For determination of cost of construction of a building.

- 5.1.1 Accounts method.
- 5.1.2 Plinth Area Rate and Cost Index method.
- 5.1.3 Detailed or item wise method.
- 5.1.4 Material and labour contract method.
- 5.1.5 Comparable method.

5.2 For determination of Fair Market Value of the property.

- 5.2.1 Land and building method.
- 5.2.2 Rent capitalisation method
- 5.2.3 Development method.
- 5.2.4 Profit method.
- 5.2.5 Comparable method.
- 5.2.6 Combination of more than one method for partly owner occupied and partly tenanted property.
- 5.2.7 Guidelines rates issued by local Authorities for relevant period and location in respect of rates of land, construction, flats commercial properties etc.

5.1.1 Accounts Method

If the assessee has maintained proper books of accounts wherein all details are correctly mentioned duly supported by authentic vouchers and no defects are pointed out and the books are not rejected then the figures shown therein have to be followed for determining the cost. If the assessee has produced less vouchers for some of the materials, the same is estimated and added at the market rates. Similarly, the quantum of labour payment is assessed and if the assessee has maintained proper account, the total cost is worked out on the basis of detailed produced by him. We rarely come across such cases where the assessee submits complete technical accounting alongwith justification statements of materials and labour. Such cases appear where the assessee is a professional builder or has taken huge loans and payments made through financial institutions. In such instances, the VOs should be more vigilant in pointing out the items and specifications which may have got escaped from the assessee's submission of facts. Such items can be valued and added separately. However this method yields to a near to perfect valuation, if the accounts are correctly maintained.

5.2.2 Plinth Area Rates and Cost Index method

This is a commonly used method for determining the cost of a building by comparing with the known cost of a building. The cost of a building interalia depends on the major factors - (i) the area and specification of the building (ii) the cost of materials and labour. The first one is covered by the plinth area rate and the second one cost index.

The known cost of a completed building (Standard building) is divided by its plinth area to arrive at the Plinth Area Rate (PAR). For determining the basic cost of a similar building its plinth area is multiplied by the PAR. The extra cost involved in providing richer specifications compared to the standard building, whose plinth area rate was determined, is added to the basic cost to arrive at the completion cost. These are usually termed as extra items. For instance, if PAR was determined for a building with a cement concrete flooring then for determining the cost of a building with marble flooring, the additional cost involved in flooring is to be added. There are instances where the additional cost due to richer specifications is more than the basic cost arrived by multiplying the plinth area by the PAR.

The plinth area rates with reference to base 100 as on 01.10.2007 for the type of structure / specification, amenities and rules for working out

plinth area are given in Annexure-1. However, Plinth Area Rates as applicable on 01.01.1992 may continue to be used for the properties pertaining to the period prior to 01.10.2007.

The plinth area rates as on 01.06.1986 based on DSR 1985 for Food Grain Godown for the type of structure, foundation and specification are given Annexure-3. These may be adopted for valuation of industrial sheds with suitable adjustments for variations in the construction items / specifications.

The plinth area rates for Auditoriums as on 01.10.1976 for the specifications given after it, are given in Annexure-4.

The plinth area rates, the unit rates for additional items & for richer specifications and the percentage for services as fixed by DG (W) CPWD are based on detailed analysis of large number of completed works, and should not be suo moto reduced or altered in normal situation, without detailed justification.

Care should always be taken while adopting state PWD schedule of rates that the market rates of steel & cement are taken and not the issue rates which may be sometimes lower than prevalent market rate. Tendered percentages on such rate should be ascertained as to reveal lower rates adopted in derivation of schedule items. Carriage of materials should be properly checked.

The ratio of the cost of different building materials like brick, sand, aggregate reinforcement etc. to the total cost is known as the weightage. Thus to arrive at the cost of construction of a building at a place, at a particular time it is essential to know the prevailing cost of materials and labour at that time and their weight ages and compare it with the rates of materials and labour adopted in determining the standard plinth area rates.

Guidelines for calculation of Building Cost Index with base 100 as on 01.01.1992 are given in Annexure-5.

Further the above Cost Index so worked out can be checked by adopting the rate of purchase of materials by assessee, after checking their correctness and market rates of labour which should not be less than the minimum wages.

Savings if any claimed by the assessee in labour rates can be assessed and be considered in arriving at the cost of construction.

If for any place Cost Index for food grain a godown has not been sanctioned, Building Cost Index reduced by 5% and duly adjusted for DSR-85 may be adopted. The Cost Index of DSR-1985 on PAR 01.10.1976 may be taken as 272.

The classification of structure with expected physical life, residual value and annual depreciation are given in Annexure-7.

Every DVO should identify the places where CI is likely to be required with in his jurisdiction and keep a record of the Cost Index as on 1st June of all such places.

The Cost Index approved by CPWD should be obtained. For other places DVOs should approve the Cost Indices.

The C.I. at a particular time should be calculated by interpolation of the previous and subsequent Cost Indices. Otherwise C.I. should be determined by extrapolation of the immediately preceding two cost indices, but should not be executed beyond two years from the last approved Cost Index. VOs and AVOs should get approval of DVO before adopting cost indices not approved by CPWD for uniformity. The cost index proposal should not be merely based on the rates of assessee vouchers, but additional and authentic enquiry should also be made from local PWD, municipal authorities and proof of such enquiry should be enclosed and verified by next higher authority as the cost index leads to financial implication in the view of audit.

In case of estimation of value of investment in construction where past years are involved it may not be possible to work out Cost Indices for past years in respect of a place simply because it would not be practicable to collect authentic data regarding prices of materials and labour (labour rates shall not be less than statutory minimum wages) required to determine Cost Indices of the place for past years. In such cases it would be appropriate to adopt Cost Indices of places nearest to the place under consideration. In doing so following procedures may be followed :-

- i) Identify as many places as possible nearest to the place where the CPWD has approved Cost Indices for many years. These places should be within hundred kilometer radius (preferably, within fifty kilometer) of the concerned place.
- ii) Work out the Cost Indices of required time for each place

commensurate with the period of construction of the building for which year wise value of investment is to be estimated.

- iii) For each time average out the Cost Indices of all places nearest to the place under consideration and adopt this figure as Cost Index of the place that time.
- iv) As further check work out the current Cost Index of the place after collecting prevailing market rates of materials and labour and compare with that derived from the above Method. If there is large deviation, average out Cost Indices of those places which give figure closest to the figure of current Cost Index worked out considering prevailing market rates of materials and labour of the place. This can easily be achieved by trial and error method. For past Cost Indices, take average of Cost Indices of those places only whose average current Cost Indices correspond nearest to current Cost Index of place.
- v) It would be appropriate to choose as many places as possible surrounding the place under consideration so that average figures of Cost Indices at difference time will represent as closely as possible to the Cost Indices of the place under consideration related to those time. In case only one or two nearby places are available where Cost Indices at different time have been approved by CPWD then following method may be adopted :
 - a) Work out the current Cost Index of the place under consideration based on prevailing market rates of materials and labour and that of the other nearest places based on CPWD approved Cost Indices of those places. Work out Cost Index differential factor of the place under consideration with reference to the nearest places.
 - b) Determine Cost Indices of the place under consideration for different time by applying Cost Index differential factor on the Cost Indices approved by the CPWD for these nearest places. If there is more than one nearest places, then average figure may be adopted. Cost Indices thus worked out shall be adopted for estimating value of investment in construction.
 - c) Following practice for arriving at the cost of construction to bring uniformity may be adopted for working out the Weighted Cost Index:-

i) Cost index of the nearest place should be adopted in case the declared CI of a particular place is not available.

ii) In case the work is spread over a number of years with proper documentary evidence for year wise expenditure, then the following formula should be used to arrive at the CI of the project –

$$\frac{E1}{CI 1} + \frac{E2}{CI 2} + \dots = \frac{EP}{CIP}$$

E1 means expenditure in first year.

CI 1 means cost index applicable in first year.

Similarly EP means expenditure of project as declared by the assessee and CIP Means cost index of the project. This formula can be applied in another fashion also by reducing all the year wise expenditure to the base of 100. Then totaling such expenditure and then dividing the expenditure declared by the assessee by such total expenditure based on 100 will give the CI of the project.

iii) In case, the year wise expenditure is not reliable and only starting date and completion date can be ascertained by evidence, then the CI of the project should be taken at specified date at 5/8 of the period.

iv) When there is no evidence for expenditure or starting and completion date is available, then the status as on the date of Inspection should be taken with a correct judgment to the period of construction for the quantum of work needed at per the CPWD manual and then working out cost index of the project at specified date correspondingly to 5/8 of the period

5.1.2.1 Extra Item

Mainly the items of flooring, ceiling, internal, external finishing of walls, doors, windows, costly sanitary water supply fittings, cupboards and electrical installation etc. are to be accounted for the cost adjustment. One method is to analyse each item by considering the amount of different materials, labour and T & P involved and considering their prevalent market rates. Other method is to account for the cost for the materials involved and the finished rate of labour.

For instance, for marble flooring, marble of different qualities & sizes having different prices are available in the market. The finished rate for marble flooring may vary from Rs. 805 to Rs. 2500 per square meter. A typical analysis of rate for 20 mm thick marble flooring of Dungri marble slab of reasonably good quality is given in the Annexure-7. The market rates are for a particular item & place and would be different at a different place and time. At a place for different types of marble flooring, items of finished labour would remain almost the same only the market rate of marble would change depending on the type of marble used. For electrical plants, machinery and fixtures, local enquiry and help of CPWD electrical officials may also be taken.

5.1.3 Detailed or item wise method

In this method the quantities of all items of work are separately calculated. Thereafter their rates are determined and the cost is arrived at. Foundation for which construction drawings is not available, can be taken as costing 10% to 15% of the cost of superstructure depending on the nature of the soil and type of foundation. In case of specialised foundation techniques like raft deep bearing pipes etc. the authentic certification on actual expenses and design of the consultant / construction agency can also be relied upon as such work are executed through separate foundation experts on lump-sum contract basis etc. because the element of foundations (other than normal) may not be within 10-15% range. In case reinforcement drawings are not available the standard coefficients for slabs, beams and columns may be adopted. The overall coefficient for framed and load bearing structures may be considered as 110 kg. & 70 kg. per cubic meter of concrete respectively.

This method is applicable only when the detailed construction drawings or completion drawings are available.

In case standard schedule of rates are followed then suitable cost index should be applied to make the rates upto date. For non-schedule items either methods of determining extra items as described in previous chapter be followed.

Wherever possible with availability of working drawings and other details item wise method may be given preference over other methods. Updated local PWD Schedule of rates can be followed equally like the CPWD Schedule of rates where specification & mode of measurement of the schedule matches with the item of work.

5.1.4 Materials and labour contract method :

In this method the owner arranges for materials partly or fully. Work is executed by labour contract which includes supply of material not supplied by the owner. Labour contract may include execution of all items of work of separate contracts be given for main structure, water supply, sanitary, electrical wiring, electrical fitting, flooring, wood work, steel work etc.

The rates of labour contract without materials for the main structure excluding the other items referred earlier may vary from Rs. 500 to Rs. 600 per Square meter. The labour rate for flooring including laying, jointing, polishing etc. complete varies from Rs. 50 for mosaic tiles to Rs. 100 per Square meter for marble and allied stone flooring. The labour rate for wooden doors, windows, paneled and glazed varies from Rs. 170 to Rs. 220 per Square meter. The water supply and sanitary fitting work may be done on lump-sum basis for each toilet. For a moderate toilet it ranges from Rs. 1000 to Rs. 1500 per toilet.

The electrical work is generally done on point basis usually at the rate Rs. 25 to Rs. 30 per points in residential buildings. Fixing of fans and fixtures is done on lump-sum basis at Rs. 25 to Rs. 30 per fan / fixture.

For adopting this method Valuation Officer should find out the cost of all required materials provided by the assessee and the amount of work done by the labour contract, if contractor has provided any material then its cost should be accounted for. Copies of the labour contract should be obtained. The standard parameters like builder's effort, consultancy charges, supervision charges etc. may be considered.

5.1.5 Comparable method

For built up properties

(a) (Flats/Shops/Offices) In Apartments And M.S. Buildings :

The comparable method for valuation of properties like Flats/Shops/Offices in Apartments/Multistoreyed buildings can be adopted. The sale instances should be noted and tabled in the same manner as that of plots.

| Sr. No. | Description of property | Built up Area in Sqm. | Date of Sale / Transfer | Area of the Plot | FSI/FAR of the plot | Land appurtenant to Flat | Apparent consideration | Name of seller / purchaser | Register No. & autori |
|---------|-------------------------|-----------------------|-------------------------|------------------|---------------------|--------------------------|------------------------|----------------------------|-----------------------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| | | | | | | | | | |
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(b) Sale Instances For Built Up Properties :

For making the rates of built up properties most comparable with the property under consideration the following factors should be adjusted.

1. Location.
2. Situation.
3. Area.
4. Floor Difference.
5. Specifications.
6. Facilities / Services.
7. Time-gap.
8. Status (Lease or Freehold).
9. Area of the Building.
10. Floor disposition.

Suitable and proper adjustment should be made to make the rate for built up properties fully comparable with the property.

(c) Floor Disposition :

Fair Market Value of Residential flat/commercial premises should be determined by giving weightage for floor disposition in multistory building as follows :

- | | |
|--|----------------|
| a) Basement | |
| Used for storage purpose | 0.50A |
| Used otherwise | 0.75A to 0.90A |
| b) Ground floor / Ist & Mezzanine floors | A |
| c) 2nd to 5th floor | 0.95A |
| d) 6th to 9th floor | 0.90A |
| e) 9th floor and above | 0.85A |

A is the average unit cost of a flat.

In cities like Mumbai, the position is quite reverse in case of flats and multistoried buildings as the rates of upper floors go on increasing as compared to rate of G.F. and F.F. rates. The floors above G. floor and Pent houses fetch the most, similarly location of flat in the same building in terms of seaface view also plays as important role. Hence above factor

should be carefully decided keeping in view the local trends and situations. Help of local guidelines for the place may also be considered to decide the floor-wise weightages.

5.2.1 Land and Building Method :

As the name indicates, in this method the value of land is added to the value of structure to arrive at the fair market value of the property. The method is generally adopted in the following situations :-

- (a) In the case of self occupied property.
- (b) In the case of property partly self occupied (i.e. more than 60%) and balance tenanted.
- (c) In the case where it is not possible to obtain fair and maintainable rent.
- (d) In case where there is no direct evidence of rent such as schools and hospitals etc.
- (e) In the case where the property is not fully developed, or the return from the property is not commercial.

5.2.1.1 Land Value :

The land value is to be determined by comparable sale instances which are to be identified and then factors of adjustment / influence are to be applied.

5.2.1.2 Identification of Comparable Sales :

It should be genuine and should not be forced, accommodation and fancy sale. Auction sale instances or the sales cleared by the Appropriate Authorities should be given preference. In the absence of above, the local guidelines, auction / sale prices as fixed by local development authority. Improvement Trust, reputed builder etc. may also be referred.

It should be proximate from situation angle. The order of preference should be given to :

- (a) Sale of the adjacent land.
- (b) Sale of the land in the same locality.
- (c) Sale of the land in the neighborhood or adjoining localities.
- (d) Guideline rates issued by Local Authorities for land & construction.

It should be proximate from time angle. Sale instances nearer to the

valuation date should be preferred and in no case sale instances older than 2 to 3 years should be adopted unless there is a justification for it.

The sale instances of the dates after the date of valuation can also be considered, provided there is no sharp and speculative rise in the prices after the valuation date,. In this situation also the proximity of time should be preferred.

The sale instances of allotment or sale of similar flats, bungalons, shops, banks etc. by the local Development Authorities, Housing Boards, Nationalized Banks etc may also provide an authentic base for FMV of land or building.

The sale instances of the period prior to and after the valuation date can also be considered together if they are passage of time can be ascertained very accurately.

Thus for land value reliance has to be given to reliable and comparable contemporary sale instances and these instances are to be analyzed with reference to various factors impinging on the land rate to arrive at a figure representing the fair market rate as prevailing on the valuation date. Some of the important factors affecting the land value are given below:

i) Size, ii) Shape, iii) Frontage, iv) Locality and surroundings, v) amenities and facilities vi) FAR or FSI, vii) Connectivity, viii) Road width.

Date of transfer of sale instance property shall always be pre valuation date or the valuation date itself and never post valuation date. Sale instances of a post valuation date that too only immediate one can be considered for supporting the rate derived from other sale instances of pre or on date transfer.

The number of sale instances should preferably be three or more and average rate should be adopted.

5.2.1.3 Factors of Adjustment :

Two properties can not be identical. They may not possess similar advantage & disadvantage. All such factors of adjustment / influence affecting land rates are to be considered. The main factors are :-

(a) **Location & Situation** : The lands rate increases with the degree of development and the situation of the property like in commercial or residential zones, nearness to roads, proximity to

civic amenities, transport facilities, corner plots etc. As there is no fixed percentage for these factors so the (+) or (-) percentage is to be decided judiciously. An allowance to the extent of + / - 15% may be made on this account. For corner plots an additional adjustment upto 5% may be made depending upon the width of return frontage. Factors adopted in the guidelines for land & construction by local relevant authorities may also be seen.

- (b) **Time-gap** : Generally the price of land increases with passage of time. To ascertain the price rise more accurately sale instances of the dates prior to and after the date of valuation should be selected and should be brought at par with property under valuation by applying all other factors of adjustment except for time gap. The difference in rate so arrived divided by the time gap will give the rate of price increase around the valuation date. Addition of this price rise to the rate of past sale will give the land rate on valuation date. If no such sale instances are available then the price rise should be considered 18 to 24% P.A.. Earlier trend may also be seen.
- (c) **Shape** : A plot of rectangular shape fetches more value than the plot of irregular shape. An adjustment factor + / - 5% can be applied depending upon the irregularity in shape and frontage of the plot that affect the layout of the building and general architectural planning.
- (d) **Size** : In general large plots fetch less unit price due to less number of buyers. Though there is no fixed percentage or this factor, however due to availability of number of buyers for large size plots + / - 0.5% per 100 Sqm. can be considered reasonable. Sometimes it is not possible to have sale instances of larger size of plots and the sale instances available are of very small size developed plot. In such a situation the price of small developed plot can not be directly applied.

The value of large tracts of land can be determined from the sale instance of the small plot provided the large tract of land is ripe for use for building purposes, that the building plots that could be laid out on the land would be good selling propositions and that the valuation on the basis of hypothetical layout with justification be adopted. In such a case necessary deduction for the cost of land required for the formation of roads, drains, sewer

water supply and electricity lines and the interest on outlays for a period of deferment of realisation of the price, the profits on the venture etc. are to be made. The total cost of such deductions vary from 25% to 50% and should be determined judiciously. For this purpose Development method given in this chapter may be resorted to.

Consideration should be given to local bye-laws. Where multistoried building is admissible on a plot say having minimum 1500 Sqm. area, it may be more valuable than smaller size plot due to higher FSI / FAR permissible.

- (e) **FAR** : The market value of plot increases with the increase in the Floor Area Ratio (FAR) or Floor Space Index (FSI). But this increase is not proportional. Effort should be made to adopt sale instances of the same FAR/FSI or the sale instances of the FAR/FSI next above/below to the FAR of the plot under valuation. In case if sale instances of same or next above/below FAR are not available the adjustment in rates for FAR/FSI should be made as under :

| FAR/FSI | Rate |
|----------------|--------------------|
| Additional 0.5 | 40% of basic rate. |
| Next 0.5 | 35% |
| Next 0.5 | 30% |
| Next 0.5 | 25% |
| Next 0.1 | 45% |

In Mumbai there are provisions of transfer of unutilized FSI in some identified areas. This factor should be carefully considered in view of prevailing land regulation Acts etc.

For figures of FAR/FSI in between, the variation in rates may be interpolated.

- (f) **Side Open** : The plots having more sides open, fetch more rates. An adjustment of +5% for each additional open side or vice-versa is considered reasonable.
- (g) **Co-ownership Undivided share, rights & Interest** : The undivided share, rights & interest are less attractive to the prudent buyers on account of absolute ownership, limited control, expenses of partition suits, meeting of minds on a number of

problems connected with maintenance, management and development. As such a discount 5% to 12.5% depending upon the number of co-owners and their relationship can be given.

- (h) **Land Tenure** : The leasehold land fetch less price as compared to free hold land due to the number of restrictions imposed in lease deed. An adjustment fact + / - .25% is to be applied for working out the land rate of free hold plot from the sale instance of lease hold plot and vice-versa.
- (i) **Encumbrance**: Land which is encumbered by unauthorized occupation/encroachment will have depressed value on account of litigation for eviction. Land value for the portion encumbered may be deferred for reasonable period to allow for depressing effect to the extent of 30%. The bonfires of unauthorized occupation/encroachment should, however, be checked by Valuation Officer before allowing this adjustment.
- (j) **Unearned increase** : If the property under valuation happens to be a lease hold plot then a certain percentage, as specified in the lease deed of unearned increase (current market rate less premium paid) is also to be deducted from the land value. In such cases, however, it should be ensured that if the sale instance considered is also lease hold, then it should be first converted into free hold by applying at adjustment factor of (+) 25%, in addition to other factors of adjustment.
- (k) **Impact of Statutory Restrictions**: The main aim of statutory restrictions is to restrict the right of the landlords to enjoy their properties and equitable distribution of land at nominal rates for mass scale housing for urban poor. One of such legislation is Urban Land (Ceiling & Regulation) Act 1976 which came into existence on 17.02.1976. Before proceeding to evaluate the land attracting provision of ULC Act 1976, Valuation Officer should call for the statement filed U/s 6(1) and also the draft statement issued by the competent authority U/s 8(3) of the Act. Wherever assessee has filed objection against draft statement issued U/s 8(3) or the final statement has been issued under section (9) the same may be considered on merit. The properties falling within the preview of UL (C&R) Act, 1976, normally fall in one of the following categories.

- (i) Cases where almost no acquisition proceedings have been initiated by the Government.
- (ii) Cases where acquisition proceedings have been initiated but it is not clear whether Government is definitely likely to acquire the property even after lapse of several years beyond 1976.
- (iii) Cases where the assessee had applied for exemption under section 20 of the UL (C&R) Act 1976 and decision of the Government is awaited.
- (iv) Cases where acquisition proceedings are in advance stage and the intention of the Government To acquire the property is indicated or in cases where notice under section 10(1) & 10(3) of UL (C&R) Act 1976 have been issued by the Government

Mere declaration of land surplus under Urban Land (Ceiling Regulation) Act, 1976, does not deprive the land lords from his rights, title and interest in the excess vacant land. Those will not be extinguished till the date of publication of notification under section 10 (3) of UL (C&R) Act 1976, to acquire the excess land for public purposes. So long there is no such notification by the Govt. There is no question of land being valued on the basis of rate contained in section 11(1) of UL (C&R) Act 1976. As such the cases falling under the categories (i) & (ii) above are not to be valued at the rates contained in section 11 (i) of the Act but to be valued at the market rates.

As regards category (iii), it may be assumed that exemption will be given. The time interval between the date of valuation and the date of completion of the group housing after completion of all formalities by the local bodies, is to be estimated and the value be deferred for such time period @ 12% rate of interest P.A.

Note : The Urban land (Ceiling and regulation) Act, 1976 has been enacted by the Parliament in the Fiftieth Year of the Republic of India by the the Urban Land (Ceiling and Regulation) repeal act 1999 by No. 15 of 1999, 22nd March 1999 effective from 11 January 1999.

As regards categories (iv) the excess vacant land is to be valued at the rate contained in section 11(i) of the Act.

In cases where sanction U/s 21 is obtained, the rate to be applied shall be the ceiling rate permissible for scheme U/s 21 of the Act wherever specified. No deferment is to be allowed in such cases.

5.2.1.3.1 Other Factors :

Apart from the adjustment factors described in the foregoing paragraphs, if there are other factors effecting the price of property such as defect in title, mode of payment etc. these should also be considered.

5.2.1.3.2 Cost of Building :

The fair market value of the building on a valuation date is its cost of reproduction on that date minus the depreciation from the date of completion of the building to the date of its valuation.

When an immovable property consisting of land and building is to be valued the above method is adopted in certain circumstances viz. i) fully owner occupied, ii) untenanted or vacant.

Underlying concept for such valuation is the view that Fair Market Value of such property reflected in the sum of the market value of vacant land as prevailing on the valuation date regarding valuation of land, certain aspects have been discussed in Instruction No. 2 issued on 31.10.2005 which shall be kept in view and the reproduction cost of the building less depreciation as on the said date. Reproduction cost is unaffected whether the building was constructed by the owner through his own efforts or got it constructed through a contractor. Obviously in such case there is no question of making any concession for any claim by the owner of constructing the building by the owner through self supervision. No deduction whatsoever (7 ½ % or other wise), on this count shall be allowed in determining F.M.V. of an immovable property.

Methods for determination of cost of reproduction (construction) of a building have already been explained.

5.2.1.3.3 Depreciation :

With the passage of time, the value of building decreases and after economic life of the building, its value becomes equal to its salvage value. Normally reproduction cost of building is worked out with the help of Plinth Area Rates published by C.P.W.D (CPWD-PAR). After working out the cost of building as new on the situation date with the help of CPWD-PAR a deduction termed as depreciation is allowed to arrive at the reproduction cost of the building at its present form.

Deciding the quantum of depreciation to be allowed is a very important exercise to be undertaken by a Valuation Officer. To estimate the value of depreciation a V.O. has to assess future life of the building (life of a building is its economic life and not physical life) and this requires expertise of a Civil Engineer or an Architect. Future life of a building depends on the following factors :

- i) Date of commencement of construction, ii) Date of completion of construction, iii) Type and technique of construction, iv) Type and quality of construction materials, v) Quality of workmanship, vi) Surroundings and environment in which a building is situated, vii) Climatic conditions of the place, viii) Nature of use to which the building was subjected in the past and likely nature to which the building will be put to use in future, ix) Extent and quality of repair and maintenance, x) Present physical condition of the building with special attention to critical components and its repairability in future, xi) Obsolescence.

Actual age of a building is one factor among many factors which influence future life of a building. One of the most important factors is the factor of obsolescence which needs to be further elaborated. Obsolescence means going out of use or becoming out of date. Obsolescence of a building can be on account of either aesthetic obsolescence or functional obsolescence or economic obsolescence or combination of any or all of the three. If a building is obsolete the future life is NIL, though physical future life may be thirty years. A building designed in the past say, an eighteenth century building is aesthetically obsolete and a new owner will demolish the building and construct new designed in accordance with the aesthetic value and taste of the twenty first century and therefore, value of the building will be the salvage value and nothing more unless it has got huge heritage value. In this case life of the building has come to an end on account of aesthetic obsolescence.

A building which was not built keeping in view the modern functional utilities and which can not be economically altered to suit such functions will be demolished by the new owner and a new building will be constructed in conformity with the present functional trend. For example a building with very high ceiling, large doors and windows and without attached toilets is functionally obsolete building and this building will have NIL future life, though physical future life may be considerable. In

this case value of the building will be its salvage value and nothing more.

A building, even if it is not aesthetically and functionally obsolete, is economically obsolete when it is economically viable and lucrative to demolish the existing building and construct a new building. For example, a building which has not developed the land to its full potential and it cannot be developed so unless the existing building is demolished and a new building is constructed, then the existing building is economically obsolete provided the new venture is economically viable and lucrative. In this case future life of the building will be NIL even if it was constructed say, thirty years back and the value of existing building will be the salvage value.

Considering all the factors mentioned above and after due deliberation a Valuation Officer has to assess the future life of the building under valuation. Having done so, equivalent spent life (le) of the of building will be life of the building (I) less assessed future life of the build (If) i.e. $le = I - If$.

Lives of different categories of buildings (I) are given in enclosed Annexure Normally salvage value shall be taken as 10% of the reproduction cost but in certain cases it may go up to 15%. In case of old thick walled load bearing buildings having extensive use of stone masonry, good quality marble, teak wood doors, windows, beams and floors, brass fittings, cooper wirings etc. percentage may be taken as 15 instead of 10 for estimating salvage value.

In case of factory buildings having R.S. columns, beams, steel trusses and CGI sheet roofing in good condition without rusting and flaking salvage value may be taken as 15% of the reproduction cost. Which is generally taken as 10% of the value of the building. The economic life of the building depends upon its type of construction. The depreciation can be worked out by any one of the three methods indicated below. Generally the first method which is simplest among the three methods is followed.

A. Straight Line Method :

$$\text{Depreciation per annum} = \frac{(\text{Cost of reproduction} - \text{Salvage value})}{\text{Life of the building}}$$

As the salvage value is taken 10% of the cost of reproduction.

$$\text{So depreciation per annum} = \frac{0.90 \times \text{Cost of reproduction}}{\text{Life of the building}}$$

In determining value of an immovable property by 'Land and Building Method, another factor viz. Builder's efforts is not considered.

Builder's efforts as the name suggests is the monetary value assigned to the efforts expected to be made by the owner of the property to get the building constructed. This includes expenses likely to be incurred by the owner for getting the building plan prepared and structural design done, getting the building plan and other services sanctioned by the municipality, electricity board or other local authorities etc. This may be taken as 3% of the reproduction cost of the buildings. Therefore, value of a property by the Land and Building Method would be :

- 1) Value of land A
- 2) Value of building :
 - 2.1 Reproduction cost of the building
Based on CPWD-PAR B
 - 2.2 Amount of depreciation (-) C
 - 2.3 Builder's efforts @ 3% of B D
 - 2.4 Value of building (B-C+D) E
3. Value of the propertyA+E

On account of its simplicity the first method i.e. Straight Line Method may be adopted for estimating quantum of depreciation to be allowed.

Quantum of depreciation may be expressed by the following formula:

$$Q = \frac{(1-p) \times R \times I}{Ie}$$

I

Where Q = Quantum of depreciation

R = Reproduction cost of the building in Rupees

p = Percentage considered for estimating salvage value

Le = Equivalent spent life of the building in years.

I = Life of the building in years.

$$\text{With } P = 10, Q = \frac{0.9 R I e}{I}$$

I

B. Sinking Fund Method :

A sinking fund is an amount set aside every year and invested at compound interest so that on expiry of economic life one gets the

cost of building less salvage value Annual sinking fund to provide Re 1 in n years.

$$A = \frac{P}{(1+P)^{n-1}}$$

Where A = Sinking Fund

$$P = \text{Rate of interest} = \frac{1}{\text{Amount of Re. 1 in n years}}$$

C. Written down Value of Equal percentage or declining Balance Method:

In this method the rate of depreciation remains constant and it is given :-

$$D = 1 - \left(\frac{V_s}{V_o} \right)^{\frac{1}{n}}$$

Where

D = Annual rate of depreciation

V_o = Original cost

V_s = Salvage value

n = Life of the building.

5.2.2 Rent Capitalisation Method :

This method is generally resorted to in the following situations : -

- (a) In case the land is fully developed i.e. it has been put to full use legally permissible and economically justifiable and the income out the property is normal commercial and not a controlled return or a return depreciated on account of special circumstances.
- (b) In the case of fully tenanted property and statutory control of terms and conditions of tenancy.
- (c) In the case of a property small portion of which is self occupied and balance large portion is tenanted.
- (d) In the case of commercial establishment like cinemas and hotels, if the building is given on outright lease / rental basis and rent fetched is reasonable.

