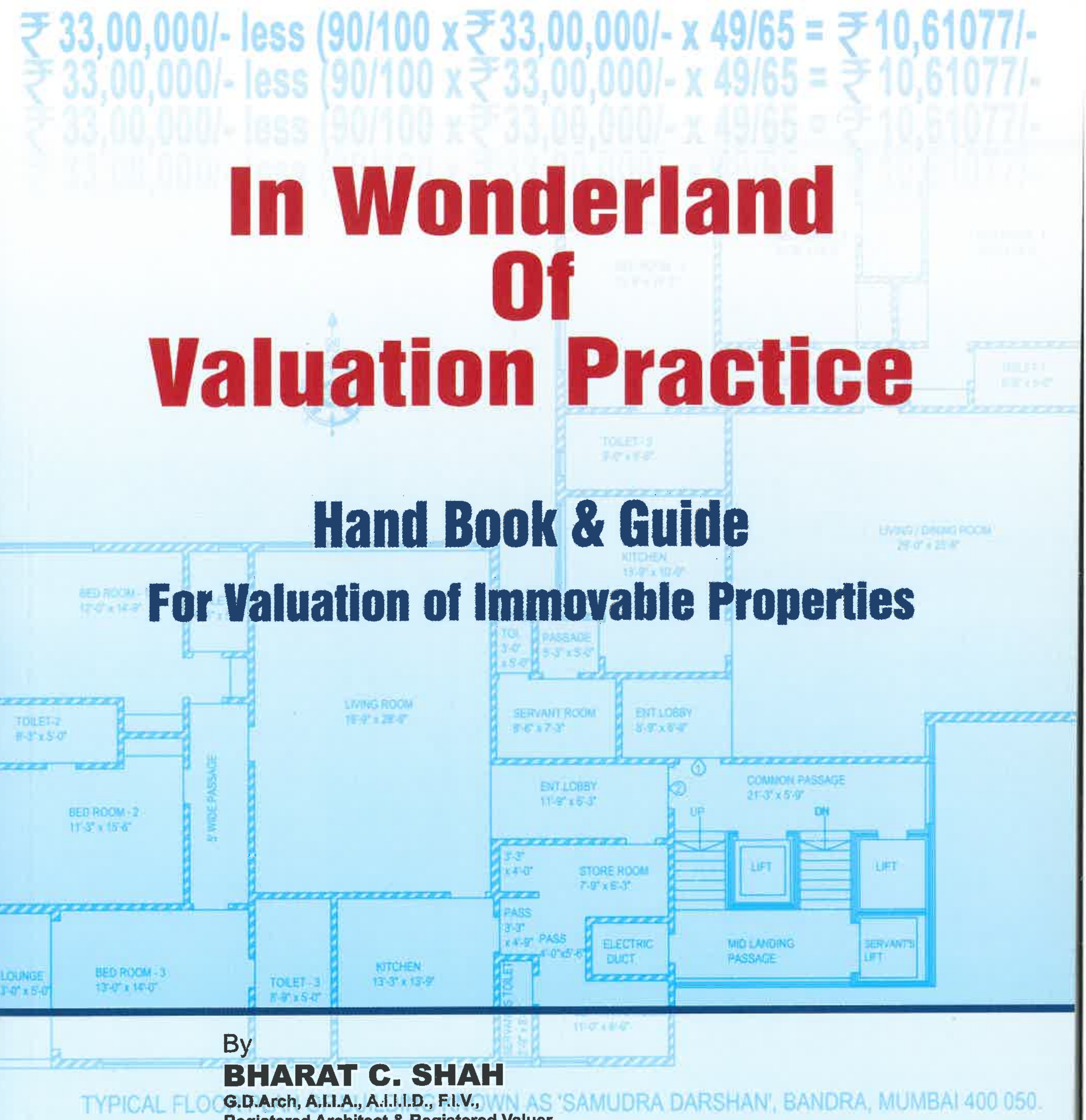
In Wonderland Of Valuation Practice



Hand Book & Guide

For Valuation of Immovable Properties

By
BHARAT C. SHAH
G.D.Arch, A.I.I.A., A.I.I.I.D., F.I.V.,
Registered Architect & Registered Valuer

Published by:

FOUNDED IN 1965

Practising Engineers Architects and Town Planners Association (India)