The rent which is foundation ingredient of rent capitalization method is net maintainable Rent which is the difference of Gross maintainable rent and out goings. The other ingredient of this method is year's

purchases or rate of capitalization. Thus to determine the fair market value of the property gross income per annum is to be determined. From this income all the outgoings which are essential to be incurred for maintenance are to be deducted to find out the net maintainable rent or annual letting value. The Annual letting value multiplied by year's purchase gives the fair market value of the property.

5.2.2.1 Gross Maintainable Rent :

- (a) In case of rented building attracted by Rent Control Act, the actual rent received or receivable should be adopted.
- (b) In case of a newly rented building, the actual rent if it is nearly equal to the fair and normal market rent prevailing in the area be adopted.
- (c) In case the rent fixed a lower level deliberately by collusion by letting out to near relations or subsidiary concerned, the prevailing market rent should be adopted. The reasons should be recorded in the report.
- (d) In case of partly self occupied building, where rent capitalisation method is resorted to, the rent for self occupied should be equal to prevailing market rent.
- (e) In case of commercial building, prevailing market rent in the locality should be adopted.
- (f) In case the Rent Control Act is applicable, the rent should not exceed the standard Rent, whether fixed or not.
- (g) In case where the property is let throughout the year ending on the valuation date the gross annual maintainable rent shall be the rent received or receivable as indicated in para (a) to (f) above in respect of such year.
- (h) In case where the property is let for only a part of the previous year (year ending valuation date), the gross annual maintainable rent.

$$= \frac{12 \text{ months X Rent received during tenancy period}}{\text{tenancy period}}$$

- (1) In the gross annual rent the following amounts should also included :
 - (i) Interest on deposits not being advance payment towards the

rent for a period of 3 months or less @ 15% P.A. on the amounts of deposits outstanding from month to month basis for the period (excluding part of a month) during which deposit was held by the owner in previous year. if the owner paid interest on such deposit, the amount of interest paid by owner be deducted from the amount of interest calculated @ 15% P.A.

- (ii) The amount of premium divided by the number of years of lease period, if the owner received premium for leasing out the property.
- (iii) The value of benefits or perquisite whether convertible into money or not, desired by the owner as consideration for leasing of the property or any modification of the terms of lease.

5.2.2.2 Out Goings :

Only those outgoings which are actually paid or payable by the assessee will qualify for deduction from the gross main tenable annual rent.

1. **Municipal Taxes :** The amount of taxes as actually levied or leviable by the municipalities should be considered for deduction.
2. **Repairs and maintenance Charges :** The yearly expenses incurred by the assessee for repairs and maintenance or as per stipulated condition in the rent agreement should be deducted. Normally, 1/12 of gross annual rent should be considered for deduction as outgoings for repairs and maintenance.
3. **Ground Rent :** Actual ground rent paid in the case of lease hold properties.
4. **Insurance Cover :** The actual amount paid by the assessee for the insurance for the safety of building only limited to the scale laid down by Fire and General Insurance Rules.
5. **Management & Collection charges :** This will vary depending upon the number of tenants, types of tenants, legal disputes in collecting the rent. If there is only one tenant or the building is under occupation of the Govt. or Public Sector-25 undertaking only 2% should be adopted. In any case not more than 6% deduction is to be made on this account.

6. **Service Charges** : Expenditure actually incurred by the assessee for sweeper, chowkidar, liftman, pumpman, electrical energy for common light point etc. may be allowed subject to scrutiny of the reasonableness of the claim.
7. **Sinking Fund** : Deductions for sinking fund for equipments and machinery installed in cinemas, hotels and factories etc. may be allowed. No sinking fund is to be allowed for building.
8. In case of outgoings the expenditures for common securities, maintenance charges, fire fighting charges, Rain water harvesting charges, maintenance on loan etc. may should also be considered.

5.2.2.3 Rate of Capitalisation :

Rates of Capitalisation : The Govt. has specified year's purchase in rule 3 of Schedule – III of W.T. Act, 1957. These are 12.5 for freehold, 10 & 8 for lease hold properties where the unexpired period of lease of land is 50 years or more and less than 50 years respectively.

Having determined the net maintainable annual rent and years purchase the F.M.V. of the property = Net Maintainable Annual rent X year's purchase.

- 1.1 When a property is valued with reference to the income realized from it, the basic relationship is expressed by

$$V = \frac{I}{R}, \text{ where}$$

V = Present worth of future right to income.

I = Net operating income, before providing for interest on the investment and amortization payments on the investment.

R = Rate of capitalisation, a summation of the rate of interest plus the rate of amortization (I + r).

Amortization means extinguishing debt, usually by means of sinking fund. The definition of "I" above properly observed, will prevent the inclusion of interest on capital and sinking fund as 'outgoings' from their gross income.

- 1.2 "R", the Rate of Capitalisation represents the total property rate at which a fair return on and of the investment is anticipated. The 'on' part (i) is the Interest on Capital, while the "of" part ® is the sinking fund element. Land by itself is indestructible and does not call for

the "of" part when it is considered along. Improvements and land (structures) have finite lives, have to be replaced by new ones and, therefore, call for the of part of sinking fund.

- 1.3 For a defined amount of sinking fund, R the Rate of Capitalisation will depend on 'r' and 'I' the Rate of Interest. This rate is often the subject of dispute. It is, therefore, necessary to understand the background of it.

2. What is Interest ?

- 2.1 Natural Resources (termed as and including "Land") and Human Labour are the Primary Factors of Production. Production covers everything including properties. Capital goods produced by the economic system itself constitute the Intermediate Factor. They are both outputs and inputs of the system. They can be rented out. The rental yield derived from the capital goods in 'Interest - a percentage θ and hence a pure number of the money value of these goods.
- 2.2 The Intermediate Factor is a product of the round about processes, which take time to get started and completed and a mere productive than direct processes. The capital goods also depreciate. After allowing for all depreciation requirements, capital has a net productivity 'the real interest yield'. However, no Society can take unlimited advantage of the opportunity to get more production by round about processes because it would have to cut down on present consumption to speed up capital's rate of growth and future consumption.

3 What Determines Interest ?

- 3.1 Interest, the yield (or price) of capital, is subject to the laws of demand and supply. As Society transfers more resources from current consumption, more capital (goods) becomes available projects with longer life and lesser yield or lesser net-productivity come to be taken up.
- 3.2 This means that interest level is determined by interaction between two factors:
1. People's impatience to consume now rather than accumulate more capital goods for future consumption ; and,
 2. Investment opportunities that exist to procure higher or lower net productive from such capital accumulated.

The first factor limits the growth rates of capital and its attained size. The second tells what interest can be earned as we have various amounts of diverse capital goods. The fundamental proposition is :

Society can exchange present consumption of goods for future consumption of good at a trade of rate depicted by the rate of interest.

What is Interest Rate :

- 3.3 As capital goods are of diverse nature, at any time there is a whole spread of interest rates for ventures of different risks and whole spread will move up or down. When the pure risk less rate of interest changes. This takes up to the definition of Interest Rate.

The market rate of interest is that percentage return per year.

Which has to be paid on any safe loan of money, which has to be yielded by any safe bond or other security, and.

Which has to be earned on the value of any capital asset (such as a machine, a hotel building, a patent right).

In any competitive market where there are no risks or where all risk factors have already been taken care of by special premium payments to protect against any risks.

4 What decides the interest rate ?

- 4.1 It is people in society that consume less today and save their earnings. The bulk of evidence suggests that the level of interest rates tends to cancel out of consumption and saving decisions, even though a rise in the rate paid by one savings bank may bring it more business because people will tend to transfer their assets to it, without their having altered consumption one bit. Economic principles alone cannot given an insight into the savings process.
- 4.2 Consumption lending is today less important than productive investment lending; therefore, productive investment primarily determines the behaviour of interest rates.
- 4.3 With the universal system of Centralised Banks, the Government is also an important determinant of investment and interest rates. This, it does through its policies of supply of money in the market (money measures) and taxation (fiscal measures).
- 4.4 All economic development induces a rise in prices. The 'real interest

rate' is the 'money interest rate' minus 'the percentage price rise'. As people come to anticipate a steady rate of inflation, they build into the interest rate, an allowance for the inflation.

- 4.5 Every asset is capitalised at the present discounted value of all its future net receipts. Decisions on the wide-ranging investments would be made to maximise the present discounted value. This obviously is governed by the type and durability of investment.

The Economic principles have been summarised from Nobel-laureate Paul Samuelson's Economics' 10th Edition. We may see how they apply to immovable properties

5 What rates for properties ?

In "Valuation of Real Estate" Alfred Ring explains.

"The interest Rate as a composite annual return per dollar of investment is influence by the following market forces.

1. Rate of government bonds on guaranteed bank deposits ;
2. Burden of management of cost of maintaining the investment, including book-keeping, collecting, inspection etc.
3. Relative liquidity of the investment for conversion into cash.
4. Risk of loss of Income and investment due to competition or operation or economic forces.

- 5.1 "Although it is theoretically possible to build up a rate of interest by in depend consideration of the economic forces which make up the rate as a composite whole in practice reliance must be placed on market operations".

- 5.2 So, the sum and substance of it is that the rate of interest has to be based on the reality operating in the concerned markets. At the same time, the components and factors affecting the interest rate have to be given due consideration.

6 Can we compare immovable with other properties ?

As Mitra's Legal Dictionary' defines

'Capitalised value means the capital value of an asset based on its current earning power in relation to the expected rate of return from that type of asset

It is clear that we have to select a rate which is applicable to the

given type of property and not the others which may be ruling in the market for other types of properties, savings or investments. It will also be necessary to consider the nature of capital in the property whether its purpose is consumption, earnings or mixed. It is easily seen that building properties occupy one of lowest rungs on the ladder of investments. They more or less represent projects with lesser net productivity. The reason is not far to see. Net to food, shelter is a primary need, to be satisfied irrespective of what alternative gains can be had. This applies not only to residences but also to commercial and industrial buildings which form the starting point of most business. This type of property, therefore, occupies a borderline position between consumption saving and investment. It cannot be expected to obey the laws relating to any one of them. This also leads us to the corollary that the expected return, from immovable properties would normally be in the minimum retunes range. There are other reasons for this also.

7 Relation with long term securities of bank rates :

- 7.1 The rates of interest on Long term Government Securities (the so-called gilt-edged securities) are often the lowest for the very reasons that they are long-term. Short-term rises in interest rates of Bank deposits reflect temporary phases. When they are used as tools for combating inflation they do not have direct relationship with the returns from investment. In fact their use as tool is itself a means to secure an evening out of the fluctuation in the interest rates.
- 7.2 Built-up properties resemble the long term securities in the span of their lives. In spite of depreciation they maintain their value to a great extent. Their security (based on their permanence) is as good as that of the Long Term Government Loans.
- 7.3 The security or absence of risk in nationalised banks may be considered similar but in many other counts, Deposits in Banks cannot be compared with immovable properties.

First : The security of the deposits. They are savings in simple and pure, and not investments. They do not enable 'consumption' as building properties do. The distinction is fine but certain.

Second : The Bank rates are uniform all over the country. Not so the return from properties which may be different in different localities.

Third : Long term deposits with banks have reduced liquidity. One cannot withdraw the amount without foregoing part of the interest-non can one borrow a loan against the deposit without paying additional interest. The most liquid deposits in Bank are the savings bank deposits and they carry a much lower rate of interest.

Forth : Deposits with Banks do not provide any hedge against inflation. The 'real interest rate' is less than the 'money interest rate' when prices rise, inflation grows and real money values go down. For properties, the case is different. Their value, often grows with the rise in prices, in spite of depreciation. One of the main incentives for investing in built up properties is their capacity to provide the hedge against inflation.

8 What is the Expected Return ?

The motives behind putting up a property are of a mixed character. But one thing is certain when such a property is put up, it is done with full knowledge of the fact that the returns are likely to be low. One of the indications is the Rent Control Acts. They specify the fair rents as percentage of the capital cost of the building and land. These percentages are lower than the current rates on bank deposits. Further, these are gross returns and if allowance is made for the outgoings, it would be lesser still. Those who argue for adoption of high capitalisation rate also plead for adopting the low (legal) returns likely to be obtained from the properties thus trying to take advantage both ways.

9 Compare the return from shares ?

- 9.1 Shares of an industrial or commercial concern are an investment of a different type altogether ; therefore, their returns, even if they were regular, could not be compared with returns from buildings properties. These returns from shares do not follow a set pattern either depending on the general outlook for business and the fortunes of a particular industry, the returns may be high or low. Over a long period comparable to the life of a building property, the average return may not be as high as it is shown over a small period.
- 9.2 Preference shares do carry a stipulation that dividend on them must be paid at specified rates. What is the reality? "The annual average proportion of companies skipping preference dividend was 18 percent in 1961-66 and 28 per cent in the sense that equities have a better

alternative to Preference Share". This is the finding of a study made by the Economic Department, of the Reserve Bank of India. This needs no more comment - the uncertainties of income even from Preference shares are laid bare.

10 Effect of constructions ?

10.1 There is a stock argument against a lower interest rate namely, that in the absence of a high return, there will be no investment in properties. In valuation we deal with the state of affairs as it exist not as it should be. But, even otherwise, there is no evidence to prove the point. On account of their special nature, Building Properties do behave differently from the rest of the market. The Nobel laureate Kyznets has shown that the 'Building Cycle' (periods of intense and poor building construction) has a length of 17 to 18 years or almost twice the major business cycle which affects all business. It is enough for us to see that high activity in construction is not necessarily and directly dependent on the market conditions even in an unfettered economy like that of America. In a country like ours where Building properties are considered as one avenue for investments of unearned income, the generalized argument about the interest rate affecting building construction, can be much less effective.

11 Conclusions

- ★ The rate of interest and so rate of Capitalisation depend on a number of factors tangible and intangible.
- ★ There is a whole array of investments and different types of investments will yield different rates of interest.
- ★ Immovable Properties are unique in many respects and have their own rate (s) of interest.
- ★ The rate can be justifiably related to the yield from long term securities rather than to other savings and investments. It does not necessarily affect the volume of construction. It can be reasoned out figure based on the particular situation.
- ★ Reversionary value of land should be added where the remaining life period of structure is 15 years or less. The Govt. has specified year's purchase in rule 3 of Schedule III of W.T. Act, 1957. These are 12.5 for freehold, 10 & 8 for lease hold properties where the unexpired period of lease of land is 50 years or more and less than 50 years respectively.

5.2.2.4 Reversionary Value of Land :

The capitalised value of net annual income in case of rented property will be for an assumed life of the building and thereafter the owner will have the open plot of land without any structure standing thereon. The present consideration of the full value of the vacant land available to the owner after the life of building is over is known as "Reversionary value".

Normally the balance life of a building being less than 20 years the reversionary value should be added to the capitalised value. The rate of deferring the value will depend upon the number of years of balance useful life. Where reversionary value is added with capitalised value, the capitalisation should be obtained using dual rate table i.e. capitalisation for a number of years together with redemption of capital for the same number.

One sample calculation is given in Annexure-18.

For references under section U/s 16A to the Valuation Officer fair market value of the property is to be determined under Rule 20 of Schedule III of W. T. Act as clarified in CBDT instruction No. 1905 dated 09.12.1992 given in Annexure-21.

5.2.3 Development Method :_

This method of valuation of large extent of land is adopted in the following situations.

- (a) When the comparable sales of large tracts are not available but sales of small plot are available.
- (b) When the land is ripe for use for building purpose it possess necessary potentialities for urban use.

The complete procedure to determine the fair market value of the large tracts of land, under this method can be divided into the following steps.

1. Ascertain the demand for small plots in the area.
2. Determine the area of land required for development work as per municipal bye laws. Deduct this area from the total area of the plot so as to ascertain the area available for development of small size plots. By rough estimation it works out to 20 to 25% of the total area.
3. Determine the number of small plots which can be legally carved

out from the large tract of land with necessary provisions for infrastructure facilities.

4. Determine the cost of development works such as cost in of construction of road as per municipal specifications with street lights, cost of laying parks, underground drains, water supply lines, sewer lines, electric lines & substation, earth fitting or cutting, cross drainage works and municipal taxes on open land. As the total amount of development is not paid to the contractor at the commence mend of work so defer it for half of the period of construction at certain rate of interest say to 12%. Let the deferred value be (A).
5. Ascertain the total sale price of all the small plots of scheme on the valuation date from the comparable sales of small developed plots. As all these small plots can not be sold at one time, so estimate the time of disposal of all the plots and defer the total sale price for half of the period of the sale @ 10% to 12%. Let it be of (B).
6. From the deferred sale price (B) deduct the following.
 - (i) Present value of the cost of development deferred for half of the period of development (A) alongwith architect or engineers fee for his supervision and getting the scheme approved.
 - (ii) Incidental charges such as cost of stamps, registration legal cost, cost of advertisement etc.. Normally it is 8% to 10% of (B). If the cost of stamp, registration and legal cost is to be borne by the purchaser then this percentage should be modifier accordingly.
 - (iii) Developer's profit and risk 15% of (B).
7. This amount available after above deductions from (B) will represent the fair market value of the large undeveloped plot on the date of valuation. One sample calculation is given in Annexure-19.

5.2.3.1 Belting method of working out land value

The land value depends on frontage and depth of the plot. The frontage is the length of the land along the road and the depth of the plot is perpendicular to the Road. As the depth increases, the land value reduces. In urban areas, where commercial activities are predominant, the land value abutting the road will be higher as compared to the land away from the road. The valuation of the land by considering different strips is called Belting method. The depth of each belt varies from one locality to another locality in the same city and naturally, it varies from

one city to another city also. The depth of strip is generally ascertained from the actual activities in similar areas. In some cities, the first belt may have the depth of about 80 to 100 ft. Generally, the valuation of the first belt if taken as 100%, the second belt is taken as 50% and the third belt is taken as 25%. While valuing by belting method, the zoning restrictions made by the Development Boards/Town Planning Authorities should be considered.

5.2.4 Profit method

In the case of Hotels, Motels, Cinemas, Public houses which falls under the category of the Licensed premises, the F.M.V. depends primarily on the earning capacity of the property. The F.M.V. of such properties is determined by applying profit method provided.

- (i) The owner runs Hotel, Cinema himself.
- (ii) The owner gives Hotel or Cinema on conducting agreement to a conductor.

The F.M.V. of the property is determined by capitalizing the net profits (70% tangible + 30% intangible) at certain rate of expenses, owners risk and other outgoings from the gross income For example in the case of Cinema the following steps are to be taken to determine its F.M.V.

5.2.4.1 Gross Income (Excluding entertainment tax) :

The gross income is estimated on the basis of full house capacity less normal vacancies multiplied by the number of shows in a year. The vacancies can be determined either from the actual sale of tickets details of which are available with the owner. Thus the source of gross income are :-

1. Regular and morning shows.
2. Regular and morning shows.
3. Soda fountains.
4. Advertisement slides/films.
5. Show cases.
6. Any other income.

As the gross income may not be consistent, so the gross income & expenses should be based on the average of last 3 preceding years.

Expenses : Operating expenses can be broadly classified :-

1. Entertainment tax if included in gross income.

2. Total show tax.
 3. Hire charges of new reels.
 4. Other taxes pertaining to cinema business.
 5. Octoroi, Freight charges.
 6. Publicity.
 7. Traveling expenses.
 8. Printing & stationary.
 9. Salaries & Bonus, gratuity, provident fund, Welfare fund of staff.
 10. Carbon electrodes.
 11. Telephone bills.
 12. Electricity bills.
 13. Postage & Telegrams.
 14. Insurance for building as well as plant & machinery.
 15. Repair & maintenance not exceeding 3% of building value
 16. Ground rent, if any.
 17. Property tax.
 18. Sinking fund for furniture, equipment and plant & machinery.
- (i) Owners risk & entrepreneurship :** 15% of gross income in the case of owner runs the cinema himself or 15% of conducting charges received by the owner from the conductor less the owner's liabilities such as repairs & maintenance, ground rent, municipal taxes, collection charges etc., if any borne by the conductor.
- (ii) Net Profit :** The net income is worked out by deducting the expenses from the gross income.
- (iii) Rate of capitalisation :** The net profit is required to be divided into two parts.
- (a) One due to land, building, furniture, equipment etc. called as tangible profit and generally taken as 30 to 25% and is capitalised at interest rate 2% higher than the rate of interest for tangible profits.
 - (b) Other due to good will management, licence called intangible profit and generally taken as 30 to 25% and is capitalized at a interest rate 2% higher than the rate of interest for tangible profits.

5.2.5 Fair Market Value

The total of capitalised values of tangible and intangible will give fair market value of cinema. One sample calculation is given in Annexure-18.

5.2.6 Fair Market Value of shops or space in Mall

The detailed method indicating various factors are described in the enclosure at Annexure -26.

Chapter 6

PROCEDURE OF VALUATION

- A. Cost of construction of references for I. T. Act.
- B. Fair Market Value reference for W.T. & CG.

6.1 Cost of construction

Reference for assessing the amount of investment made in a property is made by assessing officer U/s 142 A Income Tax Act, 1961. The assessee is generally charged U/s 69A, 69B of Income Tax Act i.e. unexplained investment. The onus to prove that the investment actually made is much higher than declared value rests with the revenue i.e. the Valuation Officer. The difference between declared and estimated investment (if upheld) are taxed at the highest rate of tax in addition to penal rate of interest and other penalties. The stakes being high, these cases therefore need to be handled with utmost care and due diligence.

Valuation by assessing cost of construction will be valued only when the books of accounts or the registered valuers report submitted by the assessee are not found acceptable for recorded reasons.

6.1.1 Standard formats for reference to Valuation Cell

It is advisable to have the reference made in the standard format as given at Annexure-8. In case the reference is inadequate then relevant required informations should be asked from the assessing officer. Since this is an advisory reference, so long as details required in the Annexure I are made available and commission is issued the Valuation Officer may enter into reference forthwith.

6.1.2 Calling Documents

Suggested list of documents to be called for from the assessee are given in Annexure-9. This notice should be issued under registered cover with a specific time frame. Request for reasonable extensions of time can be considered.

In case of time barring assessments, Assessing officer should be requested to facilitate this matter. In case of partial submission the remaining documents should be asked for from the assessee. After receipt of relevant documents, notice of inspection be issued as per

Annexure-10, preferably in consultation with the assessee. The assessee should be asked to have his technical representative or registered value, if any, available for joint measurement of the property to avoid dispute on this account at a later date. At least two days notice in writing for inspection of the property to the assessee or with the consent of the person in charge of, or in occupation or in possession of such property in accordance with powers conferred on Valuation Officer under section 38A of the W.T. Act, 1957 should be given.

Where the assessee does not cooperate in supplying information or the notices are not received by him, notices may be served through the assessing officer.

If the assessee still does not respond, the date inspection of the property may be fixed and assessee issued a notice with a copy to assessing officer requesting him to depute some inspector during the inspection. In some cases assessee does not allow inspection even if inspector accompanies the valuation party. In such cases assessing officer should be asked to invite penalty proceedings U/s 271 of I.T. Act against the assessee provided sufficient time is available before the reference becomes time barred. Otherwise valuation should be done by visual observation and local enquiries. The fact should be clearly mentioned in the valuation report.

6.1.3 Inspection of Property

6.1.3.1 Recording of Measurements & Specifications

During inspection all measurements & specification should be recorded in a register duly page numbered. The location and number of various items, fittings / fixtures be clearly noted. Make or manufacturers name may also be recorded wherever possible. The measurements should also be got signed by the assessee or his authorised representative. In case, no technical representative of the assessee is present, the same should be recorded in the inspection note. In case, assessee intimates that he wanted to call some engineer but could not due to certain circumstances, then he may be given some reasonable time to get the measurements and specifications reconciled failing which the measurements and specifications recorded will be final and binding on him.

Similarly detail specifications of the building should also be recorded during inspection itself on the proforma appearing as Annexure-11. The

notes should be meticulous and unambiguous as these may be referred to during appeal stage a few years later.

6.1.3.2 Inspection note

Some times assessee express ignorance about the deliberations made during inspection of the property. To avoid this situation the action taken by assessee in accordance with the notices already issued in regard to submission of documents, measurements of property, recording of specification during inspection and the persons present from assessee's side and department's side should be noted in the inspection note which should be signed by all persons present during the inspection of the property. For this purpose a format has been attached as Annexure-12. Particular mention should be made by Valuation Officer in regard to submission made by the assessee for the balance information / documents yet to be submitted by the assessee against Column No. 15.

It has been felt that rather than asking the assessee submits the balance information / documents by a particular date it is desirable the assessee should commit for balance documents / information to be submitted by him till a particular date .The following wording may be incorporated in the inspection note for proper enforcement of submissions by the assessee. "The assessee / his representative categorically intimated that he will submit the balance documents / information by the specified date failing which the valuation may be done based on the data already available with the Valuation Officer and that gathered during physical inspection of the property". In case assessee refuses to commit a date by which balance records should be submitted even after committing a date a final notice may be issued to the assessee informing that valuation will be done exparte, in case of non-submission of documents. The fact that the assessee did not co – operates and submits the relevant documents should be recorded in the valuation report.

6.1.4 Non co-operation of the Assessee

In many cases, ingrained reluctance on the part of the assessee to supply the Valuation Officer with necessary documents as well as to afford necessary facilities essential for valuation.

In such circumstances it becomes necessary to compel the reluctant assessee into submitting required documents and affording facilities like inspection of the property, taking measurements of building etc.

Keeping in view the above necessity various tax statutes empowered the Valuation Officer to exercise authority over the assessee to facilitate the process of valuation.

To exercise authority one has to know the nature and the extent of powers exercisable. Powers exercisable are the powers expressly provided in the statutes to be exclusively used by the Valuation Officer as defined in section 2 (r) of the Wealth-tax Act, 1957 (W.T. Act).

Presently the Assessing Officer can make reference to the Valuation Officer only under the section 16A of the W.T. Act, the section 50C, 55A and 142A of the Income tax Act, 1961 (I.T. Act).

6.1.4.1 Powers which can be exercise by the Valuation Officer under the above section will are broadly mentioned as follows :

A Reference under section 16A the W.T. Act :

- (i) U/s 16A(2) the Valuation Officer may serve notice on the assessee to produce accounts, records or other documents required for valuation on a specified date and time [U/s means 'under section'].
- (ii) 'Explanation' below section 18A states that the Valuation Officer while exercising the powers vested in a court under the Code of Civil Procedure, 1908 (C.C.P) when trying a suit in respect of matters specified in section 37(1) is considered as a wealth-tax authority as far as this section is concerned.

The Valuation Officer therefore, can take action as per provisions contained in section 18A. Section 18 A(1) interlaid states that a person shall pay as a penalty a sum not less than Rs. 500/- (five hundred) but extendable to Rs. 10,000/- (ten thousand) each time if he refuses to answer any question put to him by the Valuation Officer or he refuses to sign any statement made by him which the Valuation Officer may legally require.

However, no penalty shall be imposed if the person proves that there was reasonable cause for such failure. Penalty can be imposed if contravention, failure or default occurs in the course of any proceeding before the Valuation Officer not lower in rank than a Joint Director or Additional Commissioner [Valuation Officer in the rank of Superintending Engineer i.e. District Valuation Officer (DVO) in the context of Valuation Cell].

- (iii) The Valuation Officer U/s 35 is empowered to amend any order passed by him U/s 16A with view to rectify any mistake apparent from the record of his own motion or when such mistake brought to his notice by the assessee with the provision [section 35(7)] that no such amendment shall be made after expiry of 4(four) years from the end of the financial year in which the order sought to be amended was passed [e.g. on account of arithmetic mistake Plinth Area of a building was considered much higher than what should have been the actual figure, this increasing the Fair Market Value of the property considerably than what should have the correct value. The Valuation Officer can, exercising power vested U/s 35, amend the order passed by him U/s 16A (5)].
- (iv) Order amended as above shall invariably be sent to the Assessing Officer for amendment of the order of assessment at his end.
- (v) For the purpose of estimating the value of any asset (immovable property) in pursuance of reference U/s 16A(1), the Valuation Officer U/s 37(1) has the same powers as are vested in a court under the code Civil Procedure, 1908 (C.C.P) when trying a suit in respect of (a) discovery and inspection, (b) enforcing the attendance of any person, including any officer of a banking company and examining him on oath., (c) compelling the production of books of account and other documents, and (d) issuing commissions.
- (vi) Subject to any rules made in this behalf the Valuation Officer U/s 37(3) may impound any books of account or other documents produced before him after recording his reasons for so doing and retain in his custody any such books or documents for such period as he thinks fit but not exceeding fifteen days (exclusive of holidays).

For retention by more than fifteen days the Valuation Officer has to obtain the approval of the Chief Commissioner or the Commissioner as the case may be.
- (vii) Prior to 01.04.1989 the Valuation Officer had power U/s 37(2) [now omitted] to impose fine not exceeding Rs. 500/- on a person to whom summons had been issued either to attend to give evidence or produce books of account or other documents at a certain place and time but intentionally did not comply. Power

to impose penalty now lies with the Valuation Officer in accordance with the provisions of section 18A discussed in para 2.1.2 above as well as U/s 32 of the C.C.P. discussed later in para 3.1.5.

- (viii)** U/s 38A(1) the Valuation Officer (or any overseer, surveyor or assessor authorized by the Valuation Officer) may (a) enter any land within the limit of the area assigned to the Valuation Officer, (b) enter any land, building or other place belonging to or occupied by any person in connection with whose assessment a reference has been made U/s 16A to the Valuation Officer or (c) inspect any asset in respect of which a reference U/s 16A has been made to the Valuation Officer and required any person in charge of, or in occupation or possession of such land, building or other place or asset to afford the Valuation Officer the necessary facility to survey or inspect such land, building or other place or asset or estimate its value or inspect any books of account, document or record which may be relevant for the valuation and gather other particulars relating to such land building or other place or asset.

[From reading of section 38A(2) it is clear that such facility is required to be extended to any overseer, surveyor or assessor authorized by the Valuation Officer in this behalf]. The Valuation Officer contemplating to take any of the actions mentioned above shall have to give at least two days' notice in writing to the person concerned unless he consents to waive this statutory requirement. The Valuation Officer or his authorized officers mentioned above may carry out acts as listed in (a), or (b) or (c) above on any day except Sundays and holidays under the Negotiable Instruments Act, 1881 at any time between 6 a.m. to 6 p.m.

- (ix)** Section 38A(2) empowers the Valuation Officer to exercise all the powers under section 37(1) & 37(2) for enforcing compliance if a person either refuses or evades to afford facility required to be provided in accordance with section 38A(1) [section 37 has been discussed in para 2.1.5, 2.1.6 & 2.1.7 above].
- (x)** A notice or a requisition under the Act may be served on the person either by post or as if it were summons issued by a court under the C.C.P [procedures related to issue and service of

summons are delineated in Order 5 of the First Schedule of the C.C.P]. Also refer to section 41.