4 & 5, Nagree Terraces, Sonawala Agiary Marg, Mahim (W) Mumbai - 400 016, INDIA.
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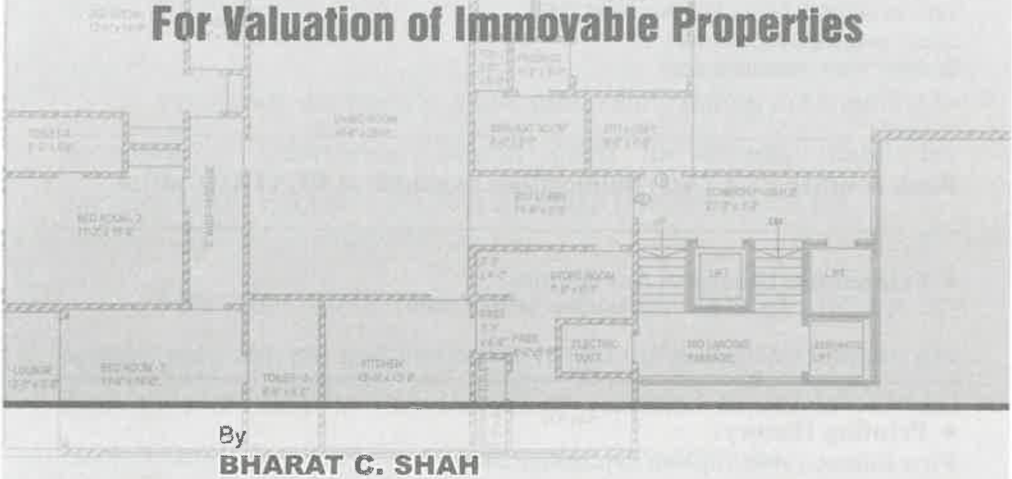

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• **Printed by:** Dhanlaxmi Arts & Prints.
25, Keshav, Hingwala lane, Mumbai 400077.

• **Printing History:**
First Edition (1000 copies): September 2012.

FOREWORD

I recall that first time I met Bharat Shah was on an issue involving some property dispute when I was appointed as Commissioner by the Hon. Court and he was present on behalf of his client.

During the course of our brief encounter, he was appreciative of my entire works in the field of Valuation and inquired when and what I would publish next.

Whenever we were to meet, particularly during our meeting in seminars or workshops, Bharat used to discuss about his experiences in valuation practice and take guidance from me.

Few days back, he called up my office to fix up an appointment with me and thereafter visited me and placed before me draft copy of book "In Wonderland of Valuation Practices" – Hand Book & Guide for Valuation of Immovable Properties.

Bharat has taken lots of pain in preparing this book which is bound to serve as a hand book and guide to many young architects, civil engineers and professional valuers. Each subject has been dealt nicely. There are many case studies explained in lucid manner which keeps out the boredom.

Of particular interest is the information the book provides on procedure for registration as a valuer under section 34AB of Wealth Tax Act 1957.

I am sure that Bharat Shah's book on valuation will be a VADE-MECUM and will find place in the libraries of the valuers.

I wish him success in his venture.

Roshan H. Namavati

Dr. Roshan H. Namavati

B.E. (CIVIL) HONS., LL.M. PH.D. (LAW)
F.I.I.A., F.I.E., F.I.S., A.I. ARB.

22, Mumbai Samachar Marg,
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"ACCLAMATION"

1st August 2012.

On behalf of PEATA (I), as a President I have great pleasure to release this wonderful tiny hand book named as "In Wonderland of Valuation Practice" written by my dear friend Shri. Bharat Shah, an eminent Architect, Regd. Valuer and Past President of PEATA (I).

PEATA (I), a well known professional body comprises of practicing Engineers, Architects and Town Planners is one of the major stake holders in the building industry also known for various regular educative publications for the benefit of all concerned connected to world of Real Estate.

The book consists of basic information pertaining to the valuation specially for new entrants in the field. It provides procedure for registration as a valuer, different case studies and various aspects of valuation. The language of the book is very simple and easy to understand. I felt, this book was need of the hour and certainly will serve the basic purpose of parting the knowledge to young Architects and Civil Engineers who intend to enter into wonderland of valuation practice.

This book needs to be circulated among the Architecture and Engineering Colleges and should remain on the book shelf of every individual.

This book has already a good beginning having "Foreword" by Dr. Roshan H. Namavati an eminent personality in the "Wonderland of Valuation".

Dear Bharat my heartiest congratulation to you! ALL THE BEST!!

(Ar. Pravin Kanekar)
President PEATA (India)

PREFACE

It is said that necessity is the mother of invention. This book, "In Wonderland Of Valuation Practice" – Hand Book & Guide For Valuation Of Immovable Properties is the outcome of much felt need for those joining this august profession.

I also admit that it was not a spur of the moment decision which prompted me to take this assignment. Behind this little book, there was an immense prodding from my professional colleagues and above all none other than an eminent valuer Dr. Roshan H. Namavati.

It was a chance meeting and had an opportunity to interact with Dr. Namavati – a stalwart in the field – involving some property dispute when he was appointed by the Hon. Court as a commissioner. I was aware that the TOME written by the learned Dr. Namavati on Valuation was like a bible for those in the profession.

During the course of our association, he mentioned that much has changed since it was last published and somebody needs to rewrite the same keeping in mind the latest amendments. Without realizing that it was a hint to me, I also took it in its stride and forgot about it.

However on another occasion when we met, he brought up the subject once again. This time, however, he did not mince the words and asked me the status of the project. To be honest, I was dumb founded and agreed to consider it.

Mr. Sudhakar Dokhane, Former President-PEATA(I), a dear friend and a colleague in the profession did the rest. He let the word spread in our professional circle that I was already deep on this project and very soon the book would be out.

This boosted my confidence and triggered my mind and I started writing. The words started flowing down from my pen and the result is the book which is in front of you.

I sincerely thank Sudhakar for encouraging me to prepare the book on valuation practice.

I am profusely thankful to Dr. Namavati without whose guidance this book would have remained incomplete. Thanks are due to Ar. Pravin Kanekar – President and all PEATA Executive Committee Members for sponsoring to publish the book.

I sincerely hope that the book is of some value to practicing professionals and those entering the profession.

Bharat C. Shah
30th July 2012.

INDEX

GENERAL TERMS IN USE FOR VALUATION PURPOSE

A

Acquisition	:	An act of gaining possession of something.
Age (of Structure)	:	Life or Duration of Structure.
Analysis	:	Detailed examination to find out its true composition.
Appurtenant	:	Accessory associated with main activity.
Arbitration	:	Settlement of Dispute.
Assessment	:	Evaluation of the value, Tax, levy.
Assessee	:	Tax Payer.
Auction	:	Public Sale of Property.

B

Built up area	:	Covered / uncovered / semi covered floor plate area of a structure measured with out to out dimensions.
Betterment Charges	:	Levy / Charges for Improvement / Services.
Bombay Stamp Act	:	Enactment for Rent / Rental use of property.

C

Carpet Area	:	Carpet area or rentable area as it is generally called is the usable area in exclusive possession of a person which will also include lavatory block, common passages within the premises; the essential condition being exclusive possession. It is measured from finished wall to finished wall above tile skirting for rooms and above the dado in case of toilet block.
Comparable Sale Instances	:	Equivalent Sale examples, occurrence.
Case Study	:	Detailed Investigation / analysis of subjects / instance.
Cess Property	:	Taxed levied for repairs of the property.
Capitalised Value	:	Investment worth.
Capital Gain	:	Profit from the sale of property / investment.
Capital Gain Tax Act	:	Enactment of Capital Gain Tax.
City Survey Plan	:	Block Plan of Property issued by revenue authority.
Conveyance	:	Legal document for transfer of ownership of property.
Compensation	:	A payment made against use & occupation of property to compensate for loss.

D

Depreciation	:	Reduction of value of property over time.
Depreciated Cost	:	Depreciated value of property at a given time.
Description of Property	:	Detailed account of property explained in words.
D. P. Remarks	:	Development Plan Remarks issued by Civic / Planning authority.
Direct Tax Laws (Act)	:	Enactment for Direct Tax Laws.
D. C. Regulations	:	Development Control Regulations as prepared by local Civic / Planning Authority.