- (B) Reference under section 50C of the Income-tax Act (came in to existence w.e.f. 01.01.2003) :
- (C) Reference under section 55A of the Income Tax Act :
 - (i) Same powers as discussed in para 2.2.1 above are available to the Valuation Officer while dealing cases referred under this section. Reference under this section is made to ascertain. The Fair Market Value of the property either on the date of sale or on 01.04.1981 or both for purpose of assessing capital gains.
- (D) Reference under section 142A of the Income Tax Act (introduced by the Finance Act, 2004 but effective retrospectively from 15.11.1972) :
 - (i) Under this section reference is made for estimating value of investment in purchase of immovable properties as well as in construction of buildings including remodeling, extension, improvement etc.

The Valuation Officer to whom reference U/s 142A(1) is made has all the powers of section 38A of the Wealth Tax Act. Here the Valuation Officer has same meaning as defined in clause 2 ® of the Wealth Tax Act section 38A has been discussed in para 2.1.8 above. This is to be read with para 2.1.5, 2.1.6 & 2.1.7.

The section is not applicable in respect of assessment made on or before 30.09.2004 and where such assessment has become final and conclusive on or before that date except in cases where a reassessment is required to be made under section 153A after taking action under section 135 (search and seizure) and 132A (requisition of accounts etc.). Through provisions contained in section 37(1) and 37(2) of the Wealth Tax Act [section 37(2) was omitted w.e.f. 01.04.1989].

6.1.5 The Valuation Officer has been vested with powers of a court under the C.C.P via section 37(1) of the Wealth Tax Act. Therefore, it is necessary to understand as to the nature and extend of such powers in relation to maters indicated in (a), (b), (c) and (d) within section 37(1) of the said Act.

- (i) Before proceeding further it would be appropriate to clarify certain matters related to the C.C.P which came into force on 01.01.1909.

The code applies to all proceedings in courts dealing with suits of civil nature as distinct from criminal suits. Drastic changes both in the sections and the rules were carried out by the parliament through enactment of the Civil Procedure (Amendment) Act 104 of 1976. While trying a suit [suit means a civil proceeding instituted by means of a plaint (a written statement of grievance against some one, submitted to a court of law) before a civil court] the court has interalia following powers vested on it by the C.C.P :

- (ii) To issue a summons to the defendant (a person against whom a plaint has been lodged in the court of law) to appear and answer the claim indicated in the point to be served in prescribed manner [reference section 27 and orders of the C.C.P].
- (iii) To make orders relating to the delivery and answering of interrogatories (a question or inquiry), the admission of documents and facts and the discovery, inspection, production, impounding (to take legal possession of something) and return of documents or other material object producible as evidence.
- (iv) To issue summonses to persons either to give evidence or to produce documents or such other objects.
- (v) To order any fact to be proved by affidavit. [for para 3.1.2, 3.1.3 & 3.1.4 refer section 30 and orders 11, 12, 13, 16 & 19 of the C.C.P].
- (vi) To compel the attendance of any person to whom a summons has been issued under section 30 of the C.C.P and for that purpose interalia may impose a fine upon him not exceeding five hundred rupees (reference section 32 of the C.C.P).
- (vii) To issue a commission :-
 - a) To examine any person, b) to make a local investigation, c) to examine or adjust accounts, d) to make a partition, e) to hold a scientific, technical or expert investigation, f) to conduct sale of property which is subject to speedy and natural decay and which is in the custody of the court pending the determination of the suit, g) to perform any ministerial act (reference section 75 and order 26 of the C.C.P).

6.1.6 Court's power vested by the C.C.P related to matters outlined in

section 37(1) of the Wealth Tax Act [number (a) to (d)] have briefly outlined in the above para 3.1. The Valuation Officer has to exercise the above powers as are relevant for the sole purpose of estimating value of an immovable property or estimating value of investment in real estate, construction of building or remodeling, up gradation or extension of building etc. When a reference from the Assessing Officer is received under either section 16A of the Wealth Tax Act or any of the section like 50C, 55A & 142A of the Income-tax Act.

NOTE :

- 1) *The Valuation Officer has to read carefully the original text of the sections of the statutes mentioned above before exercising his powers. Lot of simplifications have been effected in the above discourse for easy understanding of the subject and therefore, it is essential to refer to the sections in original so that performance of quasi judicial functions of the Valuation Officer is exactly according to the provisions of the statutes.*
- 2) *Statutory powers shall be exercised with due care and proper application of mind in accordance with statutory provisions.*

6.2 Preparation of Valuation Reports :

Format of preparing valuation report are given in Annexure-13.

The forwarding letter of Valuation Report shall be straight forward and simple. The practice of giving detailed note clarifying certain points in the forwarding letter itself shall be stopped. Instead all these shall be put on the main report so that the report itself is complete in all respect and contain all the relevant information and clarifications. Final value may be rounded off to the nearest multiple of one hundred rupees.

6.2.1 Comments on Registered Valuer's Report :

Whenever assessee submits valuation report of registered valuer, it should be scrutinized carefully. In case the report is not found acceptable then the deficiencies should be specifically recorded in the proforma included in Annexure-13. Without this the report of the registered valuer may get precedence over the Valuation Officer's report before the assessing officer or in appeals. Proper scrutiny of the private valuers report could be done after Valuation Officer has inspected the property and completed his valuation. If deemed fit clarifications on discrepancies in the Registered Valuer's report, may also be called from him, before issue of the report and findings may be incorporated suitably in the valuation report.

In case report of registered valuer is not submitted by the assessee, the fact should be recorded in the valuation report.

6.2.2 Comments on the accounts submitted by the assessee :

Assessing Officer should reject the account of the assessee before making a reference, it is generally not done. Whenever assessee submits an account of the cost of construction, even partially, it should be scrutinized in depth. In case the account is not acceptable then deficiencies should be recorded. This would help the assessing officer to reject the account failing which the assessee may get away with the plea that no defects had been pointed out in his detailed account before the assessing officer or the appellate authority. For this scrutiny of countable items should be recorded during inspection and verified with the accounts of the assessee. This report to be invariably attached with the valuation report.

Photocopies of vouchers / bills should be accepted only after verifying and scrutinizing the originals. Cash/credit memos clearly indicating sale tax numbers are genuine vouchers. Others are only made up vouchers and thus have less authenticity. It is important to verify that all fixtures/ fittings provided in the property are supported both in the quantity and quality by the measured/counted items vis-à-vis the bill/vouchers produced short falls, if any, have to be added up. The valuation report are produced or where less bills/vouchers are produced. Few examples are given below :-

1. Count number of electrical fittings, sanitary fittings and door/window fittings provided and compare it with bills.
2. If work done on labour rate contract rate contract, compares the areas paid for marble/granite/tile work vis-à-vis actually provided and shown in the bills/vouchers.
3. From RCC/CC quantities, work out theoretical requirements of cement, steel, stone aggregate & sand and compare with quantities as well as rates shown in bills/vouchers.
4. Comparison of flooring material purchased and actually used, will be a good check.
5. Take complete measurements of wood work and work out theoretical consumption and compare with quantities shown in bills. If assessee has bought logs then allowance for wastage and log measurement as per local practice be made.

6.2.3 Note on Valuation :

The valuation report should have a note on valuation in simple terms and with least technicalities to enable the assessing officers and appellate authority to appreciate how valuation has been done by the valuation officers.

6.2.4 Lump-sum Figure :

In many cases related to estimation of cost of investment in construction of building, many items are taken as lump sum. In some cases these lump sum figures have considerable share in the overall cost of construction. Lump sum figures are always viewed with suspicion simply because there are no details as to how the figures are arrived at. Through in case of petty items lump sum figures are quoted with the plea that these figures are very negligible bearing on the total cost of construction but necessarily to be taken for the sake of authenticity of process and figures are based on experience of the Valuation Officer as practicing Engineer. However, for maintaining the better objectivity of the report which is always open to judicial review it would be better to work out the basis and keep these in file of the case for future reference in case these are questioned during any judicial review and to help the successor Valuation Officer to defend the case effectively.

6.3 Rebate on Self Supervision :

In case the assessee procures the materials directly from the dealer/supplier, employs both skilled and unskilled labourers for construction and does the technical and managerial supervision himself then the cost of construction would be lesser by the amount of profit that a contractor / supervisor, if he had executed the work, would have earned from his investment in labour, material & supervision. This is commonly known as rebate on self supervision.

It is natural that there cannot be any rebate on self supervision when the cost of construction is worked out by the accounts method i.e. by addition of actual expenditures as shown in the bills & vouchers produced by the assessee.

In case of detailed or item wise method, rebate on self-supervision comes into picture only where such element is market rates. The percentage of rebate, should therefore, depend entirely on what has been included in the schedule of rates or the analysed rates. Plinth Area Rates and Schedule of Rate published by CPWD include an element of

contractor's profit and over head @ 10% in its rates. In this 2.5% is cost of overhead which includes cost of handling and storage of materials and other fixed expenditure which needs to be spent irrespective of whether the work is carried out by a contractor or an assessee himself. If estimate of investment in construction is made with the help of CPWD Plinth Area Rates and CPWD Schedule of Rates and the construction is carried out by the assessee himself without engaging a contractor then it is rational that a deduction of 7.5% (10%-2.5%) which represents profit element of contractor on investment made by him in purchasing materials and engaging labours is allowed as a rebate. If the assessee himself arranges for all the materials but engages labour contractor for construction then rebate of 5% (7.5%-2.5%) may be allowed. Therefore, maximum rebate of 7.5% can be allowed when CPWD Plinth Area Rates or CPWD Schedule of Rates is adopted while estimating value of investment in construction. When State PWD Schedule of Rates or any other local Schedule of Rates is adopted and on examining the analyses of rates included in this Schedule if it is found that rates do not include any such element of contractor's profit no rebate whatsoever, shall be allowed on account of self supervision.

It may, therefore, be borne in mind that maximum rebate which can be allowed on account of self supervision is the quantum of contractor's profit incorporated in the rates included in the particular Schedule of Rates or Plinth Area Rates adopted for estimating the value of investment in construction. Quantum of rebate will also very depending on the nature of contract. Obviously in such case it is necessary to carefully examine the contract document between the contractor and the assessee.

Maximum rebate which can be allowed on account of self supervision is reiterated below and is given in a tabular form for convenience :

| Sr. No. | Mode of Carrying out the construction | Maximum rebate allowable on account estimating value of self supervision adopting investment in construction as under. | | |
|---------|---|--|---|--|
| | | Accounts Method (rebate in %) | Plinth Area Rates and Cost Index Method (rebate in %) | Detailed or item wise Method (rebate in %) |
| 1 | 2 | 3 | 4 | 5 |
| 1. | Direct purchase of materials and engaging labour on daily wage basis | Nil | 7.5% if CPWD/CBDT Plinth Area Rates is adopted. | 7.5% if CPWD Schedule of Rates is adopted. In case State PWD or any Local Schedule of Rates is adopted, rebate will depend on element of contractor's profit incorporated in rates of items included in such Schedule. Rebate shall be Nil if no such element is incorporated. |
| 2. | Direct purchase of materials but labour contractor engaged for carrying out work or | Nil | 5% if CPWD/CBDT Plinth Area Rates is adopted. | 5% if CPWD Schedule of Rates is adopted. In case of State PWD or any local Schedule of Rates is |

| Sr. No. | Mode of Carrying out the construction | Maximum rebate allowable on account estimating value of self supervision adopting investment in construction as under. | | |
|---------|---|--|---|---|
| | | Accounts Method (rebate in %) | Plinth Area Rates and Cost Index Method (rebate in %) | Detailed or item wise Method (rebate in %) |
| 1 | 2 | 3 | 4 | 5 |
| | labour employed through contractor. labour | | | adopted, rebate will depend on element of contractor's profit incorporated in rates of items included in such Schedule and may be taken as 70% of contractor's profit considered. Rebate shall be Nil if no such element is incorporated. |
| 3. | Work executed through contractor.. | Nil | Nil | Nil |
| 4. | Work executed through contractors but some bulk materials supplied by the assessee. | Nil | 7.5% of the cost of materials supplied by the assessee if CPWD/CBDT Plinth Area Rates is adopted. | 7.5% of the cost of materials supplied by the assessee if CPWD Schedule of Rates is adopted. |

In case of registered valuer's report the amount of contractor's profit and other heads included in the rates are to be established before allowing any rebate on self supervision.

In the analyses of rates of State PWD schedule of rates in some cases contractor's profit is limited 2.5% only on materials like cement, steel, etc. on the presumption that those items would be issued by the department, at a fixed issue rate that had been considered in the analyses of rate. The contractors have not to invest in procuring those materials and hence do not earn profit over it. Instead only handling charges, which unavoidable, is permitted. Where rates of such items included only handling charges, the rebate on self supervision should be restricted to the percentage considered in the analyses of rates.

There are many citations of CIT (A), ITAT, and Hon'ble High Court where rebate of self supervision has been allowed to the extent of 10 – 20%. Since decision of the Competent Authorities are based on the facts and records placed before them, hence each case should be dealt on merits as per above instructions.

6.4 Fixed / Lumped Expenditure :

It is necessary to segregate fixed/lumped expenditure in a year from yearly declared cost of construction as it is estimated to separate out lump and flowing expenditure for realistic estimation of cost. Fixed/lumped expenditure are those expenditures which are made as single payment or in two or more installments in a particular year such as payment towards Municipal/Electricity authorities for sanction of a plan etc. architect's fee one time expenditure for electrical items such as generator, life, transformer etc.. For exactness of the procedure these expenditures are to be segregated from the year-wise declared cost of construction and after estimating the total particulars year are to be added to the distribution thereof, the lumped expenditures of a particulars year are to be added to the distributed cost of construction for that year to arrive at the total figure of investment for the year. These lump expenditures are to be verified with reference to the vouchers duly authenticated through market survey for acceptance.

6.5 Builder's effort :

Before commencement of construction of a building an owner has to spend money on getting the building plans (both architectural and structural) prepared including preparation of development plan of the

site, getting the plan sanctioned by the corporation/municipality, getting various service connections from local bodies dealing with water supply, sewage disposal, electricity etc. These expenses are part of the investment in construction and should be included. All vouchers related to this matter need to be examined and after establishing the authenticity, such expenses shall duly be included in the estimate.

Normally architect charges 2 to 4% of total cost of the project as his fees. If details are not furnished or furnished details are not authentic, then 3% of total cost may be considered for this purpose. Since valuation involves judgement and observations at site, builder's efforts as felt appropriate by Valuation Officer may also be considered.

6.6 Miscellaneous :

- (a) Ask for photograph of the building : Front & rear and two side elevation will do. Have this pasted in the file itself with your comments, if any. It will be very useful in valuation as well as in appeal.
- (b) Move on foot all-round the building all the time asking questions about various items on services / finishes. Similarly look down the building from terrace on all four sides. This will give a good over view of the property.
- (c) Encourage the assessee to call registered valuer during inspection or at least for general discussion. Similarly talk to the engineer, contractor / supervisor who has actually executed the work especially regarding hidden items.
- (d) Encourage market enquiry, Enquire about sources of various materials, quality etc.
- (e) Remember in determining the cost of construction, onus to prove lies with the Valuation Officer. Case must be built up from the information / data given by the assessee.
- (f) To support the valuation, help of State PWD schedule of rates or rates of revenue board etc. may also be taken. Similarly rates from vouchers of similar works at same or nearby places can also be useful.
- (g) While examining original vouchers, look at the reverse side also many times it reveals the true transaction.

6.7 Important Case Laws :

| | | | | |
|--------|-----|-----|-----|-------|
| (1976) | 109 | ITR | 52 | (Mad) |
| (1979) | 116 | ITR | 825 | (P&H) |
| (1993) | 200 | ITR | 788 | (Raj) |
| (1994) | 209 | ITR | 343 | (Cal) |
| (1994) | 209 | ITR | 520 | (All) |
| (1995) | 211 | ITR | 520 | (Mad) |
| (1995) | 215 | ITR | 92 | (Kar) |

Case laws play an important role while presenting the departmental view & by VOs before appellate authorities the ITR compilations of cases pertaining to valuation is an important & useful task.

6.8 Procedure for dealing with Tax Recovery Cases :-**(A) Following procedures are formulated for dealing with cases where assesseees are non co-operative specially those cases referred by T.R.Os :**

- (i) On receipt of reference T.R.O. may be requested to get the 'search report' of the immovable property made and send the same to the VO after duly examining whether the referred property truly belongs to the person from whom tax is proposed to be recovered.
- (ii) Along with the request for 'search report' the T.R.O. may be asked to submit essential documents pertaining to the property required for estimating the Fair Market Value. If the essential documents are not available with the T.R.O., these are likely to be available with the concerned Assessing Officer. In such cases T.R.O. may be asked to send the documents after collecting from A.O.. Essential documents are those documents in absence of which Fair Market Value of the property can not be estimated properly with fair degree of authenticity.
- (iii) If necessary help of Sub Registrar office who has registered the deed may also be taken to know details of the property.
- (iv) Inspection of the property may be fixed in consultation with the T.R.O. so that an Inspector is deputed to accompany the V.O. for identification of the property and to facilitate inspection of same.
- (v) A close liaison with T.R.O. is to be maintained for early disposal of such case.

- (vi) In exceptional case, where co-operation from the T.R.O. is not forthcoming, the matter may be taken up with the superior of the T.R.O. in the first instance intervention of Additional Commissioner of Income Tax may be sought and in case of failure the matter may be referred to the CIT for his intervention through the District Valuation Officer.

B. Non receipt of information regarding yearwise expenditure :-

In many cost of construction cases neither A.Os nor assessee indicate year-wise investment in the construction. It is needless to point out that this vital data without which it is not possible to estimate the value of investment year-wise and therefore, all out efforts are to be made to collect this data either from the A.O. or from the assessee. Onus of furnishing this data squarely lies with the assessee and the V.O. should make him understand that for his own interest correct data should be furnished. In spite of all the efforts, if this data is not made available to the V.O. then V.O. may finalise the report after making judicious assumption based on engineering knowledge regarding normal involved period during each stage of construction. For example, it would be appropriate that for a building requiring 3 years to complete pattern of expenditure would be for the first year 25%, for the second year 35% and for the last year 40% of the total expenditure.

6.9 Procedure for Fair Market Value (U/s 16A of Wealth Tax & 55A of I.T. Act)

The procedure would be almost similar to "Cost of construction" cases. The standards formats should have correct reference to the relevant acts.

After ensuring correct reference from the assessing officer, obtaining documents from the assessee and inspecting the property the valuation is completed. It is then to be sent to the assessee inviting his written objections in the form given in Annexure-16. Suitable opportunity should be given to the assessee to file objections if any, to the proposed valuation of fair market value.

The objections should be carefully considered and commented upon. Final orders should be passed under the appropriate section, considering the relevant materials gathered by the Valuation Officer and the objections and facts stated by the assessee, in the format given in Annexure-16.

The final valuation report in the format given in Annexure-13(B) with all supporting statements should be sent to the Assessing Officer well in time to enable him to complete the assessment.

Section 7(1) of W.T. Act, 1957, provides that the value of any asset, other than cash, for the purpose of wealth tax, should be determined in the manner laid down in Schedule III. An assessing officer can make reference to a Valuation Office only under section 16A of W.T. Act, 1957 which provides that the assessing officer may refer the valuation of any asset to the Valuation Officer in case where the market value of any asset is to be laid down in sub sections (a) & (b) (i) & (ii). Rule 3 of Schedule III specifies the procedure for determination of the value of an immovable property for purpose of subsection (1) of section 7, subject to provisions of rule 4, 5, 6, 7. 8. Rule 8 (a), (b) & (c) specify the situations where provisions of Rule 3 do not apply and in that case, the value of the property is to be determined in the manner as laid down in Rule 20. In Rule 8 (a) it has specified that if the assessing officer with the previous approval of the Deputy Commissioner, is of the opinion that it is not practicable to apply the provisions of Rule 3, then the value of assets is to be determined as per provisions of Rule 20. Rule 20(2) clearly specifies that, when reference is made under section 16A by the assessing officer the value of the asset shall be estimated to be the price, which in the opinion of the Valuation Officer, it would fetch if sold in the open market on the valuation date i.e. Fair Market Value. There may be two situations :-

- (i) In case here the assessing officer has clearly indicated in the letter of reference made under section 16A of W.T. Act, 1957, that he has obtained the prior approval of the DY. Commissioner under Rule 8 (a) and value of the asset is to be determined under provisions of Rule 20 of Schedule III.
- (ii) In case where the assessing officer has not mentioned anything about invoking the provisions of Rule 8 (a) in the reference letter and reference has been made under section 16A of W.T. Act, 1957.

In both the situations Fair Market Value of the asset would be determined by the Valuation Officer as per Rule 20 of Schedule III as clarified in CBDT instructions No. 1905 dated 09.12.1992.

Before application of Rent Capitalisation Method it should be ensured that the property is fully developed and the rent received is reasonable

as per prevailing rent in the locality. The evidence of tenancy should be collected. It should be checked that proper agreements for rent between the landlord and the tenants are prepared and rent receipts are issued by the landlords. In case where it is observed that rents are not reasonable, it should be rejected and prevailing rent should be considered after ascertaining from the locality for identical properties. Such case usually arise when the property is let out to near relations or to the firms in which owners have controlling interest. The reasons for not considering the actual rent should be recorded with evidence in the report.

Whenever rents are kept low deliberately, the reasons for its rejection should be recorded in the report dully supported by evidence.

In case the property is not fully developed and there is unutilized FAR/FSI, the possibility of its further development and making use of such unutilized FAR/FSI may and rent control act. The value of such unutilized FAR/FSI on further potential should be added separately.

Note :

- (i) In case of advisory reference for FMV under section 50C or stamp duty verification or in Tax Recovery Cases, No. preliminary report is required and calling of assessee objections are not needed as the report is of advisory nature.*
- (ii) In Tax Recovery Cases only FMV as derived from land and building method taking help of guidelines rates may be provided. Fixing of reserve price rests with the competent I.T. authorities who can fix the reserve price below FMV also.*

Chapter 7

REQUIRMENT OF GOOD VALUATION REPORT

1. A report is a means of communication of one's thoughts to another person. Its contents are the result of our work and expertise. Its presentation should facilitate grasp and appreciation by the reader. The best of contents can be ineffective or can be missed, if presentation is indifferent. Presentation is, therefore, as important as the basic contents of a report. We in Government Departments often do not attach the due importance to presentation which it deserves. Many private organization show off efficiently and often score their points, by impressive presentation. We can improve the impact of our Reports by presenting them in a systematic and dignified manner.

2. **Paper :** It starts from the paper itself. All sheets forming the Report must be of the same size and all Reports should also be of the same size. We should adopt the A4 size as the standard size. If the paper received is of some different size then it should be cut to this required size in a regular manner. Any papers received from the Assessing Officers or Assesseees should also be put in the same size, by folding if necessary. Nothing should stick out from a complied report.

3. **Typing :** The manner of Typing will make or mar a report. Leave generous margin, say 30 mm on the side on which the report is to be stitched with a file (left on the odd page and right on the even). Also leave 10 mm margin on the other side. Use one and half space between lines for the main contents and single spacing for secondary contents like the objections raised by an assessee quotation from a Court Judgement etc. For all secondary matter, leave an additional margin from the left end of the main contents.

4. **Title :** Start the Report with the following Title.

VALUATION REPORT

BY

..... * VO**

Property :

(* is for the letter D or A as required, ** For headquarters)

5. Paragraphs :

Number the paragraphs and sub-paragraphs in the decimal system, say 3, 3.2, 3 etc. Do not use more than three numbers for indicating the sub-paragraphs. For example, do not have 3.2.3.1. Leave such sub-paragraphs unnumbered. You can see any IS code to understand the system. Give subject title for the paragraphs. Underline the title and start the matter on the next line.

When there are many details to be given, place them one below the other, the different lines; e.g. the specifications or descriptions of different components of a building. Such sorting out shows clarity of thought and makes for easy references by the reader. If such information contains figures, they should all come one below the other. If a few of them have to be added or subtracted, the results should be in another column and not mixed up in the same.

6. Statements :

Every Government file and report contains some or the other statements and tables. These are normally on oblong sheets which are folded and huddled in the file. It is quite possible to compress most statements, schedules or tables in normal sized papers. Even if a larger paper is required, it should be put along the longer side of the file in such a way that it can be read from the bottom edge of the file towards the top edge on both sides of the paper.

7. General :

- 7.1 Let us remember that Metric system is the only legal system of measures in the country. So, all work has to be done in that system. No doubt, the Property deeds and local custom mention various other units like feet, acres, cents, grounds, bighas and so on. Our Reports should specify meters & squares invariably, at least in brackets. Also, use the correct short form of every unit : m (not mtr.) Sqm. etc.
- 7.2 All amounts should be judiciously rounded off. Rates, legally specified areas and amounts, and such other figures have, of course, to be given as they are. But equivalent area in Sqm., the estimated quantities of most building items etc. can be given to the nearest whole number. So also the calculated amounts against individual items. The final amount of valuation can be given to the nearest hundred or even to

the nearest thousand if the total value is more than 5 lakhs. The error will be less than 0.2 per cent and a lot of mistakes will be avoided.

- 7.3 Chronological order is the best in describing in separate lines or paragraphs, a sequence of events like changes of ownerships, leases etc. It is only in the analysis of Facts that such events may have to be brought together in argument.
- 7.4 Replies to objections raised by an assessee should be given one for one i.e., the reply to first objection No. 1 (typed in single space) should be detailed immediately below (typed in 1 ½ spacing) before objection No. 2 is started. The Assessee's objection should be reproduced as mentioned above, unless it involves contents in some other language like revenue records etc.
- 7.5 Avoid Repetitions. Many valuation reports give description of the property in subject, in the details of reference from the AO, in the "Inspection" details and again the assessment part. They then become boring any may result in some points being missed by the reader. Break a long complex sentence into a number of some sentences.

8. Enclosures :

- 8.1 Every Report should contain a drawing (of the same size as the pages of the Report or properly Folded to the same size). This may be even a sketch, roughly to scale, giving locational details and whatever other details are considered relevant of necessary. The north line should preferably point towards to top of the drawing. Simple lettering should be used and the title should be brief but clear. Expressions like "Drawing showing" " should be avoided.
- 8.2 One or more photographs of the Property will not only enhance the value and reliability of the Report but will also retain permanent record of the state of the property on the day of inspection of valuation. A simple method of recording the date on photograph is to hold the day's issue of a daily newspaper in the photographed object or camera indicating date of photographs may be used.
- 8.3 Provide a reference number for the Valuation Report. This will be the most useful record for future reference. The information will be given in the reference number only in figures.

9. Binding :

All typed pages and enclosures should be page numbered at the right top-corner and put in a nice cover and the whole stitched with staples at three places. On the cover sheet, Ref. No. and index to the contents should be given.

Keeping within the standard format, many more improvements can be made. There is no limit to quality of content and form.

10. The other important basic requirement of good valuation report are explained in the following paras.

10.1 Proper reference & Act :

Right at the time of receiving the reference from A.O. the VOs must vigilant enough to see whether the case has been referred by A.O. under proper sections of W.T. Act or I.T. Act. In case of any discrepancies, the reference should be got corrected by A.O. under intimation the assessee well before insurance of any notices by VO.

10.2 Correctness

There should be correct and complete reference from the assessing officer. The following points to be noted carefully :-

- Name & complete address of the assessee and his property including his share should be given.
- Assessing Officer should record the value declared by the assessee and in its absence the amount which in the opinion of the A.O. represents the value of the property.
- Assessing Officer should record that the assessment is pending before him.
- Section and Act under which valuation is required.
- Dates which valuation is to be done should be mentioned.
- In case of Wealth Tax, assessing officer has to record reasons in their file why the value of the property could not be assessed under Rule 3 to 7 of Schedule III before making a reference to Valuation Officer. Having made such record intimation to the effect shall be given to Valuation Officer while making the reference. In case it is not indicated by the assessing officer. Valuation Officer should write back to Assessing Officer to confirm that such reasons are recorded before making a reference.

- In case of reference for cost of construction Assessing Officer should clarify that the books of accounts if maintained by assessee, have been rejected.

Valuation should be true to the requirement of the act under which it was required.

For W.T., C.G., G.T. the fair market value and for I.T. Cost of investment in properties i.e. the money spent by the assessee on the construction and land, should be assessed.

Approach and method should be rational.

Normally there would be an appropriate method for a particular situation. For instance for owner occupied property, as vacant possession can be given to the buyer, land and building method would be appropriate. Similarly for rented property rent capitalization method would be appropriate. When the building is partly occupied by owner and partly rented then both the methods can be applied for respective portions.

For determination of fair market value of commercial properties if compared to land and building method, the profit method indicates lesser value, then the former should be applied.

It should correctly reflect the real life situation. All factors affecting value should be considered, like.

- Shape, size, location, low lying, allowable FAR etc., for land valuation.
- Type of foundation, specification, No. of storeys, standard of construction and finishing planning efficiency etc for building valuation.
- Lease hold or free hold.
- Under litigation or not.
- Title is clear or not : owner ship & possession.
- Tenanted or Self-occupied.
- Encroachment / unauthorized occupant exist or not etc.
- Valuation should be correctly done.
- The following points should be carefully noted.
- Plinth area rates should be correctly applied.

- Cost indices of relevant time & place should be considered.

- Extra items should be properly framed based on correct rates of materials and labour.
- For ascertaining comparable land values public auction or sale cleared by the Appropriate Authority should be considered more authentic. Reliance should be placed on sale instances of registration offices only under circumstances where Appropriate Authority instances are not available. Reliance may also be made on the local guidelines rates issued by relevant authority.
- It should be based on facts noted during inspection of property and facts intimated by assessee and verified.
- It should depict the property in simple terms bringing out the position on the date of inspection through a note.
- The detailed measurements and specification should be noted and got accepted from the assessee or his authorized representative for avoiding contradiction.

10.3 Acceptability :

Valuation should stand the check of scrutiny. Assessors are generally not inclined to accept higher valuation and pay additional taxes without challenging the valuation in appeals. The following points should be noted carefully :-

Valuation should appear to be correctly and objectively done and able to so convince the appellate authorities. For this, technical matters should be explained in simple terms so as to be appreciated by the assessing officer and appellate authorities.

Valuation should be done by competent authority having requisite territorial jurisdiction and financial powers specified in Rule 3A of the Wealth Tax Act, 1957.

Proper legal requirements should be met like issuing notices to the assessee, sending draft report inviting objections which should be carefully considered under W.T., G.T. & C.G. In case of rejection the reasons there of should be recorded. The objections accepted should also be recorded. Cases are lost on appeals on the plea that proper opportunity was not given to the assessee to present his view point.

Correspondence with the assessee should indicate that reasonable opportunity was given to assessee to submit the documents and to make other submissions.

It should be reasoned valuation. Reasons for ignoring any document submitted by the assessee should be recorded e.g. vouchers, valuation reports of registered valuers, bill of quantity of materials, accounts etc.

Similarly, the basis of methods adopted or guess made should be recorded in the files. Those would be helpful for defence in appeal.