E

Evidence	:	True & valid information to establish facts.
Encroachment	:	Illegal / unauthorized occupation of property.
Estimate	:	Calculations for approximate or likely value.
Estimated Value	:	Approximate value of property.
Evaluation	:	To appraise the value.
Estate Duty	:	Is a levy paid by a person who inherits money or property or a tax on the estate (total value of the money and property) of a person who has died
Easement	:	Is a certain right to use the real property of another without possessing it. It is "best typified in the right of way which one landowner 'A' may enjoy over the land of another 'B'.

F

Fair Market Value	:	Appropriate value / price for which property can be sold or purchased in normal circumstances.
Freehold	:	Permanent, unlimited and unconstructive ownership of Property / Asset.
Floor Space Index (F.S.I.)	:	Quotient of the ratio of the combined gross floor area of all floors, excepting areas specifically exempted under the Regulations, to the total area of the plot.
Floor Plan	:	Surface floor plate map of a structure.

G

Gift	:	The transfer by one person to another of any existing movable or immovable property made voluntarily and without consideration in money or money's worth.
Gift Tax	:	It is the tax on money or property that one living person gives to another.

I

Interpretation	:	Manner in which performer express his opinion.
Information	:	Facts or knowledge provided or received.

Immovable Property	:	Immobile possession / Non movable property.
Insurance	:	Cover / Indemnification against higher risks.
Investment	:	Lay out of money for profit purpose.
Income Tax	:	A tax that governments impose on financial income generated by all entities within their jurisdiction. By law, businesses and individuals must file an income tax return every year to determine whether they owe any taxes or are eligible for a tax refund. Income tax is a key source of funds that the government uses to fund its activities and serve the public.

L

Location	:	An actual or distinct place site of certain property.
Lease	:	To let out land and or property on specific terms for specific period.
Lessee	:	Tenant under lease.
Lessor	:	An owner who grants use of his property under lease to a tenant.
Lease Deed	:	A legal contract for letting out property for specific time period against payment of lease / compensation.

Leave & License	:	A short term legal contract for letting out premises against payment of Compensation / Fees.
Land Acquisition	:	Gaining possession of land.
Land Acquisition Act	:	Enactment of acquisition of land.

M

Mortgage	:	A legal agreement with financial institute against advancing money on the security of immovable property.
Market value	:	A competitive amount / price / value for which property can be sold or purchased.
Municipal Tax	:	Property Tax levied by the Civic Authority.
M. M. C. Act	:	Mumbai Municipal Corporation Act – 1888.
M. R. T. P. Act	:	Maharashtra Regional & Town Planning Act – 1966.

O

Open Market Value	:	Unrestricted trading price / value of property.
Owner	:	A person in legal possession of property.

P

Plinth Area	:	Covered, semi covered floor – plate area of structure measured with out to out dimensions.

Price	:	Money / amount / price against property is bought or sold.
Partition	:	Division in parts of Family / Business.
Property	:	Land and or building etc. belong to someone.
Purchaser	:	Buyer of property.
Probate	:	Judicial certification of the validity of a Will.
Price Index	:	A number indicating the relative level of prices at a specific time.
Power of Attorney	:	Delegated written legal authority given to a person to act on behalf of another.

R

Rent	:	A regular payment made to Landlord by the tenant for use and occupation of owner's property.
Ratable Value	:	A fair value of property based on its size, use, locations etc. for purpose to decide Property Tax.
Reinstatement Method	:	A process to restore value of property to a former position.
Ready Reckoner	:	A legal publication by State Government showing rates of properties depending on various factors.
Repair Cess Tax	:	Repairs or restoration tax levied by Civic Authority on tenanted / residential premises.

S

Sale	:	Exchange of ownership of property against payment / price.
Sale Deed	:	A legal Document for sale and transfer of property.
Sale Instances	:	Examples or occurrence of recent sales or purchase of similar properties in the vicinity.
Speculation	:	Guesswork involving high risk.
Statistics	:	Analysis of numerical date of collection.
Scrap Value	:	Waste or discarded value of property.
Schedule valuation	:	Planned estimate for working out as to how much something is worth.

T

Tax	:	Levy / Charge.
Taxation	:	Act of Taxation.
Tenure of Land	:	The conditions under which Land or buildings are held or occupied.
Title Deed	:	A legal document giving evidence of person's right to own a property.
T. P. Remarks	:	Town Planning Remarks.
Transfer of property	:	Change of ownership of property from one to another.
Tenant	:	A person who occupy and use the premises of landlord against payment of Rent.