Inadequacies in registered valuers reports usually found interalia are :-

- Usually the built up area is larger than the area shown in the sanctioned plans considering less area than actual construction leads to lesser valuation. Sometimes floors area missed.
- Materials consumed are accounted less than actual requirement.
- Fittings, of pipes doors, windowns are shown less than actually used in construction.
- Incorrect, arbitrary and unauthentic plinth area rates considered.
- Extra items are not considered or inadequately considered.

Valuation should be based on evidence and not based on irrelevant matters or matters that are arbitrary in nature or fanciful.

There should be transparency, uniformity, reasonableness and due opportunity given to the assessee to defend his submission.

10.4 Promptness :

Valuation report is valid during the pendency of the assessment. Promptness in completion of valuation is essential. Legal requirements needs that proper notices are served on the assessee and he be given reasonable opportunity to present his view point. These notices may also be sent by Registered Letter / Speed Post. In case non-cooperative or absentee assessee the second notice immediately after the expiry of the date stipulated in the first notice, be served through the assessing officer to fulfill legal requirement.

Chapter 8

REVIEW

The review of report can be categorized as preview and post review.

Preview

The preview comprises of the review of the sample cases before finalization of report by involving abinitio from inspection of property to work out rate and method of valuation to finish. This will ensure the guidance of D.V.O. /C.E. (Valuation).

Post Review

Review of valuation reports shall be done with a view to their correctness, acceptability in appeals and adoption of uniform procedures.

At least 15% of the reports finalised by the AVOs shall be reviewed by their respective VOs. Similarly, as least 10% of the reports finalised by the VOs should be reviewed by the respective DVOs. Similarly, at least of 10% of the reports of the DVOs should be reviewed by the Chief Engineer.

In these cases, Valuation Reports would be modified, required if any, and thus modified Valuation Report would be sent to the Assessing Officer to safeguard the interest of the Government, clearly mentioning that revision is an outcome of the review by competent authority

Therefore, review would improve the quality of valuation wok done in a unit and should be given due importance.

Chapter-9

CO-ORDINATION WITH ASSESSING OFFICER

Proper coordination with Assessing Officer is essential for quality valuation of the properties. It will also ensure that valuation report passes the test of appeal before the Appellate Authorities. Assessing Officers should keep in mind the following points while making reference to the Valuation Cell.

- (i) The information about the date on which the assessment / proceedings for which the valuation is required will get barred by limitation of time should also be clearly mentioned in the reference – letter to the Valuation Officer.
- (ii) In most of the cases referred to Valuation Unit by the Assessing Officers under various sections are referred to in the month of October and November of the year and most of these cases get time barred by December of the year. This puts pressure on the Valuation Officers to carry out valuation of the properties in a time bound manner. As a result, the cases are decided in a hurry due to acute shortage of time and thus quality gets adversely affected. In view of this, it would be better if the cases are referred to Valuation Cell round the year so that Valuation Officers are able to prepare high quality estimates.
- (iii) Before making a reference to the Valuation Officer for a valuation report of advisory nature, the income-tax authority making the reference should record a satisfaction note, stating clearly the reasons for making the reference and the objective sought to be achieved.
- (iv) In respect of the cases which are referred to the Valuation Cell by various Assessing Officers of the Department, the Valuation Officers are asked to obtain required documents from the assessee. In many cases, documents are available with the Assessing Officers especially on search & seizure cases and hence, if photocopies of relevant documents are passed on to the Valuation Officers while referring the cases, it would save a lot of time and also reduce unnecessary correspondence with the Assessing Officers.

- (v) When the report of the Valuation Officer is not binding, it is necessary that the assessee / affected person is confronted with its contents before it is utilized against him. The Assessing Officer should allow him a reasonable opportunity of being heard in the matter and consider his objections, against the valuation report, in accordance with the law.

- (vi) The Valuation Officers do not come to know of the additions made by the Assessing Officers in the assessments based on their valuation reports and estimates given by the Valuation Officers. In respect of these cases and even in other cases wherein the assessees have gone for appeal, the papers are not made available to the Valuation Officers so that they can prepare themselves for effective presentation before the appellate authorities. In most of the cases, the Valuation Officers are not involved in defending the cases of appeal before the appellate authorities. As the technical details do not get clarified in the appeal cases, the department loses at the appellate stage. It is necessary that in the interest of revenue, the Valuation Officers should be given a chance to defend their valuation reports and argue the cases on behalf of the department before the Appellate Authorities. The Board has issued instructions to the effect that Valuation Officers should defend their valuation reports and argue the case on behalf of the department before the appellate authorities. For this purpose, Commissioners should ensure their attendance whenever these cases come up for hearing before an appellate authority. The Assessing Officers should ensure that Valuation Officers are provided with a copy of grounds of appeal and other papers in such cases sufficiently in advance of the date of hearing. This would enable them to prepare themselves and effectively present their view points before the appellate authority (Refer Board's instruction No. 1516 dated 07.08.1983 & Board's instruction No. 1885 dated 11.07.1991).

Chapter 10

APPEALS

When an appeal is heard by the CIT (Appeals) under section 23 of the W.T. Act, 1957 and one of the question involved in the appeal relates to valuation of any assets, done by the Departmental Valuation Officers, the CIT(A) is required to give a notice of hearing to the Departmental Valuation Officer under sub-section (3A) of the section 23 of W.T. Act 1957. Similarly, the Tribunal is also required to give notice to the Departmental Valuation Officer before disposing an appeal under section 24 (5) of the W.T. Act 1957. CIT (Appeals) usually hear the Valuation Officers whose reports were considered by the assessing officers in case of cost of construction / investment.

Whenever intimated the Valuation Officer should present himself before appellate authority duly prepared defend the valuation after ascertaining the grounds of appeal. He shall also submit a written presentation containing his comments about the objections raised by the assessee on the valuation report irrespective of the fact that he is heard by the appellate authority or not. He should also submit a written request to the appellate authority requesting for a copy of the order. He should also ensure that copy of the order is received in his office.

In advisory reference of cost of construction, it is not mandatory in appeal to hear the Valuation Officer. They should therefore impress upon the assessing officers and appellate authorities to ensure that opinion of valuation officer is heard in appeals for proper appreciation of the valuation report. In case it comes to notice, that appeals has been decided without hearing the valuation officer and against the facts referred in the valuation report, prompt action should be taken to challenge it through CIT (Charge).

In appeals Valuation Officers act as technical officers rendering assistance to the assessing officers. They do not act as witnesses and cannot be subjected to cross examination as has been decided in the courts.

In appeals valuation by Valuation Officers may be sent aside if the requirement of good valuation report (chapter 8) are not fully met with while framing the valuation reports.

Valuations are set aside in appeals inter alia on the following grounds. Those should be properly attended.

- (a) Reasons not recorded by the Valuation Officer for not accepting private valuers report or assessee's own valuation or accounts of cost of construction and the vouchers.
- (b) For not following State PWD Schedule of rates or plinth area rates and instead adopting CBDT approved plinth area rates and CPWD Schedule of rates, applicable for Delhi.

The Schedule of rate are based on specifications and mode of measurement, CPWD Schedule of rates and specifications are exhaustive and are complementary to each other. It is more realistic to follow them. In fact with correct basic rates of labour and material, all schedules of rates should give identical rates following the same mode of measurement.

Cost Index of any place applied over the basic plinth area rates brings it at par with the prevailing PAR at that place. PAR adopted by CBDT are standard rates for a place at a particular time over which cost index is applied for a difference in prevailing rate at any other place at different time.

- (c) Assessing Officer did not record that he had found the case fit for reference to the Valuation Officer.

Chapter 11

CONCLUSIONS

It is imperative that all valuation correctly done after giving due opportunities to the assessee of being heard. It should stand that test of appeal. It should also be done expeditiously.

For improving quality of valuation work Valuation Officers at all levels should be encouraged to join training courses and participate in seminar. Each DVO Unit should have a library containing standard books on valuation and other publications. A suggested list given in Annexure 22. Valuation Officers should be encouraged to go through the book. VOs having offices outside should maintain a similar library.

Group discussions should be held at the level of DVOs in the presence of all the Valuation Officer where queries and doubts can be freely discussed and difficult cases and judgments of appeal cases can be discussed. Such meetings should take place at least once in 3 months.

DVO should conduct training courses of one or two days duration for educating the fresher and refresh the seniors once in a year. Chief Engineer should organize meetings of all DVOs once in 6 months. Effort should be made to standardize the valuation procedure to the extent possible.

Care should be taken about review of cases by seniors. Chief Engineer / DVOs should keep a strict watch on it.

For successful functioning of the Valuation Cell it is essential that there are sufficient references from the assessing officers. The CBDT in their circular had mentioned that each DVO, VO & AVO should finalize each year 90, 180 and 180 cases respectively. It is essential that valuation is done effectively, correctively and expeditiously. This would earn the confidence of the assessing officers. It is also essential that Valuation Officers about the functioning of the Valuation Cell and how it helps the assessing officers directly or indirectly for better revenue collection. Meetings and seminars attended jointly by Valuation Officers and assessing officers would be helpful and need be organized at regular intervals by the DVOs.

In case of references from Director General / Director and Deputy / Additional / Assistant Director Investigations, for assessment of cost of

construction / FMV a regular reference under section 142 A or 50C or as applicable may also be called from concerned Assessing Officer i.e. ACIT / DCIT / ITO. So that it can be upheld under subsequent appeal.

As per the law, search and seizure cases are to be finalised within one year. Close liaisoning with the investigation wing would therefore be helpful to generate more cases of the Valuation Cell. Mere presence of the expert Engineer of the Valuation Cell usually result in voluntary disclosure of appreciable higher amount invested in land and buildings. The officers of the Investigation wing should therefore be made aware of the effectiveness of associating valuation officers in the search and seizure cases towards detection of under valuation in immovable properties. The interim report during search should be carefully given, mentioning the present status of construction and method of valuation basis of rates. Proper mention of fact that the report is an interim report and may not be made at basis for final assessment should be invariably made in the report. The Assessing Officer may also be persuaded to send a regular reference. Copies of interim report be sent to higher authorities for record and further reference.

Annexure-1

PROFORMA FOR RECEIPT / DISPOSAL REGISTER

| Sl.No. | File No. & Category of case | Date of Receipt | Referring Officer | Assessee Details | Property Details | Asst. Year (period of valuation) | Cases (Properties) | Time Barring by | Declared value in Lakhs | Value in Lakhs | | Difference in value of declared & assessed | Report sent vide letter No. dated | Remarks |
|--------|-----------------------------|-----------------|-------------------|------------------|------------------|----------------------------------|--------------------|-----------------|-------------------------|---|---------------------------------|--|-----------------------------------|---------|
| | | | | | | | | | | Preliminary valuation and Date of issue | Final Valuation & Date of issue | | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
| | | | | | | | | | | | | | | |

ANNEXURE

107

PLINTH AREA RATES As On 01-10-2007

ANNEXURE-2

| S. No. | Description | Office / College / Hospital | Schools | Hostels | Residential |
|--------|---|-----------------------------|---------|---------|-------------|
| 1 | 2 | 3 | 4 | 5 | 6 |
| 1.0 | R.C.C. FRAMED STRUCTURE | Rates in Rs. Per Sq. metre | | | |
| 1.1 | R.C.C. Rames structure upto six storeys | | | | |
| 1.1.1 | Floor height 3.35 mt. | 13,200 | 9,150 | | |
| 1.1.2 | Floor height 2.90 mt. | | | 9,100 | 9,000 |
| 1.2 | EXTRAS FOR | | | | |
| 1.2.1 | Every additional storey over six storeys upto nine storeys | 310 | 310 | 310 | 310 |
| 1.2.2 | Every additional storey over nine storeys upto twelve storeys | 320 | 320 | 320 | 320 |
| 1.2.3 | Every 0.3 mt. additional height of floor above normal floor height of 3.35 mt. / 2.90 mts. | 150 | 150 | 150 | 150 |
| 1.2.4 | Every 0.3 mt. higher plinth over normal plinth height of 0.6 mt. (on G.F. area only) | 150 | 150 | 150 | 150 |
| 1.2.5 | Every 0.30 mt. deeper foundations over normal depth of 1.20 metre (on G.F. area only) | 150 | 150 | 150 | 150 |
| 1.2.6 | Making stronger foundations to take load of one additional floor at a later date (on area of additional floor only) | 1250 | 1250 | 1250 | 1250 |
| 1.2.7 | Strip foundations in poor soil having bearing capacity less than 10 tonnes/ sqmt. | 286 | 286 | 286 | 286 |

| | | | | | |
|---------|--|---------|------|------|---------|
| 1.2.8 | Resisting Earthquake forces | 630 | 630 | 630 | 630 |
| 1.2.9 | R.C.C. Raft foundations (ground floor only) | 3560 | 3560 | 3560 | 3560 |
| 1.2.10 | Pile foundations upto a depth of 15 mts. | 6470 | 6470 | 6470 | 6470 |
| 1.2.11 | Stronger structural members to take heavy load above 500 kgs. Sqm. upto 1000 Kgs. / Sqm. | 850 | 850 | 850 | 850 |
| 1.2.12 | Larges modules over 35 sqm. | 990 | 990 | 990 | 990 |
| 1.3 | BASEMENT FLOOR | | | | |
| 1.3.1 | Floor Height 3.35 mt. with normal water proofing tratment with bituminours felt | 18035 | - | - | - |
| 1.3.2 | EXTRA FOR BASEMENT WITH | | | | |
| 1.3.2.1 | Masic Asphalt W.P.T. | 1144 | - | | |
| 1.3.2.2 | Every 0.3 mt. addl. Height (above 3.35 mt.) | 1274 | - | - | - |
| 1.3.2.3 | Reduction for very 0.5 mt. less hight basement | (-) 728 | - | - | - |
| 1.4 | FIRE FIGHTING | | | | |
| 1.4.1 | With wet riser system | 300 | 300 | 300 | 300 |
| 1.4.2 | With sprinkler system | 450 | 450 | 450 | - |
| 1.5 | FIRE ALARM SYSTEM | | | | |
| 1.5.1 | Mannual Fire Alarm System | - | - | - | (-) 155 |
| 1.5.2 | Authomatic Fire Alarm System | 300 | 300 | 300 | - |
| 1.6 | Operation Theatre (OPD) (Extra Provision | 1235 | - | - | - |
| 1.7 | Pressurized mechanical ventilation system in the basements (with supply of Exhaust blowers) | 50 | 50 | 50 | - |

| Sl. No. | Description | Non - Residential | | | Residential | | |
|---------|--|-----------------------------|----------------------------|--------|----------------------------------|---------------|----------------------|
| | | Office / College / Hospital | Schools | Hostel | Type-I, II, III, & servant Qtrs. | Type-IV Qtrs. | Type-V, VI and above |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| 2.0 | LOAD BEARING CONSTRUCTION | | Rates in Rs. Per Sq. meter | | | | |
| 2.1 | Floor height 3.35 mt. | | | | | | |
| 2.1.1 | Single storeyed | 8250 | 7505 | - | - | - | - |
| 2.1.2 | Double storeyed | 7900 | 6740 | - | - | - | - |
| 2.1.3 | Three storeyed | 8250 | 7505 | - | - | - | - |
| 2.1.4 | Four storeyed | 8715 | 7555 | - | - | - | - |
| 2.2 | Floor height 2.90 mt. | | | | | | |
| 2.2.1 | Single storeyed | - | - | 7315 | 6390 | 7030 | 7555 |
| 2.2.2 | Double storeyed | - | - | 6425 | 6200 | 6820 | 7205 |
| 2.2.3 | Three storeyed | - | - | 7315 | 6390 | 7030 | 7355 |
| 2.2.4 | Four storeyed | - | - | 7665 | 6740 | 7410 | 7900 |
| 2.3 | Scooter & Cycles sheds | - | - | - | 5805 | 5805 | 5805 |
| 2.4 | Garrages | - | - | - | 5455 | 5455 | 5455 |
| 2.5 | Extra for | | | | | | |
| 2.5.1 | Every 0.3 mt. additional height above normal height 3.35 mt./2.90mt. | 150 | 150 | 150 | 150 | 150 | 150 |

| | | | | | | | |
|-------|---|------|------|------|------|------|------|
| 2.5.2 | Every 0.3 mt. higher plinth over normal plinth height of 0.60 mt. (on Ground floor area only) | 150 | 150 | 150 | 150 | 150 | 150 |
| 2.5.3 | Every 0.3 mt. deeper foundations over normal depth of 1.20 mt. (on G.F. area only) | 150 | 150 | 150 | 150 | 150 | 150 |
| 2.5.4 | Making stronger foundations to take load of One additional floor at a later date (on area of additional floor only) | 430 | 430 | 430 | 430 | 430 | 430 |
| 2.5.5 | Foundations on poor soils having bearing capacity less than 10 T/sqmt. | 286 | 286 | 286 | 286 | 286 | 286 |
| 2.5.6 | Foundation on poor soils requiring under reamed pile 6 mt. long | 3085 | 3085 | 3085 | 3085 | 3085 | 3085 |
| 2.5.7 | R.C.C. Raft foundation (G.F. area only) | 3560 | 3560 | 3560 | 3560 | 3560 | 3560 |
| 2.5.8 | Pile foundation up to a depth of 15 mtr. | 6470 | 6470 | 6470 | 6470 | 6470 | 6470 |
| 2.6 | Extra for resisting Earth-quake Forces | | | | | | |
| 2.6.1 | In Zone V | 588 | 588 | 588 | 588 | 588 | 588 |
| 2.6.2 | Buildings of two storeys or more in Zone III & IV | 286 | 286 | 286 | 286 | 286 | 286 |
| 2.6.3 | Resisting earthquake forces in Zone II and single storey buildings in Zone III & IV | Nil | Nil | Nil | Nil | Nil | Nil |
| 2.7 | Stronger structural members to take heavy loads above 500 Kg / Sqm. Up to 1000 Kg / Sqmt. | 850 | 850 | 850 | 850 | 850 | 850 |
| 2.8 | Larger modules over 35 Sqmt. | 990 | 990 | 990 | 990 | 990 | 990 |
| 2.9 | Fire fighting | | | | | | |
| 2.9.1 | With wet riser system | 300 | 300 | 300 | 300 | 300 | 300 |

| | | | | | | | |
|--------|--------------------------------------|------|-----|-----|-----|-----|-----|
| 2.9.2 | With sprinkler system | 450 | 450 | 450 | 450 | 450 | 450 |
| 2.10 | Fire Alarm System | | | | | | |
| 2.10.1 | a) Manual Fire Alarm systems | - | - | - | 155 | 155 | 155 |
| 2.10.2 | b) Automatic Fire Alarm system | 300 | 300 | 300 | - | - | - |
| 2.11 | O.P.D. Operation Theatre etc. | 1235 | - | - | - | - | - |

Note : Rates for items are applicable on entire plinth area except for items 1.2.4, 1.2.5, 1.2.6, 1.2.9, 1.5, 2.5.2, 2.5.3, 2.5.4 and 2.5.7

| S. No. | Description | Office & College | Hospitals | Schools | Hostels | Type of Quarters | | | | |
|--------|---|------------------|-----------|----------------------|--|---|------|------|------|---------------|
| | | | | | | I | II | III | IV | V, VI & above |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| 3.0 | SERVICES | | | | | | | | | |
| 3.1 | Internal water supply & sanitary installations | 4% | 10% | 5% | 15% with attached toilets, 10% with common toilets | 12% | 12% | 12% | 12% | 12% |
| | | | | | | % age means percentage A building cost | | | | |
| 3.2 | External service connections | 5% | 5% | 5% | 5% | 5% | 5% | 5% | 5% | 5% |
| 3.3 | Internal electric installations | 12½% | 12½% | 12½% | 12½% | 12½% | 12½% | 12½% | 12½% | 12½% |
| | | | | | | Note : The above does not include service connection Chrges & electrification | | | | |
| 3.4 | Internal electric installations for laboratories of schools | - | - | 15% of building cost | - | - | - | - | - | - |

| Sl. No. | Type of lift | Capacity / persons | Weight | Speed in M/Sec. | Travel | Doors | Control | Price (Rs. In lacs) | Addl. Price for each additional |
|---------|------------------------------|--------------------|----------|-----------------|--------|----------------|---------|---------------------|---------------------------------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| 4.0 | LIFTS | | | | | | | | |
| 4.1 | Passenger lifts | | | | | | | | |
| 4.1.1 | Passenger lift | 8 | 544 Kg. | 1.0 | G+4 | Power operated | ACW | 13.50 | 90,000.00 |
| 4.1.2 | Passenger lift | 8 | 544 Kg. | 1.5 | G+4 | Power operated | ACW | 18.00 | 90,000.00 |
| 4.1.3 | Passenger lift | 13 | 884 Kg. | 1.0 | G+4 | Power operated | ACW | 18.00 | 90,000.00 |
| 4.1.4 | Passenger lift | 13 | 884 Kg. | 1.5 | G+4 | Power operated | ACW | 19.00 | 90,000.00 |
| 4.1.5 | Passenger lift | 16 | 1088 Kg | 1.0 | G+4 | Power operated | ACW | 17.00 | 1,10,000.00 |
| 4.1.6 | Passenger lift | 16 | 1088 Kg. | 1.5 | G+4 | Power operated | ACW | 19.50 | 1,10,000.00 |
| 4.1.7 | Passenger lift | 16 | 1088 Kg. | 2.5 | G+4 | Power operated | ACW | 57.00 | 1,10,000.00 |
| 4.1.8 | Passenger lift (Bed lift) | 20 | 1360 Kg | 0.75 | G+4 | Power operated | ACW | 21.50 | 90,000.00 |
| 4.1.9 | Passenger lift | 20 | 1360 Kg. | 1.5 | G+4 | Power operated | ACW | 27.00 | 1,10,000.00 |
| 4.1.10 | Passenger lift | 20 | 1360 Kg. | 2.5 | G+4 | Power operated | ACW | 59.00 | 1,30,000.00 |
| 4.2 | Goods lifts (2 speed) | | | | | | | | |
| 4.2.1 | | 1 Ton | - | 0.5 | G+4 | | | 14.75 | 50,000.00 |
| 4.2.2 | | 2 Ton | - | 0.5 | G+4 | | | 19.00 | 50,000.00 |
| 4.2.3 | | 3 Ton | - | 0.25 | G+4 | | | 23.25 | 60,000.00 |

| Sl. No. | Description | Rates in Rupees |
|---------|--|-----------------|
| 5 | WATER TANK (RCC ONLY) | |
| 5.1 | Overhead tank without independent staging | 9.00 / Litre. |
| 5.2 | Overhead tank upto staging height 20 metres | 15.20 / Litre. |
| 5.3 | Overhead tank with staging height between 20 metres and upto 30 metres | 17.30 / Litre. |
| 5.4 | Overhead tank with staging height between 30 metres and 40 metres | 21.00 / Litre. |
| 5.5 | Underground sump | 9.00 / Litre. |
| 6 | DEVELOPMENT OF SITE | |
| 6.1 | Levelling | 55.00 / Sqm. |
| 6.2 | Internal roads & paths | 83.00 / Sqm. |
| 6.3 | Sewer | 63.00 / Sqm. |
| 6.4 | Filter Water Supply | |
| 6.4.1 | Distribution lines 100 mm dia and below | 46.00 / Sqm. |
| 6.4.2 | Peripheral grid 150 mm to 300 mm dia pipes | 35.00 / Sqm. |
| 6.4.3 | Unfiltered water supply distribution lines | 27.00 / Sqm. |
| 6.5 | Storm water drains | 50.00 / Sqm. |
| 6.6 | Horticulture Operations | 47.00 / Sqm. |
| 6.7 | Steel lighting | |
| 6.7.1 | With fluorescent lamps | 55.00 / Sqm. |
| 6.7.2 | With HPMV Lamps | 75.00 / Sqm. |
| 6.7.3 | With HPSV Lamps | 95.00 / Sqm. |
| 6.7.4 | Exist sign board i/c electric signage | 50.00 / Sqm. |

Note : 1. The rates are per Sqm. and are to be applied on the entire areas of the plot to be developed.

2. These rates will apply to normal conditions and normal layout plans. If any extras are required due to nature of layout involving filling, cutting or bringing services from large distances, then additional provision should be made.

3. Cost of bluk services water supply, sewage disposal e.g.

3.1 Tube wells, pumps, open walls, treatment plant, extension of lines from sources of local bodies, head works at water sources etc.

3.2 Sewage pumps, sewage treatment plants, septic tanks, extension of cut-fall sewer up to point of disposal etc. are not included in these rates. Extra provision depending upon site conditions may be made for these.

4. The cost of providing green building & Water harvesting are to be taken as per actual.

5. Cost of HT sub - station equipments, LT disribution system, DG sets, pumps, air - conditioning and other specialized works like aesthetic external lighting with metal halide lamp for façade lighting, addressable fire alarm system, rising mains, UPS, aviation obstruction lights, external service connections, storage water cooler, IBMS, CCTV access control system for security, solar water heating system, solar lighting etc. are not included in above rates and the same are to be taken as per actual based on functional / utility of the proposed building.

Specifications for Residential Buildings

| Item No. | Item | Type I, II, III & Servant Qtrs. | Type-IV | TypeV / VI | Hostel |
|----------|--|---|--|---|--------|
| 1.1 | Foundation | Bearing capacity 10 tonnes per Sq. metre | Applicable to all | | |
| 1.2 | | Type spread foundation in RCC isolated / combined, continuous wall footing with lean concrete. | | | |
| 1.3 | | Depth upto 1.2 metres below ground level | | | |
| 2.1 | Super structure | RCC framed construction with filler walls in brick works or load bearing construction if brick / stone masonry with intermediate columns where found necessary. | | | |
| 2.2 | | Internal partition half brick masonry in cement mortar 1 : 4 | | | |
| 3.1 | Frames | | | | |
| 3.1.1 | Window | Pressed steel frames made out of corrosion resistant coated sheet of 1.6 mm thick with double rebate | Pressed steel frames made out of corrosion resistant coated sheet of 1.6 mm thick with double rebate / scratch proof aluminium sheets / polypropylene windows | Same as Type-IV | |
| 3.1.2 | Door | T-Iron / Pressed steel / Pre-cast R.C.C. frames | Pressed steel frames made out of corrosion resistant coated sheet of 1.6 mm thick with single rebate / factory manufactured precast RCC frames | Same as Type-IV | |
| 3.2 | Shutters | | | | |
| 3.2.1 | Window | M.S. tubular box section corrosion resistant coated shutters. Wire mesh shutters may also be provided at the discretion of Zonal Chief Engineer. | M.S. tubular box section corrosion resistant coated shutters. Wire mesh shutters may also be provided at the discretion of Zonal Chief Engineer / Scratch proof aluminium window. Shutters to match with frame | Same as Type-IV | |
| 3.2.2 | Main Door | Double door, one with iron grill with wire mesh mosquito proof and other 35 mm thick panelled shutter with hard wood style and rail with panelling of pre-laminated particle board, one side decorative other side balancing. | Same as Type I to III | Same as Type I to III except that panelling will be of both side decorative, pre-laminated particle board. | |
| 3.2.3 | W.C. / Bath Room | Solid PVC shutters 20 mm thick | Same as Type I to III | Same Type I to III | |
| 3.2.4 | Kitchen door | Partly panelled and partly wire mesh with stainless steel wire mesh. The panelling with pre-laminated particle board, one side decorative 35 mm thick panelled shutter with hard wood style and rails. | Same as Type I to III | Partly panelled and partly wire mesh with stainless steel wire mesh. The panelling with pre-laminated particle board 35 mm thick panelled shutter with hard wood style and rails. | |
| 3.2.5 | Other doors | 35 mm thick panelled shutters with hard wood style and rail with panelling of pre-laminated board, one side decorative | Same as Type I to III | 35 mm thick panelled shutters with hard wood style and rail with panelling of pre-laminated board, both sides decorative. | |
| 3.3 | Fittings | Powder coated M.S. Fitting / stainless steel fittings | Power coated aluminium stainless steel fittings | Same as Type-IV | |
| 3.4 | Peep hole and security chain for external door only. | Yes | Yes | Yes | |

- Note :**
1. In item No. 3 of Wood work, if any other option of local material is available, the same can also be used by the respective Chief Engineers.
 2. External sliding door bolt and handles will be in powder coated M.S. or stainless steel.
 3. Koba treatment on roofing in all type of quarters

| S. No. | Item | Type-I, II, III & Servant Qtrs. | Type-IV | Type-V and VI |
|--------|---|---|--|---|
| 4 | Flooring | | | |
| 4.1 | In rooms, kitchen internal circulation area | Mosaic flooring and skirting with ordinary cement except in common circulation area and stair case. | Same as Type I to III | Mosaic / Terrazzo tile flooring with white cement. In kitchen, ceramaic tiles / marbles flooring |
| 4.2 | Common circulation area staircase | Kota stone flooring and matching skirting. In staircase, single piece Kota stone shall be used | Same as Type I to III | Same as Type IV |
| 4.3 | Kitchen work top | Kota Stone | Udaipur green marble / Granite stone | Granite Stone |
| 4.4 | Toilets | Mosaic | Ceramic Tiles | Ceramic Tiles |
| 4.5 | Skirting / Dado | Ceramic glazed tiles in Indian Type WC upto 90 cm. Height and bath room upto door jamb height | Same as Type I to III | Ceramic glazed tiles upto ceiling height with a decorative band of tiles |
| 5.0 | Finishing | | | |
| 5.1 | External | Acrylic smooth exterior finish or washed stone grit plaster or exposed brick work | Premium Achrylic smooth exterior finish with additive of silicone or washed mosaic plaster in ordinary cement or exposed brick work | Premium Achrylic smooth exterior finish with additive of silicone or washed mosaic plaster in ordinary cement or exposed brick work |
| 5.2 | Internal | All walls & ceilings to be treated with 5 mm thick POP followed with a coat of acrylic / oil bound distemper except kitchen, bath & WC and all ceiling, which will be done with white wash. Synthetic enamel paint on all wood work and steel work. | All walls & ceiling to be treated with 2 mm thick POP followed with a coat of acrylic / oil bound distemper except kitchen, bath & WC and all ceilings, wich will be done with white wash. Synthetic enamel paint on all wood work and steel work. | All walls & ceiling to be treated with 2 mm thick POP plaster and cornices followed with a coat of plastic emulsion paint except kitchen, bath and WC and all ceilings, which will be done with white wash. Synthetic enamel paint on all wood work and steel work. |

Scale of Amenities for General Pool Accommodation

| Item No. | Item | Type-I | Type-II | Type-III | Type-IV | Type-V / VI |
|-----------------|--|---|----------------------------------|----------------------------------|---|---|
| 1 | Kitchen | | | | | |
| (i) | Shelves in tiers not more than 400 mm wide along one wall 1 thick | Yes | Yes | Yes | Covered cup boards above sill level with pre-laminated decoarative board. | Same as Type-IV |
| (ii) | Kitchen sink | Stainless steel sink without drain board size 610 x 510 mm with bowl depth 200 mm | Same as Type-I | Same as Type-I | Stainless steel sink with drain board size 510 x 1040 mm with bowl depth 200 mm | Stainless steel sink of size 510 x 1040 mm with bowl depth of 250 mm with draining board / vitreous china sink with draining board of size 600 x 450 x 250 mm |
| (iii) | Dado Ceramic glazed tiles for 60 cm above work top and around sunken floor | Yes | Yes | Yes | Yes | Ceramic glazed tiles upto 60 cm above cooking platform all around |
| (iv) | Built in cupboard with open shelves below cooking platform shutters of pre-laminated partice board 18 mm thick below window sill level of cooking platfrm along one wall | Yes | Yes | Yes | Yes with 2 drawers | Yes with 2 drawers |
| (v) | Cooking platform standing | Yes | Yes | Yes | Yes | Yes |
| 2 (i) | Wardrobes Built in cupboard with R.C.C. / Pre-laminated partice board / Kota stone shelves and shutter upto ceiling height | (One in each Bed Room) '7.00' height | One in each Bed Room 7.00 height | One in each Bed Room 7.00 height | (One in each Bed Room) upto ceiling height | One in each Bed Room upto ceiling height |
| (ii) | Magic eye in front door | One | One | One | One | One |
| (iii) | Window sill lining 18 mm thick projected with Kota Stone / Marble | Kota Stone | Kota Stone | Kota Stone | Kota Stone | Marble |
| (iv) | Curtain rods with brackets | All Rooms | All Rooms | All Rooms | Drapery rods | Drapery rods |
| (v) | Set of pegs | In bath and bed rooms | In bath and bed rooms | In bath bed and wardrobes | In bath bed and wardrobes | In bath, bed and wardrobes |

Scales of Sanitary Fittings for General Pool Residential Quarters

| Item No. | Item | Type-I | Type-II | Type-III | Type-IV | Type-V / VI |
|----------|--|---|--------------------|--------------------|---|---|
| 1 | Indian W.C. Pan with flushing cistern | One WC Pan Orissa pattern with low level PVC Flushing Cistern | One same as Type-I | One same as Type-I | One same as Type-I | One + One for servant quarters |
| 2 | European type W.C. with high level flushing | - | - | - | One with low level PVC flushing cistern | One (syphonic type) with matching low level cistern |
| 2 (a) | Water Jet with low level European W.C. | - | - | - | One | One |
| 3 | Wash basin with one tap each | One | One | One | Two mixer type for hot & cold water | Three Mixer type for hot & cold water |
| 4 | Tap (Kitchen bath & W.C.) C.P. Brass / PTMT bib cock | 4 PTMT | 4 PTMT | 4 C.P. Brass | 5 C.P. Brass | 12 (1 PTMT + 11 CP Brass) |
| 5 | Shower C.P. Brass / PTMT | One PTMT | One PTMT | One PTMT | Two C.P. Brass | Three C.P. Brass |
| 6 | Towel rail C.P. Brass / PTMT | One PTMT | One PTMT | One PTMT | Two C.P. Brass | Two C.P. Brass |
| 7 | Mirror / Bevelled edge / PVC frame with PTMT glass shelf | One | One | One | Two | Three |
| 8 | Soap rack (Nitch in W.C. / Bath) | One | One | One | Two | Three |
| 9 | Liquid soap container | - | - | - | Two | Three |
| 10 | Storage tank | 500 ltr. | 500 ltr. | 500 ltr. | 750 ltr. | 1000 ltr. + 500 ltr. For servant quarters |
| 11 | Nitch with Kota Stone sill in bath room | One quarters | One | One | Two | 3 + 1 servant |

Note : Waste coupling in wash basins and grating over the floor trap shall be only of PTMT.