V

Value	:	Price.
Valuation	:	A process of estimation.
Valuer	:	A qualified Estimator.
Valuation report	:	Detailed estimate report prepared by a valuer.
Vendor	:	Saler of property.

W

Wealth tax	:	Tax levied on wealth by Tax Authority.
Wealth Tax Act	:	Enactment of Wealth Tax.

VALUE & VALUATION

1) VALUE:-

In general the value is ratio between the price of money and the price in return. The Value must possess following characteristics:-

(i) Utility.
(ii) Durability.
(iii)Transferable.
(iv)Marketable.
(v) Scarce to some extend.

The Value has multi-features. Following are some of its multi-meanings in the field of valuation which are generally related to finance activities, economic real estate dealings and trading:-

* Accommodation Value.
* Assessed Value.
* Book Value or Written Down Value.
* Distress Value.
* Earning Value.
* Economic Value.
* Forced Value.
* Market Value.
* Monopoly Value.
* Potential Value.
* Salvage Value.
* Scrap Value.
* Speculative Value.
* Replacement Value.

2) VALUATION:-

Valuation broadly means assessing the worth of something, which may be a tangible asset like land or something intangible like goodwill. Valuation has an impact on economic activity relating to property comprising of land and building, plant and machinery, movables and also intangible assets like the goodwill of a business. Valuation is necessary for fiscal and non-fiscal purposes. Fiscal purposes are levying taxes like municipal tax, stamp duty, income-tax on capital gains etc. Non-fiscal purposes are grant and recovery of grant and advances by banks, insurance, compensation for compulsory acquisition of property and currently also for valuation for disinvestment by government.

For the purpose of valuation, the recognized principles to be applied are principles of supply and demand, competition, substitution and assessment of circumstances having a direct or indirect effect on the degree of utility and productivity of an asset. The assessment of market forces would include assessment of price changes, over time, resulting from specific or general effects of economic and social forces, relative purchasing power of money and technological advancement or changes. The valuer has to further assess the impact on the value of any pending litigations, status of ownership, i.e. whether joint ownership, co-ownership, Hindu Undivided Family etc. The important factors for estimating land value as recognized are the location, dimensions and potential of the land, availability of facilities and amenities like water, electricity, drainage, accessibility of land and the locality.

By and Large for the purpose of transactions involving Sale, Purchase and or Transfer of property or Assets, it is essential to evaluate its fair worth or value at a given time for the satisfaction of parties involved in the transactions, a process of evaluation and estimation of property and assets was devised long back, which is popularly known as **"Valuation"**.

In simple term Valuation is a process adopted by a qualified technocrat to estimate fair worth / value of a Property / Asset at a given time and place under specified market conditions.

VALUER

Valuer :-

Valuer is an experienced expert having professional integrity and credibility, who has to carefully discharge his multifold duties to ascertain and estimate fair market value of property / assets at specific time, place and under specific circumstances. While preparing Valuation Report either for fiscal or non-fiscal purposes he has to give adequate justification and opinion upon which the Report is based. However, his/her impartial opinion should be justified and supported by required statistics, analysis etc.

Since the Valuation Report is required for various types of Technical, Non-technical & Financial purposes it is essential that the Valuer must possess through knowledge of various technical and other subjects, provisions and enactments for estimating and assessing the fair value of the assets.

Knowledge of law, economics, accountancy, town planning, rules / regulations of local authority etc. will be very helpful to a Valuer while preparing a valuation report.

The subject in which expertise is required by the Valuer are described hereunder:-

1) Surveying & Leveling.
2) Planning and design of various types of structures.
3) Construction technology & methods.
4) Quantity Surveying and Estimation.

5) Tenure of Lands, zoning and permissible users.
6) Development Control Rules and By-Laws of Local Civic Authorities and Regulations of Town Planning
7) General Insurance (Fire).
8) Investment, Money Market & Finance.
9) Loans, Advances & Mortgage.
10) Plant & Machinery.
11) Industrial activities.
12) Enactments (and its amendments).
    (i) Transfer of Property Act – 1882.
    (ii) The Bombay Municipal Corporation Act – 1888.
    (iii) Land Acquisition Act – 1894.
    (iv) Valuation of Land Act – 1926.
    (v) Estate Duty Act – 1953.
    (vi) Bombay Stamp Act – 1953.
    (vii) Wealth Tax Act – 1957.
    (viii) Valuation Act – 1957.
    (ix) Gift Tax Act – 1958.
    (x) Income Tax Act – 1961.
    (xi) Capital Gain Tax Act under Income Tax Act – 1961.
    (xii) Maharashtra Regional and Town Planning (MRTP) Act – 1966.
    (xiii) Direct Tax Laws Act – 1989.
    (xiv) Rent Control Act - 1999.

It is to be mentioned here that the opinion of Valuer is admissible as evidence in Court of Law, however, the opinion of a valuer not necessarily binding on the Court of tribunal.

CHAPTER – 4

SPECIAL COURSES FOR VALUERS & MINIMUM QUALIFICATION FOR REGISTRATION AS A VALUER OF IMMOVABLE PROPERTIES UNDER SECTION 34AB OF WEALTH TAX ACT

It can be seen from foregoing chapters that the professionals practicing as Valuers at present in India are mostly qualified Architects, Engineers & Town Planners etc.

To maintain high professional integrity and to achieve and enhance the credibility of the profession, the Valuer besides his / her technical qualifications (Architect, Engineer, Town Planner), he / she must be fully conversant with other essential subjects connected to valuation such as Law, Economies, Insurance, Environmental Science, Real Estate, Management etc. it is essential that he / she should have to undergo professional training in all disciplines, for desired experience, which requirements are mandatory in other developed countries in the world.

In our country and many Universities / Engineering colleges are conducting special courses for Valuers covering above subjects. The names of some of the collages and subjects are given here under for ready reference:-

	College	Course
1)	Centre for valuation studies in Institute of Science & Technology for Advance Studies & Research (ISTAR), Sardar Patel University, Vallabh Nagar – Gujarat.	Master's Degree in Valuation in Real Estate, Plant & Machinery.
2)	Dr. Babasaheb Ambedkar Open University, Ahmedabad, Gujarat.	Master's Degree in Valuation and Real Estate, under Distance Learning.
3)	Shir Yashwantrao Chavan Open University, Nashik, Maharashtra	Post Graduate Diploma / Degree Course in Valuation under Distance Learning.

Following universities also offers valuation courses.

i) Shivaji University Kolhapur has valuation course under the heading "Inter Disciplinary Study".

ii) Course of M.Sc. in real estate valuation offered by Annamalai University.

The process of registration of Valuers is already explained in earlier Chapter. There is national organization of practicing valuers known as "Institution of Valuers" at 4, 5 & 6, Vishal Market, Mukherjee Nagar (West), Delhi – 110009, the institution has about 44 branches in major cities of the country and for the benefit of its member the institutions publication Monthlyy Journal "Indian Valuer", wherein, learned valuers parts their experiences & articles on various types of valuations. In addition important judgments also form part of the journal.

According to The Ministry of Finance, Government of India minimum qualifications required for the Registration as VALUER for the immovable properties / assts, under section 34AB of Wealth Tax Act – 1957.

A valuer of immovable property (other than agricultural lands, plantations, forests, mines and quarries) shall have the following qualifications, namely:—

(A) Graduate in Civil Engineering, Architecture or Town Planning of a recognised university;

OR

(B) Post-Graduate in valuation of real estate from a recognised university * ;
Sardar Patel University at Vallabh Vidyanagar, Anand, Gujarat is offering such course and admits students with B.Com, B.A. and B.Sc qualifications.
IES's College of Architecture, Bandra Reclamation, Mumbai are conducting one year comprehensive autonomous Post Graduate Diploma Course in Valuation for graduates in Engineering and Architecture.

OR

(C) Possess a qualification recognised by the Central Government for recruitment to superior services or posts under the Central Government in the field of Civil Engineering, Architecture or Town Planning; and]
* Must be formerly employed—
(a) In a post under Government as a Gazetted Officer; or
(b) in a post under any other employer carrying a remuneration of not less than ₹2,000/- per month, and, in either case, must have retired or resigned from such employment after having rendered service for not less than ten years as a Valuer, Architect or Town Planner, or in the field of Construction of Buildings, Designing of Structures, or Development of Land;