**Specifications for Electrical Installation in Residential
Quarters**

| Item No. | Description | Type-I | Type-II | Type-III | Type-IV | Type-v (excluding servant quarter & Garage) | Type-VI (excluding servant quarter & Garage) | Servant Quarters & Garage |
|----------|---|-------------------------|---------|----------|--------------------------|---|---|---------------------------|
| 1 | Power Points (15 amperes, 6 pins | 2 | 3 | 4 | 5 | 6 | 7 | 1 |
| 2 | MCB connected socket outlet for A.C. unit / Geyser complete with wiring | 1 | 1 | 1 | 2 | 4 | 5 | - |
| 3 | Ceiling Fans | 2 | 3 | 4 | 5 | 6 | 7 | 1 |
| 4 | Exhaust Fans | 1 | 1 | 1 | 1 | 1 | 1 | - |
| 5 | Call bells | 1 | 1 | 1 | 1 | 2 | 3 | - |
| 6 | Light / Fans / Call bell 5A Plug Points | 17 | 20 | 23 | 27 | 38 | 44 | 5 |
| 7 | F.I. Fittings excluding | 2 | 3 | 4 | 5 | 7 | 8 | 1 |
| | Type of Wiring | Recessed Conduit wiring | | | Concealed conduit wiring | | | |
| 8 | EDB MCB Type | | | | | | | |
| | A. Single Phase | 1 | 1 | 1 | - | - | - | 1 |
| | B. 3 Phase | - | | | 1 | 1 | 1 | - |
| 9 | Cable TV Point | 1 | 1 | 1 | 1 | 2 | 2 | - |
| 10 | Telephone Point | - | | | 1 | 2 | 2 | - |

Proforma For Calculation Of Cost Index

| Sl. No. | Description | | Unit | Rate as on 01.10.2007 in Rs. | Weightage | Rate at the time of revision of Cost Index | Cost Index |
|---------|---|----------------------------|-----------|------------------------------------|-----------|---|------------|
| 1 | BRICKS | | 1000 Nos. | 2000/- | 8.00 | | |
| 2 | CEMENT (OPC) | | QTL. | 457/- | 14.50 | | |
| 3 | STEEL (a) 8 & 10 MM (TOR STEEL) b) 12 & 16 MM (TOR | 50% 50% | QTL. | 3280/- | 19.50 | | |
| 4 | AGGREGATE 20 MM SIZE | | CUM. | 700/- | 6.50 | | |
| 5 | SAND (COARSE SAND) | | CUM. | 650/- | 3.00 | | |
| 6 | FLOORING ITEMS (a) MOSAIC TILES (b) CERAMIC TILES (c) KOTA STONE (d) GRANITE STONE | 40% 40% 10% 10% | SQM. | 381.10 | 3 | | |
| 7 | PAINTS (a) SYNTHETICENAMEL PAINTS (b) O.B.D. (c) PLASTIC CMULSION PAINT | 33.33% 33.33% 33.33% | LITRE | 100/- | 3.00 | | |
| 8 | PLYAND COOM. WOOD (i) 12 MM THICK PARTICLE BOARD (ii) STEEL WINDOW STANDARD SECTION | 33.33% 33.33% 33.33% | SQM. | 1281.33 | 5.00 | | |
| 9 | PIPES (i) 15 MM G.I. PIPE | 33.33% | MTR. | 144.50 | 2.50 | | |
| 10 | LAMPS & FANS (a) 100 WATT G.I. PIPES (b) CEILING FANS 100 | 33.33% 50% | EACH | 655/- | 3.50 | | |
| 11 | ELECT. MACHINERY FITTING MOTORS 7.5 HP (PUMP SET) 1500 RPM (KIRLOSKAR) | | EACH | 35000/- | 2.50 | | |
| 12 | WIRE & CABLES COPPER WIRES (a) 1.5 SQMM | 70% 30% | 100 MTR. | 825 | 4.00 | | |
| 13 | LABOUR (i) SKILLED | 50% | EACH | 143.38 | 25.00 | | |

Specification For Non - Residential Building

| ITEM NO. | DESCRIPTION | SPECIFICATION |
|----------|----------------------------|--|
| 1.0 | FOUNDATION | As per structural design based on soil investigation. |
| 2.0 | SUPER STRUCTURE | |
| 2.1 | Structure | R.C.C. framed construction with filler walls with fly ash bricks / brick work or load bearing construction in fly ash brick / brick / stone masonry with intermediate columns as per design. |
| 2.2 | Internal partitions | |
| 2.2.1 | | Light weight auto claved aerated concrete blocks. |
| 2.2.2 | | Gypsum Blocks |
| 2.2.3 | | Non asbestos double skin cement boards. |
| 2.2.4 | | Fly ash bricks |
| 3.0 | DOORS & WINDOWS | |
| 3.1 | Frames | |
| 3.1.1 | | Doors frames of 2nd class Indian teakwood or equivalent in officer's room. |
| 3.1.2 | | Anodized / Powder coated / Polyester powder coated Aluminium windows / doors |
| 3.1.3 | | Glazing with reflective glass or double glass using float glass. |
| 3.2 | Doors Shutters | |
| 3.2.1 | | Panelled type in 2nd class teak wood or flush door with teak veneered ply / commercial ply as per CPWD Specifications / as per design. |
| 3.2.2 | | Anodized / powder coated / Polyester powder coated Aluminium shutters with float glass panelling where required. |
| 3.2.3 | | PVC / FRP door frames & shutters |
| 3.3 | Window shutters | Factory made Anodised / powder coated / Polyester powder coated 'Z' section aluminium frames & shutter for windows. |
| 3.4 | Fittings | Anodized aluminium / stainless steel or equivalent |
| 3.5 | Fire check door | As per fire safety specifications. |

| | | |
|-------|--|---|
| 4.0 | FLOORING | |
| 4.1 | Main entrance hall | Pre polished granite flooring |
| 4.2 | Corridors | Matt finished vitrified tiles / Granite flooring. |
| 4.3 | Rooms | Granite tiles / Vitrified tiles / Ceramic tiles flooring |
| 4.4 | Lavatory Blocks | Granite flooring. |
| 4.5 | Flooring in basement | Vacuum dewatered concrete. |
| 4.6 | Rest of the area | Kota Stone flooring. |
| 5.0 | STAIRCASE | |
| 5.1 | Internal staircases | Singel piece Granite or marble flooring in treads & risers with dado of matching permanent finish specifications. |
| 5.2 | Fire escape staircase | Singel piece Kota Stone flooring in treads & risers with dado of matching permanent finish specifications. |
| 6.0 | RAILING | Stainless steel railings. |
| 7.0 | TOILETS | Granite flooring. Glazed tiles of size not less than 300 x 450 mm in dado. Granite counters. Staninless steel sinks. Mirrors with moulded PVC frame. FRP / PVC doors with frames. |
| 8.0 | ROOFING | |
| 8.1 | Roof treatment | Coba treatment |
| 8.2 | False ceiling | False ceiling in office area & toilets to cover the services as per design requirement. |
| 9.0 | FINISHING | |
| 9.1 | External | Dry stone cladding, washed grit plaster, water proof weather coat paints, structural glazing, ACP cladding conforming to Energy Conservation Building Code. |
| 9.2 | Internal | |
| 9.2.1 | | Gypsum plaster in dry areas. |
| 9.2.2 | | Cement plaster in wet areas. |
| 9.2.3 | | Dry distemper in service area & basement. |
| 9.2.4 | | Oil bound distemper / Acrylic emulsion paint / Textured paint. |
| 9.3 | Painting | Doors & windows Painting / polishing on wood work as per design requirement |
| 10.0 | PROVISION FOR BARRIER FREE BUILDING | Ramps, toilets for physically challenged, chequered tiles use of Braille signages & lifts etc. GRC (Glass reinforced concrete) tiles in Ramp area. |
| 11.0 | LANDSCAPING | 10% of the building cost will be kept in Preliminary estimate for murals and / Landscape related construction i/c pavement / paving. |

RULES FOR WORKING OUT PLINTH AREA FROM PLANS

In order to ensure the adoption of uniform method of working out plinth areas from plans, the following rules are laid down. These rules are general in nature and should be taken as a guide. They are based on the fundamental principle that the plinth area of a building should present a true picture of the covered floor area provided in the plan.

1. GENERAL

- (a) The total plinth area of a building shall be the sum total of the plinth area at every floor including the basement, if any.
- (b) Internal sanitary shafts shall not be included in the plinth area in the case of a residential building at any floor level.
- (c) In case of non-residential building internal shafts for sanitary installations, air-conditioning ducts, lifts etc. shall be included in the plinth area at all floor levels.
- (d) The area of the Mumty at Terrace level shall not be included in the plinth area. If a Barsati is provided jointly with mumty then the area of the Barsati excluding mumty at the terrace level shall be included in the plinth area as shown below in the hatched area.

TERRACE PLAN

- (e) Towers, turrets domes projecting above the terrace shall not be included in the plinth area at terrace level, but shall be allowed for separately for costing purposes.

PLINTH AREA OF GROUND FLOOR

The plinth area of the ground floor shall be calculated at the plinth level excluding the plinth off-sets provided such plinth off-

sets area not more than 2¼". In cases where the building consists of columns projecting beyond cladding, the plinth area shall be taken up to the external face of the cladding and shall not be included the projections of the columns.

In case open verandah with parapets are protected at the ground floor projecting out of the building, the full area shall be taken up to the outer line of the external verandah lintel and only 50% of area shall be taken for the unprotected verandah. Open platform without parapets and terraces at ground floor and porches, shall not be included in the plinth area but shall be allowed for separately for costing purpose.

PLINTH AREA AT FIRST AND HIGHER FLOORS

The plinth area of first and higher floors shall be calculated at the relevant floor levels. Architectural bonds, cornice etc. shall not be included in the plinth area even though they may occur at the floor level, vertical sun breakers or box louvers projecting out also shall not be included in plinth area. See illustrative sketch below :

In the case of projecting balconies protected to their full width by the sun shades full width roof projections or by upper in the case of unprotected balconies equivalent area to the extent of 50% of the area of the balconies shall be included in the plinth area. See illustrative sketch given below :

PLINTH AREA OF FOOD GRAIN GODOWNS AS ON 01.06.1986

(Authority -DG(W), CPWD No. SSW (NDZ) SW/V/IV/674(A)/79 dated 30.04.1987)

| Sl. No. | Description of Item | Rate |
|----------------|--|-------------------------|
| 1 | <u>Food Grain Godown</u> | |
| 1.1 | Building Portion-main Godown Single storeyed, Clear hight 5.60 meter and plinth height of 0.80 meter | Rs. 570.00/- Sqm. |
| 1.10.01 | Extra for every 0.30 additional height above the height of 5.60 meter upto the height of 6.35 meter | Rs. 6.40/- Sqm. |
| 1.10.02 | Extra for every 0.30 additional plinth height aove 0.80 m | Rs. 20.00/- Sqm. |
| 1.10.03 | Covered plateform 3.05 m wide rail side upto a plinth height of 0.80 meter | Rs. 462.00/- Sqm. |
| 1.10.04 | Covered plateform 2.45 m wide road side upto a plinth height of 0.80 meter | Rs. 535.00/- Sqm. |
| 1.10.05 | Open plateform 2.45 m wide upto a plinth height of 0.80 meter | Rs. 312.00/- Sqm. |
| 1.10.06 | Extra for every 0.30 m deeper foundation over normal depth of 1.2 m. | Rs. 9.00/- Sqm. |
| 1.10.07 | Extra for foundations in poor soil having bearing capacity less than 10 T/Sqm. or in black cotton soils. | Rs. 15.00/- Sqm. |
| 1.10.08 | Extra for termite proof treatment | Rs. 40.30/- Sqm. |
| 1.11 | <u>Services :</u> | |
| 1.11.01 | Internal Electrical Installations | 5% of the Building Cost |
| 1.11.02 | External service connections | 5% of the Building Cost |

SPECIFICATIONS FOR FOOD GRAIN GODOWNS : MAIN GODOWN AND ISOLATION SHEDS

1 FOUNDATION :

- 1.1 Bearing capacity not less than 10 tonnes per Sq. metre
- 1.2 Type :Spread foundation for wall footing and isolated columns footings for RCC Columns.
- 1.3 Depths upto 1.2 metre below ground level.
- 1.4 Plinth : average 0.800 metre above ground level.

2 SUPERSTRUCTURE :

- 2.1 All wall viz : longitudinal panel walls, gable walls and partition walls in bricks / stone masonry with intermediate RCC columns and beams where necessary. Single storeyed construction with clear height 5.6 meter from floor level to truss bottom member level.

3 DOORS AND WINDOWS :

Rolling shutters in door openings, steel windows and ventilators with expanded metal, wire mesh etc.

4 FLOORING :

- 4.1.1 175 mm C.C. 1:5:10 in two layers with bitumen coat in between over 230 mm sand filling for main godown.
- 4.1.2 125 mm C.C. 1:5:10 in one layer over 230 mm sand filling for platforms.
- 4.1.3 50 mm C.C. 1:1:5:3 wearing cost.

5 ROOFING :

Tubular trusses/structural steel trusses with A.C. sheets, Rail side platform will have in addition rain water gutter, downtake pipes, covered drain etc.

6 **FINISHING :**

6.1 Internal walls will have plastering and white wash external walls will have plaster and colours wash or pointing.

6.2 Doors, windows and trusses will have painting.

Note *The Method to be adopted for working out the godown and the like structure like auditorium, Marriage hall is as under*

It is known that the cost index for godown and similar structures have not been declared. Hence it is decided to adopt following methodology. The Delhi plinth are rate for building as on 01.06.1986 is to be worked out and the godown PAR based on Delhi rate is already available as Rs. 570/- Sq. Mtr., the ratio of the two plinth area rates as on 01.06.1986 acts as conversion factor for godown. Hence for any date and location, the PAR for the building is to be found out and with the same conversion factor as worked out above, we can adopt it as PAR godown as prescribed and then plus or minus it to be made to make it at par with the existing structure whether it is auditorium or marriage hall or any other alike structure.

Annexure-4

PLINTH AREA RATES FOR AUDITORIUM = AS ON 01.10.1976

(Authority CE (Valuation), New Delhi No. CE (Val.)/D/Tech. Cir, 89/1005 dated 03.03.1989)

| Sl. No. | Description | Rates |
|----------------|--|------------------------|
| 1 | Main Auditorium (29.3 m x 23.2 m) clear height above lowest floor level 14.3 m and plinth height 0.30 mtrs. | Rs. 400.00/- Sqm. |
| 1.1 | Extra / Reduction for every 0.30 mtrs. Height above the height of 14.3 mtrs. | Rs. 10.00/- Sqm. |
| 1.2 | Extra / deduct for every 0.30 m additional plinth height | Rs. 10.00 Sqm. |
| 1.3 | Extra for every 0.30 m deeper foundation over normal depth of 1.2 mtr. | Rs. 12.00 Sqm. |
| 1.4 | Extra for foundation in poor soil having bearing capacity less than 10 tonnes per Sqm. or in black cotton soil | Rs. 15.00 Sqm. |
| 2 | <u>BALCONY</u> | |
| | Extra for balcony including steps | Rs. 260 Sqm. |
| 3 | <u>SERVICES :</u> | |
| 3.1 | Internal Electrical Installations | 12.5% of Building cost |
| 3.2 | Internal Water Supply and sanitary Installations | 4% of Building Cost |
| 3.3 | External service connections | 5% of Building cost |

Specification for Auditorium

1 **Foundation**

- 1.1 Bearing capacity not less than 10 tonnes per Sqm.
- 1.2 Spread foundation for wall footing and isolated footings for R.C.C. Columns.
- 1.3 Depth upto 1.2 metres below ground level
- 1.4 Plinth (lowest floor level) 0.30 mtr above ground level. DPC course and anit-termite treatment.

2 **SUPERSTRUCTURE :**

- 2.1 All walls in brick masonry with intermediate RCC column and beams where necessary. Single storied construction with clear height 14.3 mtr. From lowest floor level to truss bottom member level.

3 **Door and Window :-**

Second class teak wood doors with brass or superior fittings and door closers

4 **FLOORING :**

1:2:4 CC flooring with necessary steps and built-in fixing arrangement for seats.

5 **ROOFING :**

Steel trusses with A.C. sheet roofing.

6 **FINISHING :**

- 6.1 Cement plaster both from inside and outside Oil bound distemper & Water proofing cement paint on wall. Painting on trusses and sprit polish on wood work.

NOTE : *The basic rate does not include special finishes like wall panelling, acoustic treatment, false ceiling and furnishing.*

PROFORMA FOR CALCULATION OF COST INDEX

| Sl. No. | Description | | Unit | Rate as on 01.10.2007 in Rs. | Weightage | Rate at the time of revision of Cost Index | Cost Index |
|---------|--|----------------------------|-----------|------------------------------------|-----------|---|------------|
| 1 | BRICKS | | 1000 Nos. | 2000/- | 8.00 | | |
| 2 | CEMENT (OPC) | | QTL. | 457/- | 14.50 | | |
| 3 | STEEL (a) 8 & 10 MM (TOR STEEL) b) 12 & 16 MM (TOR STEEL) | 50% 50% | QTL. | 3280/- | 19.50 | | |
| 4 | AGGREGATE 20 MM SIZE | | CUM. | 700/- | 6.50 | | |
| 5 | SAND (COARSE SAND) | | CUM. | 650/- | 3.00 | | |
| 6 | FLOORING ITEMS (a) MOSAIC TILES (b) CERAMIC TILES (c) KOTA STONE (d) GRANITE STONE | 40% 40% 10% 10% | SQM. | 381.10 | 3 | | |
| 7 | PAINTS (a) SYNTHETICENAMEL PAINTS (b) O.B.D. (c) PLASTIC CMULSION PAINT | 33.33% 33.33% 33.33% | LITRE | 100/- | 3.00 | | |
| 8 | PLYAND COOM. WOOD (i) 12 MM THICK PARTICLE BOARD (ii) STEEL WINDOW STANDARD SECTION (iii) ALUMINIUM WINDOW | 33.33% 33.33% 33.33% | SQM. | 1281.33 | 5.00 | | |

| Sl. No. | Description | | Unit | Rate as on 01.10.2007 in Rs. | Weightage | Rate at the time of revision of Cost Index | Cost Index |
|---------|--|----------------------------|----------|------------------------------------|-----------|---|------------|
| 9 | PIPES (i) 15 MM G.I. PIPE (ii) 100 MM SCI PIPES (iii) 20 MM Black Conduit | 33.33% 33.33% 33.33% | MTR. | 144.50 | 2.50 | | |
| 10 | LAMPS & FANS (i) CEILING FANS 48" (ii) 1.20 M FLUORSCENT TUBE WITH FITTINGS | 50% 50% | EACH | 655/- | 3.50 | | |
| 11 | ELECT. MACHINERY FITTING MOTORS 7.5 HP (PUMP SET) 1500 RPM (KIRLOSKAR) | | EACH | 35000/- | 2.50 | | |
| 12 | WIRE & CABLES COPPER WIRES (a) 1.5 SQMM (b) 4.0 SQMM | 70% 30% | 100 MTR. | 825 | 4.00 | | |
| 13 | LABOUR (i) SKILLED (ii) UNSKILLED | 50% 50% | EACH | 143.38 | 25.00 | | |

PRO FORMA FOR SALE INSTANCES REGISTER

- 1 **Source of Information :**
 - a) Appropriate Authority :
 - i) Register Volume No. :
 - Page No. :
 - Sl. No. :
 - ii) File No. :
 - b) Sub-Registrar's Office :
 - i) Name of SRO's Office :
 - ii) Index Register Vol. No. :
 - Document No. :
 - c) HUDA Auction / Builders Advt. :
 - i) Name of Newspaper :
 - Date :
 - ii) Reference to Advt. File :
- 2 Details of Property / Zone :
- 3 Transferor / Transferee :
- 4 Date of Transaction :
- Amount of Consideration :
- SRO's market value :

- 5 Land cost in Rs. Per Sq. yd :
- i) Land Area in sq. yd :
 - ii) Built up area in sq. ft. :
 - iii) Year of construction :
 - iv) Depreciated value of building :
 - v) Salvage value of building :
 - vi) Land cost of vacant plot :
 - vii) Salvage value method :
- 6
- i) FAR permitted
 - ii) FAR Achieved
 - iii) Frontage
 - iv) Yer of construction
 - v) Total land area in sq. ft.
 - vi) Undivided share of land area
 - vii) Super built up area in sq. ft flat rate

7 Brief specification of building

8 Remarks

Note : The advantages and disadvantages of particular property are to be mentioned.

**BOARD SPECTRUM CLASSIFICATION OF STRUCTURES BASED ON SPECIFICATION
WITH EXPECTED ECONOMIC LIFE AND RESIDUAL OR RESERVE VALUE OR SCRAP VALUE**

| Type | Brief Control Specifications (Changes to be covered by valuer's expert field knowledge) | Illustrative Example | Expected Life | Residual value & Depreciation Percentage |
|--|--|--|------------------|--|
| 1 | 2 | 3 | 4 | 5 |
| Class 1 (A) (Special Monumeatal) (Permanent) | Monumental type of Building with foundations designed for full wind load / seismic forces for full development, usually of ornamental or ashlar stone masonry / first class brick in cement mortar walls, load bearing or cladding with necessary supporting steel or RCC structural core, RCC beams / slabs / terrance slab, first class terracing with water proofing integral cement based type or other standard methods, flooring of superior type with large measure of kotastone / marble work, besides marble flooring and galzed tile dado in bath rooms / kitchen, plastered or pointed with cement mortar, door and windows being of seasoned teak wood or standard rooled steel sections with high quality electrical conduit wiring and light / fan plug / TV telephone points sockets, standard sanitary fittings with europen type flush for exterior like snowcem / pebble dash etc. where required, and distemper / plastic emulsion painting inside, with wood work. | Present modern high Rise office Buildings in the business sector, private housing for top class executives VVIPs, buildings of monumental importance like National Museum, National Library, Nehru Planetarium, Tata Auditorium for performing Arts, Parliament House, North & South Block, Rastrapati Bhawan etc. | 120 to 150 years | Reverse / Residuals-10 to 15% depending upon quatum of stone masonry provided. Annual Depreciation 0.65 to 0.70% |

| | | | | |
|---------------------------------------|---|---|-----------------|---|
| | French spirit polished, and with anodised superior quality doors fittings or oxidised brass, built in cupboards / wardrobe using kiln seasoned selected teak wood frames and teak panel shutters using phenol formaldehyde glue pressed teak ventured particle board etc. | | | |
| Class I (High quality) (Permanent) | Same as in Class I (A) but with lesser quantum of ashlar or other fine dressed stone masonry and ornamental finishing, and lesser quantum of marble flooring. | All modern high rise office building in commercial sectors, high rise high income Group flats. Govt. high rise office building, all private posh houses in posh colonies like Vasant Vihar etc. | 90 to 110 years | Reserve value 10% 0.9 to 1% Depreciation. |
| Class II (Permanent) | Standard RCC framed or steel core framed buildings, built by Govts for their general offices / officers flats / hospitals / Institutions etc. Same specification as Class I on structural side, except that flooring would be precast mosaic tile or cast situ mosaic except in public places like foyer, bath rooms / toilet with marble flooring PP rooms storage, old records with ordinary cement concrete flooring, and finishing interior with white / colour washing generally except select public places with dry distemper, doors and windows of standard rolled steel section or second class seasoned teak wood doors shutters with oxidized iron or standard type aluminium fittings, with conduit electrical wiring but with standard type switches, plugs and sockets and electrical fixtures, with standard type sanitary plumbing and sanitary fittings with Indian and European type W.C. in 2 : 1 ratio, exterior and interior finished with cement plaster of suitable thickness (12mm on smooth side of brick work and 15mm on rough side of one brick thick (walls) and standard terracing (integral type or with lime concrete.) | Ayakar Bhawan, Krishi Bhawan, Udyog Bhawan, DGPT Building multi storeyed flats in R.K. Puram and Shajahan Road etc. | 80 to 90 years | Reserve value 10% Depreciation 1.1 to 1.20% |

| | | | | |
|------------------------------|---|--|----------------|---|
| Class III (A) (Permanent) | All standard buildings built by Housing Boards & Govt. Deptts., for higher income group, with traditional load bearing const. where good quality bricks are available and usually limited to 4 to 5 storied without use of lifts lifts using second class bricks of not less than 50 kg. per Sq. Cm. crushing strength in cement / lime or cement mortar with RCC beam and slab flooring/roof, with lime concrete terracing or mud phaska with terracing bricks tile on top laid in cement mortar, inside and outside plastered in cement/lime or cement mortar with door window frames of rolled steel sections, deodar wood frame and panel inserted 12 mm thick phenol formaldehyde glue pressed particle board veneered for outside and Bath / Kitchen and unveneered in other places and cuboards shutters, ordinary type of plumbing with utility type Urinals. | General type of buildings put up for common public, by housing boards for Group Housing for middle income group, CPWD / MES built houses / load bearing office buildings in Delhi etc. | 60 to 80 years | Reserve value 10% Depreciation 1.25 to 1.50% |
| | W.C. and Wash basins with standard type bib/stop cocks and other fittings, electrical wiring / partly concealed (risers). and a partly open with usual type switches, plugs sockets, standard type G.I. piping and fittings and finish of colour wash outside and white wash inside flooring to be of cement concrete 35/40 mm thick except in bath, kitchen, toilet where cast site mosaic flooring be provided. (All work in cement or lime / cement mortar). | | | |
| Class III (B) (Permanent) | Same as above but mortar mix being slightly leaner and roofing / flooring being of precast RCC web beams and integral floor slab and thinner sections for door / window frames and shutters | As above including housing for lower middle and low income group. | 50 to 60 years | Reserve value 10% Depreciation 1.75 to 2% |

| | | | | |
|--------------------------------|---|---|----------------|--|
| Class IV (Semi Permanent type) | Mostly of load bearing bricks/stone covered rubble construction in lime mortar or lean cement mortar (or) with tubular steel portal frames and fillers walls of brick / stone work in lime mortar roofing of precast RCC slabs or beams and slabs or dressed and stone slabs over RCC steel joists, terracing of mud phaska with bricktile in cement mortar on top, door & window frames of steel sections & door shutters of second class deodar wood (Secondary species timber) with oxidized iron fittings, plastering out side, and inside in lime cement mortar, whitewashing inside and colour washing outside, with open conduit wiring, ordinary type switches/CI switch box/plugs/points/ordinary type lighting shades, standard H.C.I. pipe plumbing with Indian type W.C. standard G.I. water supply piping with fittings, and wall type water meter box, ordinary cement concrete flooring 35 mm thick (or) dressed sandstone flooring joints cement pointed etc. | House built in D.I.Z. /Minto Road area in 1930 & IInd World War structures Rehabilitation colony housing etc. | 40 to 45 years | Reserve value 10% Depreciation 2.2 to 2.5% |
| Class V (Temporary) | Purely of temporary nature with load bearing brick masonry in mud mortar, pointed outside in Cement mortar, inside unplastered with joints flush pointed in cement mortar on plastered in lean cement mortar sometimes, with core of steel tubular columns and trusses with thinner cladding walls (half brick thick), soft wood rafters and dressed sandstone slab one top for roof and intermediate floor, door & window frames and shutters of seasoned secondary species (soft wood) timber with oxidized iron fittings, flooring of brick on edge or flat brick or dressed stone slabs etc. | Second World War hutments, Rehabilitation / yrs. Houses in Lajpatnagar Sector 8 etc. | 20 to 25 years | Reserve value 15% Depreciation 3.5 to 4% |

| | | | | |
|---|---|--|----------------|---|
| Industrial Commercial Trussed Roof Class A Type | Generally large sheds/godowns with load bearing brick/stone masonry in cement/lime cement/R.C.C. columns/steel built up section/tubular steel columns in between (where brickwork is unable to support the roof turss above), with prefabricated tubular steel/steel built up section turss with rafter level and tie bracings, roofing purlions. CGI or AC Sheet roofing on top, with wind ties, with doors and windows frames of rolled steel sections and door shutters of heavy duty, sound proof, lagged teakwood shutters heavy duty cement concrete flooring in general, with precast mosaic tile flooring with similar dado for bathrooms/toilets, with open conduit wiring for the main wiring and looping on batten system etc. as for godowns factory storage sheds with heavy duty flooring. | Normal food grain godowns press shed industrial Training Insttt. Workshop sheds etc. | 40 to 50 years | Reserve value 15% Depreciation 2% |
| B-Type | As above but used less intensively as in Cinema Theatres. | Cinema Theaters | 50 to 60 years | Reserve value 15% Depreciation 1.5 to 1.75% |
| Special (Semi-Permanant) | There are structures called semipermanent (SP Type) constructions in hilly areas in the North Eastern region, comprising of boulder / rubble masonry foundations in cement mortar unto plinth level, with RCC columns at the coners / suitable spacing, with tie member at plinth/lintel roof level and timber/steel tubular trusses and CGI sheets/AC Sheet roofing, and side walls of precast stone masonry blocks of precast hollow/solid cement concrete blocks laid in cement mortar, cement pointed outside and cement mortar plaster inside, with seasoned hollock wood frames and shutters for doors and windows with standard type oxidised iron fittings, flooring with 4 cm thick local first class timber planking with tongued and grooved joints over solid plinth with lean cement concrete subbase; with 6 mm thick plywood false ceiling painting etc. | Usually done in Arunachal Pradesh Meghalaya, Mizora, Manipur, Tripura, Nagaland and part of Assam. | 40 to 50 years | Reserve value 15 Depreciation 2.25% |
| Special (B) | Same as above, but with hill type construction (i.e.) wooden plank flooring over solignum painted wooden runners supported on cement concrete pillars unto plinth height, with walls of local Ekra or split bamboo wattle base with cement mortar on both side and with 6 mm thick plywood false ceiling painting etc. | As above | 30 to 40 years | Reserve value 15% Depreciation 3% |

**REFERENCE TO VALUATION OFFICERS FOR DETERMINATION OF FAIR MARKET VALUE OF
PROPER UNDER SECTION 16A OF THE WEALTH TAX ACT / SECTION 15(6) OF THE G.T. ACT /
INVESTMENT IN CONSTRUCTION UNDER SECTION 133(6)**

FORM

ASSESSING OFFICER

To

DVO/VO/AVO

Subject :

Sir,

The undermentioned case(s) are hereby referred to you for determination of the fair market value of the asset on the relevant date(s) as indicated / investment in construction.

1 Particulars

- 1.1 Name and complete address of the assessee. (Give Telephone / Mobile No. if any, available)
- 1.2 Name and complete address of the Chartered Accountant or Lawyers or Accountable Person, dealing with the case. (Telephone / Mobile No.)

1.3 Description of the asset / property giving exact location of the property and the extent of assessee's share in the asset / property.

1.4 Whether valuation of Plant and Machinery is also required, if yes, whether as separate reference has been made directly to V.O. (P & M) or the same is attached with this reference.

Yes / No

| ASSESSMENT YEAR | VALUE / INVESTMENT RETURNED BY THE ASSESSEE FOR HIS SHARE |
|-----------------|---|
| | |
| | |

1.5 Value / investment estimated by Registered Valuer, if any.

1.6 If the asset was acquired within 5 years prior to the date of valuation, the declared cost of acquisition / construction and the date, period of acquisition / construction

1.7 Section and Act under which reference is made

1.8 Section 16A of the W.T.Act / Section 55A of the I.T. Act / (for assessment of capital gains) section 15(6) of the G.T. Act / Estate Duty Act (Advisory case) I.T.Act U/s 133(6) (Score out whichever is not applicable)

1.9 Date for which valuation is required.

2.0 It is certified that the assessments for the period relevant to the above mentioned valuation dates have not yet been finalised.

a) The case is referred to V.O. U/s 16A read with rule 8(a), 8(b) / 8(c) and rule 20(2) of schedule III of Wealth Tax Act 1957

b) Certified that necessary details for making reference under rule 8(a) / 8(b) / 8(c) are recorded in A. O's office

c) Certified that in case of investment in construction the books of accounts have been rejected for reasons recorded in A.O's file.

d) The assessment is likely to get time barred on -----

3 In case of reference of working out investment in construction, Commission under section 131(d) of Income Tax Act, 1961 is hereby issued.

4 The following documents are enclosed.

i) Registered Valuer's report.

ii) A set of plans of the property.

iii) A list of tenants and the rents payable by them on the date of Valuation, as filed by the assessee.

iv) Income assessed in respect of self - occupied portion, if any.

(score out which item is not available)

Signature of Assessing Officer

PROFORMA FOR MAKING REFERENCE TO THE VALUATION OFFICER TO ESTIMATE COST OF INVESTMENT IN IMMOVABLE PROPERTY U/S 142 A OF INCOME TAX ACT, 1961.

From :

Assessing Officer

To

D.V.O./V.O./A.V.O.
Income Tax Department,

Sub : Estimation of value of investment made by for the construction of
at issue of commission under section 131(i)(d) of Income Tax Act 1961.

Sir,

Shri/Smt. Address
year(s) has in respect of the property known as declared
the cost of construction at Rs.with yearwise expenditure
and other details as under :

| 1 | <u>Year wise Expenditure</u> | <u>Expenditure</u> |
|----|------------------------------|--------------------|
| | <u>Financial Year</u> | |
| a) | _____ | _____ |
| b) | _____ | _____ |
| c) | _____ | _____ |
| d) | _____ | _____ |
| e) | _____ | _____ |

Other Details :

- a) Name and complete address of the assessee. (Phone / Mobile no.)
 - b) Name and complete address of Chartered Accountant or lawyer or accountable person dealing with the case if any (Phone / Mobile no.).
 - c) Description of the assets/property giving exact location of the property and the extent of assessee's share in the asset/property.
 - d) Whether valuation of plant & machinery is also required or whether a separate reference has been made directly to VO(P & M) or the same is attached with this reference
 - e) Value estimated by the registered valuer if any (Redg. Valuer's report to be sent with reference)
 - f) Date for which valuation is required
- 2 In order to elucidate the correction of the cost of construction, I require and authorise you under section 142 A of the I.T. Act, 1961 to inspect the property and to make such investigation and seek clarifications and material from assessee and other concerned necessary, and take such measures as are deemed fit to determine the true and correct cost of construction of the said property. You are hereby requested to send your valuation report to me urgently and preferably by -----
- 3 This may please be treated as Commission issued to you under the aforesaid section of the Income Tax Act 1961.
- 4 The assessment is likely to get time barred by -----

Yours faithfully,

ASSESSING OFFICER

Dated :

Copy forwarded to Shri/Smt.
(Assessee) for information and extending assistance and cooperation in the matter.

ASSESSING OFFICER

NOTICE UNDER SECTION 142A OF THE INCOME TAX ACT 1961

Speed Post

Dated :

No. DVO/ITD/JPR/2008/ IT- /

To,

Sir / Madam,

The case for estimation of Value of investment in construction in the following property has been referred to me by (Assessing Officer) under section 142A of the Income Tax Act 1961, vide his letter No..... dated

| S.No. | Name, Number (if any) address and Complete location of the property | As on |
|-------|---|-------|
| | | |

You are, therefore, requested to produce or cause to be produced the following authenticated copy of documents / informations in my office upto

1. Approved layout / Site plan and detailed construction (Architectural, Structural, foundation details & various sections) drawings as per actual construction done alongwith layout plan for external services i.e. water supply, sanitary, electricity and site data etc.
2. Actual date of start of construction with supporting documentary evidence such as date of plan approval, water connection etc and date of completion of the building with documentary evidence such as Sewerage Connection & occupation certificate.
3. Please state whether electrical, water supply & sanitary installation and connections form part of your building account, if yes please give the details of accounts to which debited with yearwise break up alongwith proofs.
4. Please state if any preoperative expenses or any interest payment, development charges form part of your building account. If so give details of the same yearwise.
5. Please state whether cost of land form part of your building account or debited to a separate account head.

6. Yearwise break up of expenditures made in construction of building excluding preoperative and interest declared by you along with further expenditure done, if any, till date of inspection.
7. Whether the work was executed under own supervision or through an Engineer or Architect and details of fees paid to him.
8. Whether work executed through contract, labour contract or without any contractor by direct procurement of materials & labour. The details of expenditure incurred totaling to upto date declared cost be furnished in the following proforma. The total quantity of Bricks, Cement, Steel, Timber and Marble (if any), should be intimated.

| Sr.No. | No. and date of vouchers | Agency from / to whom procured /paid | Description of material / work done | Quantity | Amount |
|---------------|---------------------------------|---|--|-----------------|---------------|
| | | | | | |

9. Final completion drawings and certificate of relevant authority.
10. Details of such items executed in building but not included in the expenditure declared (if any).
11. Valuation report of registered valuer as per CBDT instruction no. 1671, in the prescribed proforma with supporting rate analysis for the rate adopted by him (if any).
12. Name of your authorised representative with power of attorney.
13. An affidavit showing the scope of work done with upto date declared cost.
14. Certified copy of lease deed / sale deed of land for both properties with approved plan.
15. Reliable, contemporary sale instances around the date of valuation for estimation of land (if any).
16. Please state whether the building or the portion of the building is let out on rent. If so, please give details.
17. Assessee's share in the property.
18. Any other information which you want to produce in connection with the estimation of the value of property.
19. Contact numbers of your self and Authorised Representative.

Note : - In addition to above, other relevant details may be sent as per the proforma enclosed.

The property shall be inspected on dated at 10.00 AM onwards.
Kindly make it convenient to be present alongwith your technical representative, during the inspection.

Yours faithfully,

Encl:- Proforma – 1 no.

()
Distt. Valuation Officer,
Income Tax Department,
Jaipur.

Copy to :

1. The Assessing Officer -----for information.
He is requested to forward to this office the above documents / informations (if available) duly certified to expedite valuation.

Distt. Valuation Officer,
Jaipur.

**Office of the
Superintending Engineer (Val.)
Income Tax Department
7/35, Tilak Nagar,
Kanpur
Telephone----- Fax. -----**

SAMPLE PROFORMA FOR NOTICE FOR INSPECTION TO THE ASSESSEE

F.No. /DVO/KNP/ITD/2007-08

Dated :

To

.....
.....
.....

Sub: Valuation of Property
.....

Ref : from

I will be inspecting your above mention property on ----- alongwith -----
----- You are requested to be present for inspectin or depute your authorised representative to be
present with the all documents concerning property and balance information / document yet to be filed in response to
this office letter No. ----- You may have your technical representative or registered valuer present
for inspection to record measurements and specification jointly to avoid any dispute on this account at a later date.
Please note in case no telenical persons is called by you it will be presumed that you do not feel any necessity for the
same and you will yourself or your authorised representative will accompany us for joint measurements and
recording of specifications of your property for acceptance.

**DISTRICT VALUATION OFFICER
INCOME TAX DEPARTMENT, KANPUR**

SAMPLE PROFORMA FOR RECORDING DETAILS OF SPECIFICATIONS OF THE PROPERTY

Details of specification of the property _____

NON RESIDENTIAL/RESIDENTIAL

| Sl. No. | Details of Specification | Name of Property | | |
|---------|---|------------------|--|--|
| 1.0 | <u>Foundation</u> | | | |
| 1.1 | Type spread foundation/isolated/raft foundation / pile foundation (in case of pile foundation number of diametre and depth of pile be given). | | | |
| 1.2 | Depth | | | |
| 2.0 | <u>Superstructure :</u> | | | |
| 2.1 | RCC framed construction / load bearing | | | |
| 2.2 | No. of Storeys | | | |
| 2.3 | Internal & External Walls | | | |
| 2.4 | Plinth height | | | |
| 2.5 | Floor Height | | | |
| | a) Basement | | | |
| | b) Ground Floor | | | |
| | c) First Floor | | | |
| | d) Second Floor | | | |
| | e) Third Floor | | | |
| | f) Forth Floor | | | |

| | | | | |
|-----|----------------------------------|--|--|--|
| | g) Fifth Floor | | | |
| | h) Sixth Floor | | | |
| | i) Seventh Floor | | | |
| | j) Eighth Floor | | | |
| 3.0 | <u>Door & Windows</u> | | | |
| 3.1 | Frames : Doors/Windows | | | |
| | a) Basement | | | |
| | b) Ground Floor | | | |
| | c) First Floor | | | |
| | d) Second Floor | | | |
| | e) Third Floor | | | |
| | f) Forth Floor | | | |
| | g) Fifth Floor | | | |
| | h) Sixth Floor | | | |
| | i) Seventh Floor | | | |
| | j) Eighth Floor | | | |
| 3.2 | Shutters : Doors/Windows | | | |
| | a) Basement | | | |
| | b) Ground Floor | | | |
| | c) First Floor | | | |
| | d) Second Floor | | | |

| | | | | |
|-----|------------------------------|--|--|--|
| | e) Third Floor | | | |
| | f) Forth Floor | | | |
| | g) Fifth Floor | | | |
| | h) Sixth Floor | | | |
| | i) Seventh Floor | | | |
| | j) Eighth Floor | | | |
| 3.3 | M.S. Grills Plain/Ornamental | | | |
| | a) Basement | | | |
| | b) Ground Floor | | | |
| | c) First Floor | | | |
| | d) Second Floor | | | |
| | e) Third Floor | | | |
| | f) Forth Floor | | | |
| | g) Fifth Floor | | | |
| | h) Sixth Floor | | | |
| | i) Seventh Floor | | | |
| | j) Eighth Floor | | | |
| 3.4 | Fitting | | | |
| | a) Basement | | | |
| | b) Ground Floor | | | |
| | c) First Floor | | | |

| | | | | |
|-----|---------------------|--|--|--|
| | d) Second Floor | | | |
| | e) Third Floor | | | |
| | f) Forth Floor | | | |
| | g) Fifth Floor | | | |
| | h) Sixth Floor | | | |
| | i) Seventh Floor | | | |
| | j) Eighth Floor | | | |
| 4.0 | Flooring | | | |
| 4.1 | Types of Flooring : | | | |
| | a) Basement | | | |
| | b) Ground Floor | | | |
| | c) First Floor | | | |
| | d) Second Floor | | | |
| | e) Third Floor | | | |
| | f) Forth Floor | | | |
| | g) Fifth Floor | | | |
| | h) Sixth Floor | | | |
| | i) Seventh Floor | | | |
| | j) Eighth Floor | | | |
| 4.2 | Dado | | | |
| | a) Basement | | | |

| | | | | |
|-----|------------------|--|--|--|
| | b) Ground Floor | | | |
| | c) First Floor | | | |
| | d) Second Floor | | | |
| | e) Third Floor | | | |
| | f) Forth Floor | | | |
| | g) Fifth Floor | | | |
| | h) Sixth Floor | | | |
| | i) Seventh Floor | | | |
| | j) Eighth Floor | | | |
| 5.0 | Roofing : | | | |
| 6.0 | Finishing | | | |
| 6.1 | Internal Walls | | | |
| | a) Basement | | | |
| | b) Ground Floor | | | |
| | c) First Floor | | | |
| | d) Second Floor | | | |
| | e) Third Floor | | | |
| | f) Forth Floor | | | |
| | g) Fifth Floor | | | |
| | h) Sixth Floor | | | |
| | i) Seventh Floor | | | |

| | | | | |
|-----|---|--|--|--|
| | j) Eighth Floor | | | |
| 6.2 | External walls | | | |
| 7.0 | Position of sanitary & Water Supply installation (Details as per measurement recorded) | | | |
| | a) Basement | | | |
| | b) Ground Floor | | | |
| | c) First Floor | | | |
| | d) Second Floor | | | |
| | e) Third Floor | | | |
| | f) Forth Floor | | | |
| | g) Fifth Floor | | | |
| | h) Sixth Floor | | | |
| | i) Seventh Floor | | | |
| | j) Eighth Floor | | | |
| 8.0 | Position of Electrical Installation (Detials as per measurment recorded) | | | |
| | a) Basement | | | |
| | b) Ground Floor | | | |
| | c) First Floor | | | |
| | d) Second Floor | | | |
| | e) Third Floor | | | |
| | f) Forth Floor | | | |

| | | | | |
|------|---|--|--|--|
| | g) Fifth Floor | | | |
| | h) Sixth Floor | | | |
| | i) Seventh Floor | | | |
| | j) Eighth Floor | | | |
| 9.0 | <u>External Services</u> | | | |
| 9.1 | Sewer connected to municipal sewer line/septik tank | | | |
| 9.2 | Water Supply independent arrangement with tubewell / mpl. Supply. | | | |
| 9.3 | Overhead Tank | | | |
| 9.4 | Under ground sumpwell | | | |
| 9.5 | No. of pumps | | | |
| 9.6 | Storm water drain | | | |
| 9.7 | Horticulture | | | |
| 9.8 | Compound lighting | | | |
| 10.1 | a) Passenger lift No. for.....person | | | |
| | b) Service Lift No. for Kg. | | | |
| 10.2 | Generator No. of KVA | | | |
| 10.3 | Pavement / Road & Path | | | |
| 10.4 | Compound wall & gate | | | |
| 11 | Any other special item | | | |
| 11.1 | Dry/Wet Riser | | | |

| | | | | |
|------|--------------------------|--|--|--|
| 11.2 | Fire protection system | | | |
| 11.3 | Central air conditioning | | | |
| 11.4 | Sound System | | | |
| 11.5 | T.V. Antenna | | | |
| 11.6 | Lightening Conductor | | | |
| 11.7 | Telephone Connection | | | |

VALUATION OFFICER
Income Tax Department

SAMPLE PROFORMA FOR RECORDING INSPECTION NOTE
VALUATION CELL
INCOME TAX DEPARTMENT

INSPECTION NOTE

- 1 Referring authority & No. :
- 2 Name and complete address of the assessee :
- 3 Name of property & complete address :
- 4 Date of Inspection :
- 5 Person from assessee's side present during inspection :
- 6 Whether technical representative was present or not,
if present, his name :
- 7 Person from Department side :
- 8 Details of construction :
 - a) RCC Famed / Masonary (Load bearing) :
 - b) No. of storeys :
 - c) Date of start of construction :
 - d) Date of completion of construction :
 - e) Stage of construction if still in progress :
- 9 Yearwise expenditure till the date of inspection if
available :
- 10 Records already submitted :
- 11 Records submitted during inspection :

- 12 Records yet to be submitted by the assessee
- 13 Positional of external services
- 14 Recording of measurements and specifications and acceptance by assessee
- 15 Submissions made by assessee/representative in regard to balance records to be submitted.
- 16 Any special features of the property

:

**Distt. Valuation Officer,
Income Tax Department,
Jaipur.**

VALUATION REPORT FORMAT

The following is the general format under which valuation report is to be presented.

REFERENCE

The sub-paras under reference are :

Referring Officer :

We should indicate clearly the Assessing Officer / Investigating Officer from whom it is received.

Purpose :

The exact purpose for which reference is made may be detailed such as cost of investment for a particular period, Fair Market Value on a particular date and share value / right / part of the asset which it to be valued.

Act :

Here we should specify the exact section and the Act under which reference is made.

ASSESSEE

Name :

Address :

Notices issued to him indicating the Exact details called for

Date given by him / valuer in response to notices issued.

Date of inspection : Here we should mention the exact date of inspection and mention the witness who was present from assessee's and also department side during inspection.

PROPERTY

Name : Wherever the names are given, it should be mentioned otherwise the usage can be mentioned such as residential house etc.

| | | |
|----------------------|---|---|
| Town / Area / Street | : | |
| Survey No. | : | |
| Property No. | : | |
| Assessee's Interest | : | We should mention the interest the assessee holds in the property like divided share / undivided share etc. |
| Declared value | : | To be given for each valuation date. Value / cost arrived by registered valuer. |

DESCRIPTION

| | | |
|-------------------------------|---|--|
| Ownership history | : | This can be taken from the documents obtained from the assessee or from the details collected during inspection. |
| Land area, Frontage and depth | : | |
| Building area | : | (Floor wise) |

Various interest : Here we should mention the mode of the ownership of the asset, i.e. whether owned by a single person or jointly owned and who are the joint owners and their various interests in the property.

Table / Period of construction : Here we should clarify the period of construction for each building if there are a group of buildings constructed on various dates with evidences.

Table / Ownership use or tenancy : Here or each valuation date we should mention about the usage whether it was self-occupied or tenanted etc.

Specifications : Here detailed clear specifications should be given sub-head wise including the external and internal services.

Sketch : Every report should contain a drawing (of the same size as the page of the report or property folded to the same size). This may be even a sketch, roughly to scale, giving locational details and whatever other details are considered relevant or necessary.

The north line should preferably point towards the top of the drawing. Simple lettering should be used and title should be brief but clear.

METHOD

Reasons for adoption : Here we should mention briefly but clearly why we adopt one method in preference to other methods of valuation. If the reasons are given crystal clear, it will be very useful in further appeals etc. if any.

RATES

- a) Land rate / Table : Sale instance : Here we should give all comparable sale instances giving all relevant details. I/C source of sale instance.
Pros and Cons : Each sale instance property should be briefly detailed and compared with the property under valuation. All the pros and cons should be brought out and land rates derived from the property under valuation.
- b) Plinth Area Rates : While explaining the plinth area rates we should not mention that rates are as per CPWD rates. It should be mentioned that these are the rates approved by government of India and approved by CBDT. We should also discuss why we are not adopting State PWD rate, why we enhanced the rate by Cost Index also why extra items are added over and above plinth area rate.
- c) Additional Items : Here we should mention all the items not covered by normal plinth area rates adopted.
Standard, market, maintainable and future rents : If we are valuing fully tenanted property and if we are adopting rent capitalization method of valuation we have to mention what rents are adopting and reasons for adopting that rent, for capitalization.
- d) Outgoings under different heads.
- e) Depreciation, sinking fund, capitalization : Here we should briefly mention the depreciation percentage adopted giving a note on the life of the building. For machineries etc. the percentage adopted for sinking fund should be mentioned. A brief mention of the capitalization percentage should also be given with reasons.

Comments on Registered Valuer's Valuation Report, Comments on valuation should be given if filed by the assessee or given by the referring official. Similarly comments on the other documents from assessee i/c accounts be given.

PRELIMINARY VALUATION (Only for statutory cases)

Amount : Here we should give total amount of valuation worked out as in the Annexures.

Intimation to the assessee : Here reference should be given regarding the notices given to the assessee calling for objections. Nay extension of time give for filling objections should also be mentioned.

Response from the assessee : If there is no response after giving sufficient time for filing objections the same may be mentioned. In case the objections are filed or personal hearing attended, the same should be reported.

OBJECTIONS (Only for statutory cases)

Objections and replies : Objections have to be sorted out para-wise and detailed replies to all objections should be give objection-wise.

FINAL VALUATION

Final rates : Here we should mention the final rates adopted after meeting the objections from the assessee.

Amount : The final valuation amount be mentioned herewith qualifications.

ORDER

Here we should mention the original reference from the Assessing Officer and we should mention about the declared value, preliminary valuation issued, objections filed etc.. The final orders should be clearly written with qualifications if any.

ANNEXURES

The Annexures are the working sheets of valuation. They should contain the valuation of each building. Abstract can sum up all the building valuation alongwith the value of land.

The description of the portion of the building should be given briefly and clearly for the plinth area rates adopted.

The additional and extra items not covered by the normal plinth area rates should be give separately under 3 sub heads i.e. (a) Richer specifications, (b) Extra items and (c) Deduction items. Depreciation percentage should based on future life / normal expected life of such building and should be brought out the Annexures.

Keeping within the standard format may more improvements can be made. There is no limit to quality of content and of form.

VALUATION OF PROPERTY KNOWN AS

For Estimating Cost of Construction

1.0 REFERENCE

- 1.1 Officer from whom reference received.
- 1.2 Letter No. and date under which reference received.
- 1.3 Purpose of valuation.
- 1.4 Act and Section under which valuation required.
- 1.5 Date(s) for which valuation is required.

1. ASSESSEES

- 1.1 Name
- 1.2 Full Address

2. COLLECTION OF DOCUMENTS DETAILS AND INSPECTION

- 3.1 Details/documents furnished by the assessee(s)
- 3.2 Documents/details/information as called for but not furnished by the assessee(s).
- 3.3 Chronological Statement of notices sent to the assessee and replies received(if any).
- 3.4 Date of inspection of property.
- 3.5 Name of assessee's representative present (if any) at the time of inspection.

4.0 PROPERTY REFERENCE

4.1 Name, number(if any) address, and complete location of the property.

4.2 Assessee's share in the property.

4.3 Value declared by the assessee for the entire property/his share

5.0 PROPERTY DESCRIPTION

5.1 Land Area

5.2 Permissible area of coverage and plinth area of construction.

5.3 Actual area covered and plinth Area of construction.

5.4 Type of construction and broad Specifications.

5.5 Period of construction/date of completion.

5.6 Estimate future life of the Building.

6. LEASE AND OCCUPANCY DETAILS.

6.1 Is land free hold or lease hold?

6.2 If lease hold, the name of lessor/lessee, nature of lease, date of commencement and termination of lease and terms of renewal of lease.

- (a) Initial premium
- (b) Ground rent payable per annum
- (c) Unearned increase payable to the lesser in the event of sale/transfer.

6.3 Does the land fall in an area included in any town planning Plan of Govt. of any statutory body? If so, give particulars.

6.4 Particulars or tenants/leases/licences etc. and portions occupied by each.

6.5 If part of the property is occupied by the owner, then area so occupied.

6.6 Monthly/or annual rent/compensation/licence fee, etc. If some data for rent is not accepted, the reasons for rejection should be indicated.

6.7 Gross annual income received from the entire property.

7. METHOD OF VALUATION

7.1 Method adopted.

7.2 Reasons in support of the Method adopted.

7.3 Any special observations or qualifications.

8 RATES ADOPTED FOR VALUATION

8.1 Reference to sale-instances/land rate data relied on and their relevance.

8.2 Land rate(s) adopted for valuation the basis of 8.1

8.3 Standard plinth area rates adopted plus minus deviation and correction for Building Cost Index etc.

8.4 Additional items not covered under 8.3

9.0 PRELIMINARY VALUATION

9.1. Value of property as per assessee

9.2 Reference under which estimate sent to assessee and objections invited

9.3 Reference to subsequent correspondence (if any) discussion with the assessee or his valuer etc.

2.0 COMMENTS ON OBJECTIONS_ - Enclosed with Annexure

3.0 FINAL VALUATION

Having considered the fact that no objections made by the assessee in writing and/or in person and having considered the evidence produced by the assessee and having taken into account all relevant material gathered by me, I estimate the fair market value / cost of investment of the said property as under and as detailed in annexure (A).

| FAIR MARKET VALUE | VALUATION DATE | SHARE OF ASSESSEE |
|--------------------------|-----------------------|--------------------------|
| | | |

**Distt. Valuation Officer,
Income Tax Department,**

VALUTION CELL
INCOME TAX DEPARTMENT

ABSTRACT OF COST

NAME OF PROPERTY :

ASSESSEE :

Basement

(i) F.H. = m
..... Sqm. @ Rs./Sqm. =

(ii) F.H. = m
..... Sqm. @ Rs./Sqm. =

Ground Floor :

(i) F.H. = m PH=m.
.....Sqm. @ Rs./Sqm. =

(ii) F.H. = m PH=m.
.....Sqm. @ Rs./Sqm. =

R.C.C. Porch :

(i) F.H. = m
..... Sqm. @ Rs./Sqm. =

(ii) F.H. = m
..... Sqm. @ Rs./Sqm. =

First Floor :

(i) F.H. = m
..... Sqm. @ Rs./Sqm. =

ANNEXURE

175

(ii) F.H. = m
 Sqm. @ Rs./Sqm. =

Second Floor

(i) F.H. = m
 Sqm. @ Rs./Sqm. =

(ii) F.H. = m
 Sqm. @ Rs./Sqm. =

Third Floor :

(i) F.H. = m
 Sqm. @ Rs./Sqm. =

(ii) F.H. = m
 Sqm. @ Rs./Sqm. =

Fourth Floor :

(i) F.H. = m
 Sqm. @ Rs./Sqm. =

(ii) F.H. = m
 Sqm. @ Rs./Sqm. =

**VALUATION CELL
INCOME TAX DEPARTMENT**

EXTRA ITEMS :

- 1 Extra for providing flooring instead of specified flooring
 - i) Mosaic flooring with grey cement and pigment/without pigment
 - ii) Mosaic flooring with white cement and pigment/without pigment.
 - iii) Cement concrete flooring
 - iv) Hardonite flooring
 - v) Crazy marble flooring
 - vi) Kota stone flooring
 - vii) Kota tile flooring
 - viii) White marble flooring
 - ix) White marble tile flooring
 - x) Black marble flooring
 - xi) Black marble tile flooring
 - xii) Granite flooring
 - xiii) Granite tile flooring
 - xiv) Pink marble flooring
 - xv) Pink marble tile flooring
 - xvi) Green marble flooring
 - xvii) Green marble tile flooring

- 2 Extra for providing Dado of finishing other than specified.
 - i) Mosaic flooring with grey cement and pigment / without pigment.
 - ii) Mosaic flooring with white cement and pigment / without pigment.

- iii) Cement Dado
 - iv) White Marble
 - v) White marble tiles
 - vi) Pink marble
 - vii) Pink marble tiles
 - viii) Granite
 - ix) Granite tiles
 - x) White glazed tiles
 - xi) Coloured glazed tiles
 - xii) Decorative glazed tiles
 - xiii) Design glazed tile
 - xiv) Green marble
 - xv) Green marble tiles
 - xvi) Ceramic tile
 - xvii) Madrasi Dana
- 3 Extra for providing different finishing on inside walls other than specified.
- i) Wall paper
 - ii) Plastic emulsion
 - iii) Oil bound distemper
 - iv) Dry distemper
 - v) Superior Plaster finish (Madrasi Dana)
 - vi) Kent-tiles
- 4 Extra for providing different finishing on outside walls other than specified.
- i) White marble
 - ii) White marble tiles

- iii) Butch work
 - iv) Pink marble
 - v) Pink marble tiles
 - vi) Madrasi Dana
 - vii) Water proofing cement paint
 - viii) Kent tiles
 - ix) Dholpur stone
- 5 Extra for providing aluminium glazed joinery insteated of specified joinery.
- i) Doors
 - ii) Fixed glazing
 - iii) Windows
- 6 Extra for providing Rolling Shutters instead of specified joinery.
- 7 Extra for providing collapsible shutters instead of specified joinery.
- 8 Extra for providing grill of
- a) Mild Steel
 - i) Plain grill
 - ii) Ornamental grill
 - b) Aluminium
 - i) Plain grill
 - ii) Ornamental grill
- 9 Extra for cupboard/ward robe with sunmica / teak ply/teak board Cm. deep
- 10 Extra for pelment made of Size
- 11 Extra for wooden wall panelling of

- 12 Extra for false ceiling of
 - i) Pop (Simple)
 - ii) Pop (Ornamental)
 - iii) A.C. Sheets
 - iv) Hard board

- 13 Extra for providing looking mirrors

- 14 Extra for providing bath tubs

- 15 Extra for providing door closures

- 16 Extra for compound wall
 - i) Height
 - ii) Height
 - iii) Height
 - iv) Height

- 17 Extra for compound gate

- 18 Extra for pavement including with base concrete
 - i) Kota Stone/Kota stone tiles
 - ii) Kota Stone and white marble
 - iii) Cement concrete
 - iv) White marble
 - v) White marble tile
 - vi) Crazy marble
 - vii) Flat brick/brick on edge flooring
 - viii) Mosaic with white cement
 - ix) Mosaic with grey cement.