OR

(c) As a Professor, Reader or Lecturer in a University, College or any other Institution preparing students for a degree in Civil Engineering, Architecture or Town Planning, or for any qualification referred to in [I] above, and must have retired or resigned from such employment after having taught for not less than ten years any of the subjects of Valuation, Quantity Surveying, Building Construction, Architecture, or Town Planning;

OR

(D) Must have been in practice as a Consulting Engineer, Valuer of Real Estate, Surveyor or Architect for a period of not less than ten years and must have acquired experience in any of the following four fields :—

(a) Valuation of Buildings and Urban Lands; or

(b) Quantity Surveying in Building Construction; or

(c) Architectural or Structural Designing of Buildings or Town Planning; or

(d) Construction of Buildings or Development of Land;

and persons gross receipts from such practice should not be less than Rupees Fifty Thousand in any three of the five preceding years :

Provided that in the case of a person possessing a post-graduate degree in valuation of real estate from a recognised university, the provisions of above shall be substituted as under—

(a) Words "Ten Years" to be substituted as ***"Two Years"***;

(b) Words "Rupees Fifty Thousand in any three of five preceding years" to be substituted as ***"Rupees Fifty Thousand in any one of the two preceding year"***.

For preparing valuation reports for taxation purpose a Valuer should get himself registered under section 34AB of the Wealth Tax Act, 1957. The application for the registration is to be made in 'Form N' to his respective Chief Commissioner / Director General of Income Tax.

'Form N' is reproduced hereunder.

FORM N

[See rule 8B]

Application for registration as a valuer under section 34AB of the Wealth Tax Act, 1957

To

Chief Commissioner/Director General,

Sir,

I hereby apply for registration as a valuer of ______ [class of assets] under section 34AB of the Wealth Tax Act, 1957. The following particulars are furnished herewith :-

1. Name in full (block letters)

2. Father's/husband's name

3. Permanent address

4. Present address :

(i) Office

(ii) Residence

5. Income-tax Permanent Account Number

6. Date of birth [Proof of age to be sent in original with a true copy thereof. The original will be returned after perusal]

7. Educational qualifications, including professional or technical qualifications [Enclose original degree or diploma certificates together with attested copy of each. The originals will be returned after perusal]

8. If member of any professional or technical institution, give particulars

9. (a) Present occupation

(b) If a partner of a firm, name, address and business/ profession of the firm

10. If already engaged in the profession or calling of a valuer, whether-
    (a) on your own behalf
    (b) in partnership with others [Give name and address of other partners]
11. Date of commencement of practice as a valuer.
12. Give full details of your experience which qualifies you for registration as a valuer. A list of assets valued or works executed during the last three years should be enclosed.
13. Whether you have been appointed as valuer under section 4 of the Estate Duty Act, 1953? If so, give date of notification.
14. Name, occupation and address of three persons (not being relatives or business partners) with whom you have had regular contract over the last five years (one of whom should preferably be a valuer) and of whom you authorise the Chief Commissioner or the Director General to enquire regarding your reputation and character.
15. (a) State, if any, liability towards income-tax, wealth-tax or gift-tax is outstanding against you
    (b) If so, whether satisfactory arrangements for payments thereof have been made

[Attach certificate from the Assessing Officer]

16. Whether you have been convicted of any offence and sentenced to a term of imprisonment? If so, give details of offence and sentence
17. Whether you have been found guilty of misconduct in your professional capacity? If so, give details

I hereby declare that I am not disqualified from applying for registration by reason of any of the provisions contained in clauses (a) to (c) of sub-rule (13) of rule 8A of the Wealth-tax Rules, 1957.

I further declare that I shall-

(a) make an impartial and true valuation of any asset which I may be required to value;

(b) furnish the report of such valuation in the prescribed form;

(c) charge fees at a rate not exceeding the rate or rates prescribed by the Board in this behalf; and

(d) not undertake any valuation of any asset in which I have a direct or indirect interest.

Signature

Verification

I,____________ [name in block letters], do declare-

(i) that what is stated in the above application is true and correct to the best of my knowledge and belief, and

(ii) that the documents sent herewith are the originals or true copies thereof.