- 19 Extra for providing tile work/made up decorative tiles on mumty/slant surfaces.
- 20 Extra for providing hand pump/tube well/pump
- 21 Extra for providing septic tank
- 22 Extra for providing under ground water tank
- 23 Extra for providing loft slab
- 24 Extra for providing coffer slab
- 25 Extra for R.C.C. projections

Additions

Builders Efforts

Deductions :

Rebate for self supervision

Note :- Services included in P.A. rates as applicable.

**VALUATION CELL
INCOME TAX DEPARTMENT
COMMENTS ON REGISTERED VALUER REPORT**

The comments on the registered valuer report submitted by the assessee vide his letter No.

..... are as under :

- 1 Areas & quantities and rates adopted by registered valuer are not correct
(Irregularities noted should be mentioned in detail)
- 2 Plinth Area Rates adopted and its basis.
- 3 Detail estimate prepared and its basis
- 4 Cost Index adopted and its basis rates CI not adopted
- 5 Provisions of all services and their rates are not correct. Rates mentioned in (2) not adopted for services.
- 6 Rates for extra items and its basis.
(Give examples)
- 7 Extra Items not included by registered valuer
- 8 Inadmissible deductions allowed by registered valuer
- 9 Variations in specification adopted by valuer as compared to existing at site.
- 10 Variation in quantities between assessee's account and valuer's report.
- 11 Adhoc modification in amount or rate without any basis.
- 12 Deduction for supervision charges considered is arbitrary.

In view of all above the valuation done by registered valuer suffers from deficiencies and as such can not be adopted in support of declared cost given by the assessee.

**VALUATION CELL
INCOME TAX DEPARTMENT
PLINTH AREA RATES CALCULATION**

Name of Property :

Basement/G.F./F.F./S.F./T.F./ P.H. = - m, FH = -m (.....)

a) P.A.R. for M F.H. and M P.H. =

B) Add/Deduct for more/less F.H. =
0.3

c) Add/Deduct for more/less P.H. =
0.3 x =

d) Add/Deduct for more/less
Foundation depth x =

e) Add extra for remaining items of PAR wherever applicable =

f) **ADD FOR**

A) W/S & S.I. - (item 3.1)

a) W.C.'s & fixtures incl. O.H. tank 20% of 3.1 =

b) Wash basin with fixtures inc pillar cock mirror etc. 12% of 3.1 =

c) Water supply pipe and fittings 16% of 3.1 =

d) Sewerage, manhole chamber, HCI pipe etc. 50% of 3.1 =

| | | |
|-------|---|---|
| B) | Electrical Installation | |
| | a) Wiring (point, circuit, submain) 32% 3.3 | = |
| | b) Fans 44% of 3.3 | |
| | c) Light fittings 20% of 3.3 | = |
| | d) Main board and earthing 4% of 3.3 | = |
| ii) | Power wiring & Plugs | |
| | Item of 3.6 whichever is applicable | = |
| iii) | External service connection @ 5% or actual | = |
| | <u>LESS FOR</u> | |
| i) | a) No joinery | = |
| | b) Less joinery | = |
| ii) | a) Joinery of 2nd class deodar/sheesham wood instead of teak wood (specified wood) With Aluminium fittings | = |
| | b) Joinery of 2nd class deodar/sheesham wood instead of Teak wood (specified wood) With M.S. fittings. | = |
| iii) | No flooring | = |
| iv) | No plastering | = |
| v) | No white wash | = |
| vi) | No painting | = |
| vii) | Hall type construction | = |
| viii) | No of tiles on roof | = |

| | | |
|--------|--|---|
| ix) | No four course water proofing treatment on roof | = |
| x) | No R.C.C. mat in basement | = |
| xi) | No water proofing treatment in base | = |
| xii) | No insulation foam concrete on roof | = |
| xiii) | No roof treatment | = |
| xiv) | No plinth protection | = |
| xv) | No cupboards | = |
| xvi) | Providing R.B. slab instead of RCC slab | = |
| xvii) | No white washing outside | = |
| xviii) | No water profing cement paint outside | = |
| xix) | a) No walls on outer periphery | = |
| | b) Less walls on outer periphery decut for per ft. ht. | = |
| xx) | Using brick ballest instead of stone aggregate | = |
| xxi) | Using lime concrete instead of cement concreete in brick aggregate | = |
| | Total | = |

ANALYSIS OF RATE

1 On Actual basis & Market Rate (M.R.)

20 mm thick marble slab / tiles flooring over 20 mm thick base of cement mortar 1:4 (1 cement : 4 medium sand) laid and jointed with Grey Cement Slurry including rubbing & polishing complete :

i) Dungri Marble slabs & the like of reasonably good quality

Detail for cost of 10 Sqm.

Based on actual practices in private construction and market rates at Asr. during May, 1996

| | | | | | |
|---|--|------------|--|---------|--|
| 1 | Marble slabs | 10.00 Sqm. | | | |
| | Add : 3% wastage | 0.30 Sqm. | | | |
| | | | | | |
| | | 10.30 Sqm. | | | |
| | | | | | |
| | 10.30 Sqm. @ Rs. 796/- per Sqm. (74/- Sq. ft.) | | | 8198.80 | |
| 2 | Base motar 1:4 | | | | |
| | 0.224 cum @ Rs. 1254/- per cum (As per sub anl.) | | | 280.00 | |
| 3 | Cement slurry for Bedding | | | | |
| | 44 Kg. @ Rs. 2.80/- per kg. (Rs. 140/- per bag) | | | 123.20 | |
| 4 | White Cement for jointing | | | | |
| | 6 Kg. @ Rs. 9/- per kg. (Rs. 450/- per bag) | | | 54.00 | |
| 5 | Labour charges for sorting, matching, sizing fixingl, grinding & polishing | | | | |
| | 10 Sqm. @ Rs. 86/- per sqm. (per 8/- per sq. ft.) | | | 860.00 | |
| | (Prevailing Market rate, in practice) | | | | |
| 6 | Sunderies (for saw dust & electrictiy) L.S. | | | 100.00 | |
| | | | | | |
| | Total | | | 9616.10 | |

| | | |
|----------------------------|---------------------|-----------------------|
| Add : 1% for water charges | | 96.16 |
| | | |
| | | 9712.26 |
| Add 10% C.P. & over head | | (+) 971.23 |
| | | |
| 10,683.49 | | Total 10683.49 |
| Rate | = Rs. 1068 Per Sqm. | |
| 10 | | |

ANNEXURE

SUB : ANALYSIS

ANALYSIS OF RATE

AS PER M.R. 1972 & M.R. AT ASR DURING MAY 1996

Cement mortar 1:4 (1 cement : 4 medium sand)

Detail for 1.00 Cum.

| | | | |
|---|--|------|-------------|
| 1 | Cement 0.38 M.T. @ Rs. 2800/- Per M.T. | | Rs. 1064.00 |
| 2 | Medium Sand 1.07 Cum @ Rs. 150/- per cum. | | Rs.160.50 |
| 3 | Hirecharges of mechanical mixture and its operation including, measuring, carrying & depositing & mixing. | L.S. | Rs. 20.00 |
| 4 | Sunderies | L.S. | Rs. 10.00 |
| | | | |
| | | | Rs. 1254.50 |
| | | | |
| | | Say | Rs. 1254/- |

This rate does not including 1% water charges, 10% C.P. & over head.

VALUATION REPORT

NAME OF THE PROPERTY :

1 REFERENCE :

- 1.1 Officer from whom reference received.
- 1.2 Letter No. & date under which reference received.
- 1.3 Purpose of valuation.
- 1.4 Act & Section under which valuation required
- 1.5 Date for which valuation required.

2 ASSESSEE :

- 2.1 Name
- 2.2 Full Address
- 2.3 Details/Documents furnished by the Assessee
 - i) General Information
 - ii) Technical Data
 - iii) Registered Valuer's Report.
 - iv) Building Plan, Section, Elevation.
 - v) Layout Plan/Site Plan.
 - vi) Copy of Sale Deed/Purchase Deed.
 - vii) Copies of Rent Receipt/Bills/Vouchers

3 **COLLECTION OF DOCUMENTS / DETAILS / AND INSPECTION :**

3.1 Chronological Statement of notices sent to the assessee & replies received (if any)

.....
No. & date of letter issued to the assessee

.....
Replies received from the assessee if any

3.2 Date of Inspection of property

3.3 Name of Junior Engineer

3.4 Name of assessee's representative present (if any) at the time of Inspection.

4 **PROPERTY REFERENCE :**

4.1 Name, No. (if any) address and complete location of the property.

4.2 Assessee's share in the property.

4.3 Value declared by the assessee for the entire property/his share only.

4.4 Registration No. & date

4.5 Name & address of the transferer

5 **PROPERTY DESCRIPTION :**

5.1 Land Area

- 5.2 i) Maximum permissible F.S.I.
- ii) Max permissible construction in G.F.
- III) Actual construction G.F.
- iv) Max. permissible construction in all floors.
- v) Actual construction in all floors

- 5.3 Actual F.S.I. used.
- 5.4 General Description of property & Type of construction and board specifications of building/structure.
- 5.5 Period of construction (if required) and the year of completion (Date of Start & completion)
- 5.6 Estimated future life of the building.

6 **LEASE AND OCCUPANCY DETAILS :**

- 6.1 Is land free hold or lease hold ?
- 6.2 If lease hold, the name of lessor, lessee, nature of lease, dates of commencement & termination of lease and terms of renewal of lease.
 - a) Initial premium.
 - b) Ground rent payable per annum.
 - c) Unearned increase Payable to the lessor in the event of sale/transfer.
- 6.3 Does the land fall in area included in any Town Planning plan of Gof. Or any statutory body ? If so give particulars.
- 6.4 Particulars of tenants/leasees/licencess etc. and portion occupied by each.
- 6.5 If part of the property is occupied by the owner, the area so occupied.
- 6.6 Monthly or annual rent/compensation/licence fee etc. paid by each. If some data for rent is not accepted the reasons for rejection should be indicated.
- 6.7 Gross income received from the entire property monthly/annually.

7 **METHOD OF VALUATION ADOPTED :**

- 7.1 Method adopted.
- 7.2 Reasons in support of method.
- 7.3 Any special observation or qualifications.

8 **RATES ADOPTED FOR VALUATION**

8.1 Reference sale instances/land rates data relied on and their relevance.

8.2 Land rate adopted for valuation on the basis of 8.1

8.3 Standard plinth area rates adopted plus/minus deviations and correction for building cost index.

8.4 Additional items not covered under 8.3

9 **PRELIMINARY VALUTION :**

9.1 Value of property as assessed.

9.2 Reference under which estimate sent to assessee & objections invited.

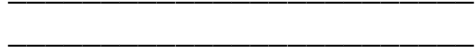
10 **COMMENTS ON REGISTERED VALUER'S REPORT (IF ANY).**

11 **ASSESSE'S OBJECTIONS AND REPLIES :**

12 **FINAL VALUATION :**

DISTRICT/ASSTT/VALUATION OFFICER
INCOME TAX DEPARTMENT

OFFICE OF THE



By Registered Post

No.

Dated

ORDER UNDER SECTION 16A(3) OF WEALTH TAX ACT, 1957

1. WHEREAS, the determination of the Fair Market Value AS ON 31.03..... the property at Survey No.at was referred to me by(A.O.) vide No. dated and.
2. WHEREAS, the property was inspected by me on
3. Having perused the records produced before me and considered the relevant facts of the case, I am of the opinion that the Fair Market Value of the property at Survey No..... of at Rs.(Rupees) as on has been correct declared in the return made by the assessee.

VALUATION OFFICER

Copy forwarded to :

1. The Assessing Officer.
2. The Assessee.
3. Copy to CE (Val.) alongwith Valuation Report.
4. The SE (Val.) alongwith Valuation Report.

VALUATION OFFICER

OFFICE OF THE

No.

Dated :

BY RPAD

NOTICE UNDER SECTION 16A(4) OF THE WEALTH TAX ACT, 1957

To,

.....
.....

The determination of the Fair Market Value of the property at as on to was referred by A.O. vide NO. dated To me.

The value of the property has been stated to have been declared as under as per letter dated

As on Rs.

The property was inspected by m on

I have perused the relevant documents produced before me. Having considered the relevant circumstances of the case, I purpose to estimate the Fair Market Value as follow as per details enclosed as Annexure.

As on Rs.

You are hereby called upon to state your objections, if any to the above estimate in writing on or before Any documentary evidence on which you may wish to rely in support of your objections should also be sent alongwith your written statement of objection.

If alternatively, you wish to state your objections in person or through a duly authorized representative, you may do so on at hours.

You may produce or cause to be produced on that date and time any evidence, you may wish to rely in support of your objections.

Encl : As above.

VALUATION OFFICER

Not on Original :

Copy to :

- 1. The Assessing Officer alongwith a copy of Preliminary Valuation Report. If he wants to communicate any views on the report, he may do so before the date of hearing.

VALUATION OFFICER

FORMET FOR NOTICE INVITING OBJECTIONS TO PROPOSED VALUATIONS

F.No.

Dated :

Notice under section 16 A (4) of the Wealth Tax Act, 1957 / Section 55A of the Income Tax Act, 1961 Read with section 16 A (4) of the Wealth Tax Act / Section 15 (6) of the Gift Tax Act, Read with section 16 A (5) of the Wealth Tax Act.

From :

Shri
District/Asstt./Valuation Officer

To

Shri/Smt.

As on
Amount

The determination of the fair market value of the property at

| Amount | As on | Amount | As on |
|--------|-------|--------|-------|
| | | | |

was referred to me by Vide no.
dated

- a) The value of the property has been declared in the return made by you.
- b) The asset is disclosed in the return by you.
- c) The value of the asset is not declared in the return made by you
- d) No return has been made by you.

The property was inspected by me Shri..... duly authorised by me on
.....

I have perused the relevant documents produced before me.

Having considered the relevant circumstances of the case, I propose to estimate the fair market value at :-

| Amount | As on | Amount | As on |
|---------------|--------------|---------------|--------------|
| | | | |

You are hereby called upon to state your objections if any, to the above estimate in writing on before Any documentary evidence on which you may wish to rely in support of your objections should also be sent along with your written statement of objections.

If alternatively you wish to state your objections in person or through a duly authorised referentative you may do so on at hrs. You may produce or cause to be produced on that date and time any evidence you may wish to rely in support of your objection.

Encl :

DISTRICT / ASSTT. / VALUATION OFFICER
Income Tax Department
(Phone No. Extn.)

ANNEXURE

ORDER UNDER SECTION 16 A (5) OF THE WEALTH TAX ACT 1957

F.No.

Office of the District/Asstt./Valuation Officer
Income Tax Department

1 Whereas the determination of fair market value of the property at
..... was referred to me by
under section of the Act, vide letter
No. Dated and.

2 Whereas a notice was issued to Shri / Smt.
(assessee) of my proposed estimating the value.

| ESTIMATED VALUE Rs. | AS ON | DECLARED VALUE Rs. |
|--------------------------------|--------------|-------------------------------|
| | | |

Vide letter No. Dated and

3 Whereas the assessee stated his/her objection in writing/in person to the proposed estimate
vide letter No. Dated

4 Having considered the statement of objections made by the assessee in writing/in person and having
considered the evidence produced by the assessee and having taken into account all the relevant
materials gathered by me. I estimate the fair market value of the said property in respect of Shri Smt.
..... as follow :-

| FAIR MARKET VALUE Rs. | AS ON | ASSESSMENT YEAR Rs. |
|----------------------------------|--------------|--------------------------------|
| | | |

()
District/Asstt./Valuation Officer
Income Tax Department

Copy alongwith copy of valuation report to :

- 1 Wealth Tax Officer
- 2 Shri/Smt.

()
District/Asstt./Valuation Officer
Income Tax Department

ANNEXURE-17

SAMPLE CALCULATION FOR DETERMINATION OF COST OF CONSTRUCTION OF A PROPERTY RESIDENTIAL APARTMENT R.C.C. FRAMED STRUCTURE BUILDING HAVING BASEMENT, GROUND FLOOR PARKING AND TEN UPPER FLOORS BY PLINTH AREA & COST INDEX METHOD

DESCRIPTION OF PROPERTY

- a) The building is having basement with floor height 3.00 M. The basement is without provision of Water Proofing treatment.
- b) Ground Floor : The ground floor is for parking space with floor height 2.90 M. This has no outer walls and partition walls, doors/windows and fittings thereof.
- c) Upper Floors : The upper floors from 1st to 10th are residential flats with floor height 2.90 M.

As per reference made by the assessing office the A.O. has intimated the yearwise investment as under :-

| PERIOD OF COSNTRUCTION | ASSTT. YEAR | EXPENDITURE INCURRED AS SHOWN BY THE ASSESSEE/ITO |
|-------------------------------|--------------------|--|
| 1. 1990-91 | 1991-92 | Rs. 20,00,000/- |
| 2. 1991-92 | 1992-93 | Rs. 17,00,000/- |
| 3. 1992-93 | 1993-94 | Rs. 27,50,000/- |
| | | Rs. 5,00,000/- Rs. 32,50,000/- |
| | | + |
| | | Rs. 69,50,000/- |
| | | TOTAL |

ANNEXURE

.....
For determination of cost of construction of the above property area on each floor has been calculated as under after the inspection of the property.

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| | | |
|---|-----------------------------------|-------------|
| 1 | Basement | :155 Sq.m. |
| 2 | Ground Floor (Parking Space) | :155 Sq.m. |
| 3 | Upper Floors (1 st to 10th Floor) | :2040 Sq.m. |

CALUATION OF WEIGHTED COST INDEX :

The Weighted Cost Index may be clacuated as under. Calculate the average Cost Index for the period of construction for each financial year and find out the Weighted Cost Index as per table given below :-

| Period of construction | Expenditure shown by the assessee | Average cost Index for the period on base of 1.10.76 | Amount reduced to base 100 of 1.10.76 | % age progress of the work |
|------------------------|-----------------------------------|--|---------------------------------------|----------------------------|
| 1 | 2 | 3 | 4=2/3 | 5=4/100 |
| 1990-91 | 20,00,000/- | 485 | 4,12,371/- | 35.89 |
| 1991-92 | 17,00,000/- | 560 | 3,03,571/- | 26.42 |
| 1992-93 | 27,50,000/- | 635 | 4,33,071/- | 37.69 |
| E2 = | 64,50,000/- | E4 =11,49,013/- | | 100 |

$$\text{WEIGHTED COST INDEX} = \frac{E2 \times 100}{E4} = \frac{64,50,000 \times 100}{11,49,013/-} = 561.35$$

Sav = 561

ESTIMATE OF FAIR COST OF CONSTRUCTION

Property :
Assessee :

PERIOD OF CONSTRUCTION
4/90 to 3/93

| Sl. No. | Description of Item | Quantity | Unit | | Amount |
|---------|--|----------|-------|---------|------------------|
| 1 | Basement : (Floor height 3.00 M) without W/S and S/I. | 155 | Sqm. | 2536 | 3,93,080 |
| 2 | Ground Floor : (Parking space without external/internal walls, doors/windows and fittings thereof) height 2.90 mt. | 155 | Sqm. | 1470 | 2,27,850 |
| 3 | Upper Floor : 1st to 10th floor Residential flats. Rate includes proportionate cost of foundation. (Floor height 2.90 mt.) | 2040 | Sqm. | 2680 | 54,67,200 |
| 4 | Extra items which are not covered under above plinth area rates. | | | | |
| | i) Grey Marble tile flooring | 1600 | Sqm. | 390 | 6,24,000 |
| | ii) Granite stone over Kitchen cooking platform | 30 | Sqm. | 1400 | 42,000 |
| | iii) White glazed tile flooring | 40 | Sqm. | 330 | 13,200 |
| | iv) Dado of white spartex tiles | 705 | Sqm. | 350 | 2,46,750 |
| | v) Red sand stone pavement in open area | 350 | Sqm. | 225 | 78,750 |
| | vi) Underground water tank with brick masonry walls and RCC slab | 15000 | Litre | 1.96 | 19,400 |
| | vii) Over head RCC water storage tank | 36000 | Litre | 3.65 | 1,31,400 |
| | viii) Water pump with motor 5 HP | L.S. | - | - | 20,000 |
| | ix) Brick masonry comound wall 9" thick | 55 | Metre | 400 | 22,000 |
| 5 | TOTAL | | | | <u>72,85,630</u> |
| 6 | Less : For self supervision and procurment of materials by the assessee @ 7.50% | | | (-) | 5,46,422 |
| | | | | NET (A) | <u>67,73,992</u> |

ANNEXURE

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| | | | |
|----|--|-----|-----------------|
| 7 | Add : for Architect fee and technical consultation charges @ 2% of (A) | (+) | <u>1,34,784</u> |
| 8 | TOTAL | | 68,73,992 |
| 9 | Add : Cost of the lift as per actual | | <u>5,00,000</u> |
| 10 | TOTAL FAIR COST OF CONSTRUCTION | | 73,73,992 |

YEARWISE BREAK-UP ESTIMATED COST OF CONSTRUCTION :-

$$A = \frac{\text{TOTAL COST OF CONSTRUCTION} = \text{Rs. } 68,73,992}{\text{WEIGHTED COST INDEX } 5.61} = A = 12,25,311/-$$

| Period of construction | Expenditure as shown by the assessee | Average C.I. for the period on base 1.10.76 | Physical Progress as per 'B' previously | Assessed fair cost of construction $5 = 2 \times 4 / E-4$ |
|------------------------|--------------------------------------|---|---|--|
| 1 | 2 | 3 | 4 | 5 |
| 4/90-3/91 | 20,00,000/- | 485 | 35.89 | 21,31,319/- |
| 4/91-3/92 | 17,00,000/- | 560 | 26.42 | 18,11,737/- |
| 4/92-3/93 | 27,50,000/- | 635 | 37.69 | 29,30,936/- |
| TOTAL | 64,50,000/- | | 100 | 73,73,992/- |

* * Cost of Lift

The above does not include the cost of land.

DETERMINATION OF PLINTH AREA RATES

1. Basement :R.C.C. framed structure with floor height 3.00 M. without water proofing treatment. No water supply/sanitary installation. Only electric points provided.

Details of cost for 1.00 Sqm.

| | | | | |
|------|---|-----------|--------|------------|
| i) | Basic plinth area rates for R.C.C. framed structure as on 1.10.76 for height 3.35 m with nominal provision of water proofing treatment. | 550.00 | | |
| ii) | Deudct for less height (3.35-3.00) M | | | |
| | @ Rs. 38/M ² per 30 cm height = $\frac{38 \times 0.35}{0.3} = 44.00$ | (-) 44.00 | | 506.00 (A) |
| iii) | Less for not providing standard water proofing treatemnt as per provision of above P.A. rates | | | |
| | @ 17% of Rs. 550 = 93.50 = Say | (-) 93.00 | | |
| | | Net | 413.00 | |

iv) Add for services :-

In this floor no water supply, sanitary installations are provided only electric points are provided. Adopt services @ 7.75% of 'A' above.

| | | | |
|---|--------------|----------|--------|
| 7.00% For Electric Installations excluding fans | | | |
| Wiring = 32/100 x 12.5 | = 4.00 | | |
| Light Fitting = 20/100 x 12.5 | =2.50 | | |
| Main Board & Earthing | = | | |
| 4/100 x 12.50 | <u>=0.50</u> | | |
| | 7.00% | (+) | 39.00 |
| 0.75% For external electric connection. | | | |
| 7.75% | | Net rate | 452.00 |

Adusting with Weight Cost Index 561 Plinth Area Rate =2535.72=Say 2536 M2

2 Ground Floor : Parking space open from outside without external / internal walls, doors / windows and fittings (Floor ht. 2.90 M) thereof. No provision of water supply and sanitary installation made only a few light point provided.

| | | |
|---|-------|------------------------|
| i) Basic Plinth Area Rates for RCC framed structure upto 6 storeys (floor) as on 1.10.76 for floor height 2.90 M | = | 385.00 (A) |
| ii) <u>Add for Services :</u> Only a few light points provided Adopt @ 7.75% of Basic rate 7.00% Electricity <u>0.75% External connections</u> 7.75% | = (+) | 29.00 |
| | | <hr/> 414.00 |
| iii) <u>Add for additional storeys :</u> a) 7th Storeyed to 9th Storeyed @ Rs. 7/M2 per floor = 3 x 7 | = | 21.00 |
| b) 10th storey to 11th storey @ Rs. 10/M2 per storey = 2 x 10 | = | 20.00 |
| iv) Less for not providing external / internal walls, doors / windows fittings thereof, plinth & other standard provisions of services residential flats @ 50% of (A) (-) | (-) | 193.00 |
| | | <hr/> 262.00 |
| Adusting with cost index 561 plinth area rate 1469.82 | | Say Rs. 1470.00 |

3. Upper Floors : (Residential flats)
Height 2.90 M

| | | |
|--|-----|--------|
| i) Basic Plinth area rates for RCC framed structure upto 6 storeys as on 1.10.76 | | 385.00 |
| ii) <u>Add for services :</u> a) 7.00% For Electric Installation without fans, tube lights 12.50% For water supply & sanitary installations <u>5.00% External connection</u> 24.50% | (+) | 94.00 |

iii) **Add for additional storeys :**

a) 7th storey to 9th storey @ Rs. 7/M2 per storey = 3 x 7 =

21.00

b) 10th storey to 11th storey @ Rs. 10/M2 per storey = 2 x 10 =

20.00

520.00

iv) Less for admissible provisions for flooring / dado, cupboards, pelmets and water storage tanks.

Explanation

i) Mosaic tile flooring 50%

= 0.85 x 0.50 x 45 / M² = 19.12

1. Floor area is 85% of Plinth Area

ii) Cement concrete flooring 50%

= 0.85 x 0.50 x 14 / M² 5.95

2. 50% is for mosaic

& 50% is for C.C.

flooring taken as

standard admissible

flooring.

iii) Cupboards 3 No. = **3 x 1.10 x 1.80 = 9.74**
@ 228 M² 139 Sqm.

3. Rate as on 1.10.76

4. Provisions are as per type V or E.

iv) RCC water tank 810 Litre = 3.79
@ 0.65 / Litre 139 Sqm.

v) Pelmets & Dado etc.

L.S. = 500 / M² 3.60
139 Sqm. 42.20

(-)

42.20
477.80

Adusting with Weighted Cost Index 561

Net Rate

Plinth Area Rate = 2680.46 M² = SAY 2680 / M2

ANNEXURE

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Annexure-18

**SAMPLE CALCULATION FOR DETERMINATION OF FAIR MARKET VALUE OF PROPERTY
BY RENT CAPITALISATION METHOD**

Example :

- i) Rented Building and Rent control Act is applicable : Letout is 4 tenants on 1.6.90
- ii) Rent received from tenants 30,000/- P.M.
- iii) Rent received from exhibition of sign boards hoardings at top of the building = Rs. 2500/- P.M.
- iv) Standard Rent fixed by Rent Controller = Rs. 25,000/- P.M.
- v) Municipal taxes borne by Land Lord = Rs. 10,000/- P.A.
- vi) Ground Rent paid by the Land Lord = Rs. 1,500/- P.A.
- vii) Repair cost borne by the tenants
- viii) Insurance charges paid by Land Lord = Rs. 5,000/-
- ix) Management & Collection charges
- x) Service charges borne by the tenants = Rs. 5,000/-
- xi) Deposit of Rs. 5,00,000/- to be adjust in the monthly rent
@ Rs. 25,000/- P.M. considering the adjustment stands from
the month 7/90.
- xii) Unearned increase payable = Rs. 50,000/-

SOLUTION :

As the standard Rent is less than actual rent received so the same is to be considered as rent.

Gross Income :

- i) Annual Rent = 12 x 25,000 = Rs. 3,00,000/-

| | |
|--|-----------------------------|
| ii) Rent from signboards/hoarding | = Rs. 30,000/- |
| iii) Interest on advance to be calculated on month to month basis as indicated separately in Annexure. | = Rs. 45,000/- |
| Total | <u>= Rs. 3,75,000/- (A)</u> |

Outgoings :-

| | |
|---|---------------------------|
| i) Municipal Tax | = Rs. 10,000/- |
| ii) Ground Rent | = Rs. 1,500/- |
| iii) Insurance charges | = Rs. 5,000/- |
| iv) Management & Collection charges @ 4% of (A) | = Rs. 15,000/- |
| Total | <u>= Rs. 31,500/- (B)</u> |

Note :- *As the tenants have borne cost of repairs and maintenance charges so the same have not been deducted from the outgoings. If these are to be deducted then one equal amount is to be added in the gross Income.*

| | |
|---|---------------------------------|
| So Net Annual Income = (A) - (B) = 3,75,000 - 31,500 = Rs. 3,43,500/- | Rs. 3,43,500 x 10 = 34,35,000/- |
| As the property is lease hold and balance lease period is more than 50 years, so year's purchase = 10 | Rs. 50,000/- |
| | Rs. 34,35,000/- - Rs. 50,000/- |
| So capitalised value | = Rs. 33,85,000/- |
| Unearned increase | = |
| So F.M.V. of the property | = |
| | = Amount of Interest |
| | @ 15% P.A. |

ANNEXURE :

| <u>Month</u> | <u>Amount outstanding</u> | $\frac{15}{100} \times \frac{1}{12}$ |
|---------------------|----------------------------------|--------------------------------------|
| /7/90 | 5,00,000/- | 6250 |
| /8/90 | 4,75,000/- | 5937.5 |
| /9/90 | 4,50,000/- | 5625 |
| /10/90 | 4,25,000/- | 5312.5 |
| /11/90 | 4,00,000/- | 5000 |
| /12/90 | 3,75,000/- | 4687.5 |
| /1/91 | 3,50,000/- | 4375 |
| /2/92 | 3,25,000/- | 4062.5 |
| /3/91 | 3,00,000/- | 3750 |
| | Total | <u>45000</u> |

Guidelines for the Valuation of Immovable Propertie

Annexure-19

SAMPLE CALCULATION FOR DETERMINATION OF FAIR MARKET VALUE BY DEVELOPMENT METHOD

Example :

| | | | |
|----|---|---|---------------------|
| 1 | Area of Plot | | 40.000 Sqm. |
| 2 | Area required for layout services and amenities | = | 25% of Area of Plot |
| 3 | Average price of small plots in the locality | = | Rs. 1000/- Sqm. |
| 4 | Period of Development | = | 2 years |
| 5 | Cost of development of slacable area | = | Rs. 45/- Sqm. |
| 6 | Period of sale | = | 3 years |
| 7 | Architect fee | = | 2% |
| 8 | Developer's profit | = | 15% |
| 9 | Legal charges, brokerage, stamp, registration | = | 8% |
| 10 | Present value of Re. 1 @ 12% rate of interest payable at the end of | = | |
| | (a) 1.5 years | | |
| | (b) 1.0 years | | |

ANNEXURE

Solution

| | | |
|---|---|-----------------------|
| Area of Plot | | |
| Deduct area of land required for laying services and other amenities | = | 40.000 Sqm. |
| Net area available for sale | = | 10,000 Sqm. |
| Cost of land available for sale = 30,000 X 1000 | = | 30,000 Sqm. |
| Defer (A) for 1.5 years being @ 50% of total sale period of 3 years @ 12% P.A. = 300 x 0.84503 | = | Rs. 300 Lakhs (A) |
| | = | Rs. 253.509 Lakhs (B) |

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Deductions

| | | | |
|-------|---|---|--|
| (i) | Cost of development = $30000 \times 45 =$ Rs. 13.50 Lakh Deferring it @ 12% P.A. for 1.0 year being the 50% of time period of development = 13.50×0.89286 | = | Rs. 12,05,361 |
| (ii) | Architect fee @ 2% of deferred development cost $1205361 \times 2 / 100$ | = | Rs. 24,107 |
| (iii) | Legal charge, brokerage etc. @ 8% of (B) | = | Rs. 20,28,0721 |
| (iv) | Developers profit @ 15% of (B) | = | Rs. 38,02,635 |
| | Total Deductions | = | <u>Rs. 70,60,175</u> Say 70.602 Lakhs |
| | Therefore F.M. V. of the Plot = $253.509 -$ 70.602 | = | Rs. 182.907 Lakhs |

Annexure-20

SAMPLE CALCULATION FOR DETERMINATION OF FAIR MARKET VALUE BY PROFIT

METHOD

| | | | |
|------------------|--|---|------------------------|
| Example | (Cinema Hall) | | |
| (i) | Income from sale of tickets excluding enterainment tax | = | Rs. 20,00,000/- |
| (ii) | Income from exhibition of slides, show cases, soda fountain etc. | = | Rs. 5,00,000/- |
| | Total Gross Income | = | Rs. 25,00,000/- |
| Outgoings | | | |
| a) | Hire charges of film | = | Rs. 5,00,000 |
| b) | Hire charges of Incian News Reel | = | Rs. 10,000 |
| c) | Salary, bonus P.F. Staff Welfare gratuity | = | Rs. 2,00,000 |
| | Insurance collection and management charges | | Rs. 2,00,000 |
| d) | Coveyance charges | = | Rs. 5,000 |
| e) | Carbon & Consumable items | = | Rs. 15,000 |
| f) | Printing, Stationary postage etc. | = | Rs. 15,000 |
| g) | Advertisement & Publicity | = | Rs. 10,000 |
| h) | Insurance for building Plat & Machinery | = | Rs. 5,000 |
| i) | Licence Fee | = | Rs. 1,000 |
| j) | Service charges for projections, air | = | Rs. 15,000 |
| k) | Electricity Bills | = | Rs. 1,00,000 |
| l) | Municipal Taxes | = | Rs. 50,000 |
| m) | Repair to building P&M furniture & fixture and sinking fund | = | Rs. 50,000 |
| n) | Enterprencures profit @ 15% on gross income i.e. 25,00,000 | = | Rs. 3,75,000 |
| | | = | Rs. 15,51,000 |

Solution

| | | | |
|------|-----------------|---|---------------------|
| (i) | Gross income | = | Rs. 25,00,000 |
| (ii) | Total outgoings | = | Rs. 15,51,000 |
| | Net Income | = | <u>Rs. 9,49,000</u> |

Tangible profit 70% of 9,49,000

Intangible profit 30% of 9,49,000

Capitalise tangible profit @ 12% Rs. 6,64,300/- X 100/12

Rs. 55,35,833

Capitalise intangible profit @ 14% = Rs.

Rs. 20,33,571

2,81,700 X 100 / 14

Total Rs. 75,69,404

Say Rs. 75,69,400

Annexure-21

INSTRUCTION NO. 1905
FOR DEPARTMENT USE ONLY

**F.NO. 328/114/92-WT
GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF REVENUE
CENTRAL BOARD OF DIRECT TAXES**

New Delhi, the 9th December, 1992

To,
All Chief Commissioners of Income Tax and
Directors General of Income Tax

Sir,
Sub : Reference to Valuation Officer under section 16A of the Wealth Tax Act, Effect of amendments in sections 7 and 16 A of the Wealth-tax Act with effect from 01.04.1989 clarification regarding -

The Direct Tax Laws (Amendment) Act, 1989 has amended sections 7 and 16 A of the Wealth Tax Act and has introduced Schedule III with effect from 01.04.1989. As per the amended section 7, (subject to the provisions of sub-section-2), the value of any asset, other than cash, for the purpose of the Wealth Tax shall be its value as on the valuation date determined in the manner laid down in the schedule III. As per the amended section 16 A, the Assessing Officer may refer the valuation of any asset to a Valuation Officer only where ; for the purpose of assessment, the market value of the asset is to be taken into account under the provisions of section 7 read with the Wealth Tax Rules or the rules in schedule III to the Wealth Tax Act.

A combined reading of two sections shows that a reference to the Valuation Officer U/s 16 A can be made only in respect of an asset where in accordance with rules in schedule III, market value is to be considered for making of the assessment. Such reference to Valuation Officer shall be mandatory if the case is covered by Section 16A (1) and it will not be open to the Assessing Officer to decide the question of valuation on his own in such cases.

In case of assets where rules in the schedule III do not require taking of their market value for making of the assessment, there is no question of making of any reference to the Valuation Officer U/s 16 A. Their value is to be computed as per the relevant rule in the Schedule-III.

The above clarification may be kept into consideration while applying para 35 of Board's Circular No. 96 dated 25.11.1972 by the officers concerned. These instructions may please be brought to the notice of all concerned officers in your region.

(M.N.DIKSHIT)
CENTRAL BOARD OF DIRECT TAXES

F. No. 319/26/85-WT

GOVERNMENT OF INDIA

CENTRAL BOARD OF DIRECT TAXES

New Delhi, the 6th December, 1985.

To,

All Commissioners of Income Tax / Wealth Tax

Sir,

Sub : Valuation Cell – Cases to be referred – Instruction regarding.

Reference is invited to Board's Instruction No. 365 (F. No. 319/5/70-WT) dated December-28, 1971 which enclosed a note on valuation by land & building method.

2. It would be seen that the data enclosed with Instruction No. 365 has become obsolete since long owing to flux of time.
3. With a view to facilitate valuation under the land & building method fresh data collected by the Valuation Cell is enclosed (Annexures I to IV).
 - 3.1 Annexure I would indicate the latest Delhi Plinth Area Cost with 1-10-1976 as base, for the type of structure / foundation / specifications, as enumerated in the end.
 - 3.2 It is to be noted that the Plinth Area Rates, the unit rates for additional items and for adopting richer specifications, the percentages for services as fixed by the D.G. (Work) CPWD, are based on detailed analysis of large number

of completed works, and should not be *Suo Motto* reduced or altered by the AVOs / VOs / DVOs, in normal situations, without detailed justification supported by complete and with comprehensive estimate.

- 3.3 Annexure II would indicate the working of the Cost Index of Delhi as on 13.03.1984 and 274 with Delhi P.A.R. of 01.10.1976 as 100.
- 3.4 Annexure III would indicate the latest approved building cost index of important cities and towns in India as on the specified dates.
- 3.5 Annexure IV would indicate the classification of structures based on physical robustness of construction, with expected physical life, Residual value and annual depreciation.
4. It may be borne in mind that the data collected by Valuation Cell is in the nature of broad guidelines and in its applications to individual cases it may vary on the facts of a particular case.

Yours faithfully,

Sd/-

(A.K. FOTEDAR)
UNDER SECRETARY
Central Board of Direct Taxes.

Copy forwarded to :-

1. All Directors of Inspection.
2. Director General (Special Investigation), New Delhi.
3. Director General, National Academy of Direct Taxes, P.B. No. 40, Nagpur.
4. Statistician (Income-tax)-5 Spare copies.
5. Bulletin Section-5 Spare copies.
6. Registrar of Income-tax Appellate Tribunal.
7. Director of O&MS, Aiwan-e-Ghalib, Mata Sundri Lane, New Delhi.
8. C&AG of INDIA, New Delhi-25 Spare copies.

9. Chief Engineer (Valuation), 11th floor, Rohit House No. 3, Tolstoy Marg, New Delhi-6 spare copies.
10. Chief Engineer (Valuation) 4th Floor, Chordia Bhawan No. 623-D, Mount Road, Madras-6 spare copies.
11. All Officers in the technical wing of C.B.D.T.
12. Inspection Division (CBDT), Mayur Bhawan, New Delhi.

Sd/-
(A.K. FOTEDAR)
UNDER SECRETARY
Central Board of Direct Taxes.

**F. No. 319 / 6 / 92 – WT
Government of India
Ministry of Finance
Department of Revenue
Central Board of Direct Taxes**

New Delhi, the 13th December, 1998

To,

All Chief Commissioner / Director Generals of Income Tax / Wealth Tax.

Sir,

Subject :- Valuation Cell / Cases to be transferred – Instruction – regarding.

The CBDT by its Instruction No. 1671 issued under F. No. 319/26/85-wt dated 06.12.1985 refers to certain Plinth Area Rates (PAR) to facilitate valuation under the land and building method duly supported by the specifications, scales of fittings etc.

2. As pointed out therein, Plinth Area Rates, the unit rates for additional items, for adopting richer specifications and the percentages of services are as fixed by DGW, CPWD, which in turn are based on detailed analyses of a large number of completed works.

3. The CPWD revised the PAR from time to time with a view to updating the same. The cost indices that are being sanctioned by Chief Engineers, CPWD are also based upon such Plinth Area Rates.

4. It is enjoined on all AVOs / VOs / DVOs that they should adopt the CPWD Plinth Area Rates as applicable, taking into account the latest Plinth Area Rates on the basis of which cost indices are available. Point given in para 3.2 of CBDT instructions No. 1671 stating that the CPWD plinth area rates should not be suo motu reduced or altered by

AVOs / VOs / DVOs in normal situations without detailed justification, supported by complete and with comprehensive estimates is reiterated.

Yours faithfully,

**Sd/-
(Mithilesh Kumar Jha)
Under Secretary**

Copy to :

1. All Directors of Inspection.
2. Director General, Chhindwara Road, PB No. 40, Nagpur-29
3. Statistician (Income-tax) Mayur Bhawan, New Delhi-5 Spare copies.
4. Registrar of Income-tax Appellate Tribunal, Lok Nayak Bhawan, New Delhi
5. Director of O&MS, East Block, Level-5, Vivekananda Marg, R.K. Puram, New Delhi.
6. C&AG of INDIA, New Delhi-25 Spare copies.
7. Chief Engineer (Valuation) Northern Region, 11th floor, Rohit House, New Delhi-6 spare copies.
8. Chief Engineer (Valuation), Southern Region, Chennai.
9. Inspection Division (CBDT), Mayur Bhawan, New Delhi.

**Sd/-
(Mithilesh Kumar Jha)
Under Secretary (WT)
Tel. 3016340.**

Annexure-22

Suggested readings for Valuation Officers

- 1 Theory & practice of Valuation by Shri Roshan Namavati
- 2 J A Parks, Principles & Practice of valuation by D.N. Banerjee
- 3 Valuation of Real properties by Shri Rangawala
- 4 Compilation of case Laws by Shri P.K.Kohli.
- 5 Compilation of case laws part-II by Shri H.S.Dogra.
- 6 Indian Valuer - Monthly journal of the Institution of Valuers.
- 7 Library copies "MULYAM" and different journal published by the Valuation Cell.
- 8 Latest Manuals of Wealth Tax Act of Income Tax Act and Gift Tax Act.
- 9 Instructions of CBDT issued from time to time (Circular files are maintained in each valuation unit).
- 10 U.L.C. Act.
- 11 Master plans of the towns of jurisdiction.
- 12 Relevant local PWD Schedule of rates & specifications of the jurisdiction areas.
- 13 CPWD plinth area rates, specifications, schedule of rates etc.
- 14 Cost indices register of all important places within, the jurisdiction.
- 15 ITR/Taxman publications.

Annexure-23

DUTIES AND RESPONSIBILITIES OF JUNIOR ENGINEERS IN VALUATION CELL
ISSUED VIDE A-26017/5/89/EC VI DATED 23.11.1989

- 1 Maintenance of receipt and disposal register of cases
- 2 To put draft notice / letters and monitoring of correspondence pertaining to Valuation with difference authorities / assessees.
- 3 Collection of data as required for valuation from organisation like Sub-Registrar Officer Improvement Trusts, or other organisation of State Govt., CPWD, P & T etc.
- 4 Maintenance and updating of sale instance register
- 5 Compliation of montly / annual progress reports.
- 6 Assisting the Valuation Officer during Inspection of properties in collection of all site data and specifications.
- 7 Taking such measurements / details as required during inspection.
- 8 Assistaing the Valuation Officer in scrutiny of records received from the assessee data collected during inspection
- 9 Preparation of such analysis, details etc., required for valuation and preparation of drafts for preliminary or final estimates of valuations, as well as assising the Valuation Officer in preparation of report
- 10 Assisting the Valuation Officer in dealing with the objections of the assessee's and preparing draft replies as per the directions of the Valuation Officer.
- 11 Assisting the Valuation Officer at all stages in appeal cases including preparation of drafts for briefs arguments for defence during the appeal.
- 12 Assisting the Valuation Officers for review of reports.

REVIEW REGISTER

| Reports submitted by AVO/Vos during the month | Reports Reviewed under Column No. 1 | COMMENTS | |
|--|--|-----------------------|----------------------|
| | | (i) Report No. | (ii) Comments |
| 1 | 2 | 3 | 4 |
| | | | |

Guidelines for valuation of Immovable Properties

Comments may be restricted to items which are contrary to the Guidelines or instructions issued by CE's office from time to time, obvious errors etc.

PRO FORMA FOR REGISTER OF APPEAL CASES

| Sl. No. | Details of the property location & Name of the assessee | Valuation Report No. & File Number | Category & Valuation dates | Appellate authority | Date of hearing Officer attending appeal | Declared Value & assessed Value | Value held in appeal | Observation by the appellate authority | Comments on the appellate authority's decision | Remark |
|---------|---|------------------------------------|----------------------------|---------------------|--|---------------------------------|----------------------|--|--|--------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| | | | | | | | | | | |

BREAK UP OF CASES IN APPEAL FOR PROGRESS REPORT

| Authority deciding appeal (s) | No. of cases | Declared value (in lakhs) | value as assessed by DVO/VO/ AVO (in lakhs) | Value held in appeals (in lakhs) | | | Remarks |
|--|--------------|---------------------------|---|----------------------------------|------|-------|--------------------------|
| | | | | CIT(A) | ITAT | Court | Any Special Observations |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| CIT (Appeals) Income-tax appellate tribunal Courts | | | | | | | |
| TOTAL | | | | | | | |

VALUATION OF SHOP OR SPACE IN MALL

Opening up of economy in nineties of last century and on account of globalisation and intrusion of electronic media in all sphere of life, there has been rapid change of life style particularly in urban India. This trend is not confined to only metros but gradually style particularly in urban India. This trend is not confined to only metros but gradually encompassing smaller cities and towns. This change has conspicuously veered towards western life style and led introduction of concept of mall developed in western world, more specifically in the U.S.A.

Mall buildings are normally $\frac{3}{4}$ storied modern building of high class specifications having convenience like underground parking, lifts, escalators, air conditioning, electronic surveillance, electronic bill boards, captive power plant, lawns etc.. It is practically difficult to evaluate reproduction cost of all the components which go into making a composite whole i.e. mall and apportion this cost and add to the proportionate cost of land to arrive at value of the shop/space in the mall. Over and above this practical difficulty, on the conceptual level one can not equate the summation of proportional cost of all components making the shop/space as reflection of its value, as all the ingredients which have gone into making the shop/space have created a new commodity commanding entirely different value which is different from the sum total of individual value of ingredients.

If one venture to give example to illustrate the point made above, one can cite the example of two properties identical in all respect except that building of one property is aesthetically better looking and functionally more efficient and well planned though identical in other parameters like Plinth Area, Height, number or storey, type of construction, specifications, period of construction etc.. Reproduction of cost the of two buildings are exactly same and so are the cost of lands. This means value of the two properties by 'Land and Building Method' would be same, though it is obvious, the property with better designed building will fetch much higher price than the other property. This indicates that when a building is married to the land, it assumes altogether different identity and represents a different value than the summation of cost of reproduction of the building and the value of land.

The same arguments hold good for shop/space within a mall. Value of shop/space is not the summation of proportionate value of various components gone into making that shop/space but something entirely different counted as a new entity. It, therefore, follows that the appropriate method to value such property (shop or space in a mall) is to compare with similar properties sold during recent past in other words 'Sales Comparison Method' [or 'Sale Instance Method' as termed sometimes]. 'Land and Building Method' shall primarily be used to verify the value arrived at by 'Sales Comparison Method' in normal circumstances value arrived at by 'Land and Building Method' will be less than the value estimated by adopting 'Sales Comparison Method'.

Some important characteristics factors to be compared while adopting 'Sales Comparison Method' are given below :

- A. i.) Location, ii) surroundings, iii) character of the locality, iv) presence of any negative aspect like garbage dumping ground, burial/burning ground, noise emitting or smoke spewing factory etc. v) transport facilities, vi) availability of parking space either inside or around the mall, vii) proximity of transport hub business district and residential locality. Locality can further be categorized as posh, upper-class, middle class, lower class, poor, viii) aesthetics of mall building, ix) availability of infrastructure facilities like lift, escalator, ramp, stair case, captive power plant, air conditioning, lighting, heating, ventilation, fire detection and fighting etc. x) security, xi) quality and rapidity of ingress and egress system provided, xii) overall quality and quantity of entertainment package provided including food and beverage stalls and restaurants, xiii) nature of shop and its business, xiv) compatibility of business of the shop with the theme of the mall, if any, xv) area, size and height of shop, xvi) location of shop with reference to entry and exit points as well as service area, floor, atrium and foyer of the mall, xvii) quality of services provided by the mall owner or manager, xviii) period of business hours permitted. For example, whether shops are permitted to run 24 X 7 through out the year or not, xix) quality of construction and richness of specifications adopted in building the mall, xx) reputation of the promoter/builder of the mall, xxi) observance and compliance of all legal requirements regarding building and running of the mall, xxii) brand value of various products and services accommodated in the mall.

Comparison shall be made with similar class of properties. Divergent class properties shall not be compared at all. For example a shop in highend multiplex mall located in a posh locality can not be compared with a shop in a mall located in a middle class locality.

Best sale instance would be the sale of the same shop or space in the recent past (contemporaneous to valuation date) and second best would be the sale of similar shop or space in the same mall contemporaneous to the valuation date. If contemporaneous sale instance in the same mall is not available, then next best would be to consider contemporaneous sale instance of shop or space in similar mall in the same locality or comparable locality. Selection of appropriate sale instances is one of the important functions of a Valuation Officer and requires lot of judgment borne out of knowledge and experience.

If first category of sale instance is considered, then the job of Valuation Officer becomes much easier and in the case the Valuation Officer has to keep following aspects in mind while estimating value of the property :

- i) Any improvement made after the transaction.
- ii) Any deterioration in service, condition of the shop after the transaction.
- iii) Improvement or deterioration of functioning of the Mall as a whole after the transaction.
- iv) General increase or lowering of demand of such property leading to price escalation or price reduction.

Needless to mention that such sale instance should only be considered when it is genuine and between willing seller and willing buyer without being affected by any special consideration or circumstances.

In case of second category of sale instances aspects mentioned in A. xiii), A. xiv), A. xv), A. xvi) need to be examined, analysed and accordingly value assessed.

In case of third category of sale instances all the aspects mentioned in A. above need to be looked into and after due analysis value of the property is to be assessed. In analyzing sale instances of second and third categories aspects mentioned earlier in connection with first category sale instance need also to be kept in view. Normally value

of shop or space in mall shall not be less than value estimated adopting. 'Land and Building Method'. Malls are commercial entity and require huge investment and demand entrepreneurship for their development. In adopting 'Land and Building Method' for valuing shops or spaces in such malls certain modifications in details are required to be effected though basic concept remains the same.

Step by step procedures to be followed in estimating value of such property by 'Land and Building Method' is given below :

1. Land

- 1.1** Area of land : Sqm.
- 1.2** Details of Sale Instance : At least three sale instances contemporaneous to valuation date are to be considered.
- 1.3** Land rate adopted after analysis of sale instance : Rs. Per Sqm.
- 1.4** Land value : 1.1 X 1.3 in Rs.

2. Building

- 2.1** Work out plinth area :
i) Multi level car parking at basement
ii) G.F. and other floors with reference to floor as well as plinth height.
iii) Foyer whose height is normally higher than that of normal floor height.
iv) Atrium
v) Mezzanine
vi) Service and other ancillary buildings.

- 2.2 Work out plinth area rate for each with the help of latest CPWD Plinth Area Rates and latest cost index of the place with reference to CPWD Plinth Area Rates adopted.
- 2.3 Identify extra items and measure these items. Work out rates for these items from CPWD/local PWD schedule of rates or based on market rate analysis.
- 2.4 Identify all development works and landscaping and ascertain rates for these items.
- 2.5 Work out the replacement cost of the mall as whole including electrical components (on percentage basis given in CPWD Plinth Area Rates) as on the valuation data. In respect of replacement cost of plants & machineries such as air handling unit, escalators etc. help of audited balance sheet of company promoting the Mall may be taken. From the balance sheet year and cost of procuring the plants & machineries can be obtained and further details can be obtained from the vouchers or invoices. Replacement cost of each of installed plants & machineries may be worked as below :

$$\text{Cost of procurement X} = \frac{\text{Price index of the particular plant or machinery on the Valuation date}}{\text{Price index of the particular plant or machinery on the date of purchase as indicated in the voucher or invoice.}}$$

[Note : Yearly wholesale price index of commodities issued by Office of Economic Advise of Ministry of Industries Which can be downloaded from the website www.eaindustry.nic.in

- 2.6 Reproduction cost is equal to replacement cost less depreciation. For depreciation reference may be made to the relevant paras of these guidelines. Concept of equivalent spent life is also applicable to plants, machineries, equipments. Assessed future life of plant, machinery etc. depends on following aspects :
 - i) Year of construction / manufacture,
 - ii) History of routine and special maintenance including reconditioning, rebuilding and retrofitting.

- iii) Effect of obsolescence,
- iv) Existing physical condition,
- v) History of use or operation such as whether past / present use was / is intense or normal or moderate or low.

Reproduction cost of buildings, fittings and fixtures, plants and machineries, equipments etc. which are essential and relevant for the property functioning of the mall and part of the mall as a whole are to be worked out based on replacement cost and depreciation.

- 2.6.1** While working out replacement cost 1% (one percent) of the building cost may be added on account of architectural features.
- 2.6.2** For development of mall architect is employed who charges percentage of total cost of the project. Normally malls are high end product and project cost runs into crores. There is quite tough competition among the architects for securing such project and therefore, 1.5 to 2% of the total project cost may be added as architect's fee depending on location, quantum of project cost etc.
- 2.6.3** After adding reproduction cost of the project and value of land married to the project on the date of valuation, 15% (fifteen percentage) may be added as 'Entrepreneur's or promoter's risk and profit'. This means that value of shop or space would be a proportion of amount being $1.15 X$ (reproduction cost of the project plus value of land married to the project). Let this be designated as V
- 2.7** In a mall there are lots of space meant for common community use. Owner of a shop or space in the mall has to share common facilities and services. Therefore, apportioning the cost indicated in para 2.6.3 above these aspects need to be kept in view. This is done in the following manner :
 - 2.7.1** Work out the total plinth area of the main mall building excluding all service areas such as stair cases, lift wells, basement exclusively providing for common services and car parking, corridors, passages, foyer, atrium, escalator areas, circulation area in short total saleable area of the mall, let this be designated as.

2.7.2 If plinth area of shop or space is a_s then value of it would be : $[v = \frac{V_{as}}{A_s}]$ in general term without making any distinction

distinction between shops or spaces vis-à-vis their floor wise location. Value of a shop or space in a mall is greatly affected by its floor wise location. Highest value is commanded by shops or spaces located on the ground floor. Slightly less value will be commanded by shops or spaces located on 1st floor having facilities of adequate capacity and number of lifts as well as escalators apart from staircases. If these two facilities i.e. lift & as well escalators are not provided value of 1st floor shops or spaces will come down drastically with reference to ground floor shops or spaces. 2nd and 3rd floor of mall will be less attractive for shops but likely to be used as office space, movie hall, theater conference room and possibly restaurant. Floor wise variation of values can be objectively established by analysing scores of sale of shops or spaces in malls across the locality.

For a modern mall in metropolitan cities like Kolkata, Delhi, Mumbai if one makes a subjective assessment, the floor wise variation in values may be as follow :-

Ground floor : 0% variation, value per unit plinth are = v , saleable area = A_0

1st floor : 10% variation, value per unit plinth are $v_1 = 0.9v$, saleable area = A_1

2nd floor : 25% variation, value per unit plinth are $v_2 = 0.75v$, saleable area = A_2

3rd floor : 35% variation, value per unit plinth area $v_3 = 0.65v$, saleable area = A_3

It therefore, follows that V would be equal to $A_0v + A_1 \times 0.9v + A_2 \times 0.75v + A_3 \times 0.65v = (A_0 + 0.9 \times A_1 + 0.75 \times A_2 + 0.65 \times A_3) v$, and $A_s = A_0 + A_1 + A_2 + A_3$

Value per unit plinth area of shop or space in ground floor

$$\text{i.e. } v = \frac{V}{A_0 + 0.9A_1 + 0.75 A_2 + 0.65A_3} \quad (A_0 + 0.9A_1 + 0.75 A_2 + 0.65A_3)$$

may be termed as equivalent plinth area of saleable are of the mall and designated as A_e .

Therefore,

$$v = \frac{V}{A_e}$$

As a general expression $A_e = A_0 + n_1A_1 + n_2A_2 + n_3A_3$

Where,

$$n_1 = \frac{V}{V_1}, \quad n_2 = \frac{V}{V_2} \quad \text{and} \quad n_3 = \frac{V}{V_3}$$

n_1, n_2 & n_3 for a particular locality are to be predetermined by analysing sale instances of mall properties in that locality as mentioned earlier.

From the above value of shop or space in a mall having plinth area of a_s is estimated as under :

| | |
|-------------------------|-------------|
| Ground floor : | $a_s v$ |
| 1 st floor : | $n_1 a_s v$ |
| 2 nd floor : | $n_2 a_s v$ |
| 3 rd floor : | $n_3 a_s v$ |

It is mentioned earlier that ‘Sale comparison Method’ in most appropriate method in valuing this type of property provided it is fully owner occupied or vacant and therefore, it is essential that sale instance data are collected regularly on continuous basis and maintained properly. Valuation Officers shall immediately start, if not already started, to prepare and maintain sale instance registers and keep themselves abreast with present trend in this type of property market and keep a note in the register for future reference.

A ready reference Chart of relevant Sections & Rules for Valuation Officers :

Income-tax Act and Rules :

| | |
|---|---|
| Capital Asset' defined | S. 2(14) |
| Valuation Officer' & defined | S.55 A Explanation |
| Reference to Valuation Officer | : S. 55 A |
| Conditions for reference to Valuation Officers | : I.T. Rule 111 AA |
| Fair Market Value' defined | : S. 2 (22B) |
| Certain Sections in Chapter IV where F.M.V. of assets have to be determined | : S. 40 A (2(a), S. 45 (2), S. 45 (4), : S. 46 (2), S. 55(2) (i), S. 55(2) (ii), & : S. 55 (3) |
| Registered Valuer' defiend | : S. 287 A Explanation |
| Form of Report of Valuation by Registered Valuer | I.T. Rule 111 AB and W.T. Rule & D. |
| Appearance by Registered valuer before I.T. Authority or Appellate Tribunal. | : : S. 287 A. |

WEALTH TAX ACT AND RULES :

| | |
|--------------------------------|-------------------------|
| Assets' defined. | S. 2 (e) and S. 2 (ea) |
| Valuation date | S. 2(1) |
| Value of assets how determined | : S. 7 and schedule III |

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| Valuation Officer (VO) | : | S. 2 ② |
| Appointment of V.O. | : | S. 12 A |
| Jurisdiction of V.O. | : | W.T. Rule 3 A. |
| Reference to V.O. | : | S. 16 A |
| Conditions for reference to V.O. | : | W.T. Rule 3 B. |
| V.Os power to take evidence | : | S. 37 (1), 37 (1) (b & c) |
| V.Os power to impound and retain books of accounts or documents | : | S. 37 (3), 38 |
| V.Os power to rectify the order | : | S. 35 (1) (aaa) |
| Appeal against V.Os rectification order | : | S. 23 (1) (ha). |
| Appellate Authorities must hear V.O. | : | S. 23 (3a) and Sec. 23(4). |
| Registered Valuer | : | W.T. Rule 8 A |
| Qualifications of Registered Valuer | : | S. 34 AB to S. 34 AE. |
| Registration of Valuers etc. | : | S. 34 AA |
| Appearance by Registered Valuer | : | Forms - R. 8D of W.T. Rules |
| Valuation Report by Registered Valuer | : | Forms-01 to Form 0-10 |
| | : | Sec. 111 of W.T. Act |

VALUATION OF IMMOVABLE PROPERTY :

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|-----|---|-------------------------------|
| (a) | Building or land appurtenant | Rule 3, 4, 5, 6 & 7 |
| (b) | Building on lease-hold land | Rule 3 first proviso |
| (c) | House property acquired or constructed after 31.03.1974 | : : Rule 2 second proviso. |
| (d) | House property at © above used by assessee for own residence. | : : Rule 3 third proviso. |
| (e) | Cases where Rule 3 does not apply | Rule 8 |
| (f) | Valuation of business asset | : Rule 14(2) (a) (b) and © |
| | Valuation of assets - the residuary provision | : Rule 20 |
| (h) | Market value and restrictive provisions in transfer deeds. | : : Rule 21. |

GIFT TAX ACT AND RULES :

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|---|----------------------|
| Property' defined | S. 2 (xxii) |
| Value of Gifts | S. 6. |
| Rules for Valuation of gifted property | : S. 11 to GT Act. |
| Immovable property Schedule III to W.T. Act applies | : Rule 1 of Schedule |
| V.O. defined | : Sec. 16(6) Expln. |
| Reference to V.O. | : Sec. 15(6). |
| Conditions for reference to V.O. | : G.T. Rule 11A |

Registered Valuer defined : Sec. 43 A Expln.
Form of report by registered valuer : G.T. Rule 11 B
As prescribed under W.T. Rule 8 B appearance by :
Registered Valuer. : 43 A.

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**DIRECTORATE OF INCOME-TAX (PR, PP & OL)
MAYUR BHAWAN, NEW DELHI-110001**