Place

Date

Signature

List of enclosures :

Notes:

1. Please see rule 8A of the Wealth-tax Rules, 1957.
2. This Form must be accompanied by a fee of ₹1,000. It is suggested that the fee should be credited in a branch of the authorised bank or a branch of the State Bank of India or a branch of the Reserve Bank of India after obtaining a challan from the Assessing Officer. The receipted challan should be enclosed along with the application. The Central Board of Direct Taxes will not accept cheques, drafts, hundies, or other negotiable instruments

* There are Valuers who are not registered under section 34AB of the Wealth Tax Act, 1957, but are member of valuation related institutions & thus having membership number of the institution with which they write as Approved Valuer, however, valuation report of these Valuers is not valid for taxation purpose.

CATEGORIES OF VALUERS

Professional services of Valuers are required for various types of fiscal & Non-fiscal purposes, in different categories. The Ministry of Finance, Government of India has categorized Valuers for different purposes which are as under:-

Cat –I **Immovable properties**

(Other than agricultural lands, plantations, forests, mines and quarries).

[**Immovable property** is one which is fixed to the Earth, such as land or a house. In other term it is also known as real estate

Immovable property includes land, buildings or part of a building, in general things attached to the earth or permanently fastened to anything which is attached to the earth.

Immovable property does not include standing timber, growing crops, grass.]

Cat –II **Agricultural lands**

(Other than coffee, tea, rubber and cardamom plantations).

[The land which is suitable for agricultural production, mainly crops such as cereals, cotton.

Common definition of the word agricultural land refers to an area of land with many farms and fields.]

Cat –III **Coffee, tea, rubber or cardamom plantations.**

[A plantation is a long artificially established forest, farm or estate, where crops are grown for sale, often in distant markets rather than for local on-site consumption. The term plantation is informal and not precisely defined.]

Cat –IV **Forests.**

[A forest is an area with a high density of trees. Depending on various cultural definitions, what is considered a forest may vary significantly in size and have different classifications according to how and of what the forest is composed.]

Cat –V **Mines and quarries.**

Cat –VI **Stocks, shares, debentures, securities, share in partnership firm and business assets including goodwill.**

Cat –VII ***Plant and Machinery*.**

[The apparatus or equipment which is used for trade excluding the premises in which trade is carried out.]

Cat –VIII **Jewellery.**

[Jewellery is a form of personal ornaments such as rings, necklaces, earrings, bracelets and brooches.]

Cat –IX **Works of arts and antiques.**

[**Art** is the creation of images through imaginative or technical skill or objects such as paintings, sculpture, photography.

An **antique** is an old collectable item. It is collected or desirable because of its age, beauty, scarcity, condition, utility, personal emotional connection, and/or other unique features. It is an object that represents a previous era or time period in human society.

Antiques are usually objects which show some degree of craftsmanship, or a certain attention to design such as an old furniture or an early automobile.]

Cat –X **Life interest, reversion and interests in expectancy.**

[A life interest is some form of right, usually under a trust, which lasts only for the lifetime of the person benefiting from that right. A person with a life interest is known as a "life tenant".

A life interest ends when the "life tenant" dies.

Reversion

A reversion occurs when a property owner makes an effective transfer of property to another but retains some future right to the property

Interests in expectancy

Interests in expectancy is a possibility of future enjoyment of something one counts on receiving, usually referring to estate of a deceased person.]

DUTIES OF VALUERS

Since Valuer is an expert to evaluate and assess fair market value of certain property / assets under different circumstances, at specific time & place, and for preparation of Valuation Report he should to observe and undertake following duties:-

1) **To obtain letter of appointment**:
Valuer should obtain letter of appointment from the client mentioning therein description of the property / assets to be valued, date & purpose of valuation report.
2) **To obtain relevant documents:**
Valuer should obtain from the client certified copies of following documents in respect of the property and verify the same with the originals.

i) For freehold properties; Sale / Purchase Deed, Sale Agreement, Conveyance Deed.
ii) For leasehold properties; copy of lease agreement.
iii) Approved plans, commencement certificate and completion plans with completion certificate as issued by authority.
iv) City Survey Plan
v) Property Register Card
vi) Development Plan Remarks
vii) If property falls in Town Planning Scheme, remarks from Town Planning office.
viii) In case of valuation for the purpose of Standard Rent, copy of petition filed in the Court
ix) In case of rented property, list of tenants with monthly rent.
x) Copy of property tax bill
xi) Repair cess bill for cessed properties.

xii) Insurance premium

xiii) Receipt for payment made towards Non Agriculture Tax

xiv) Any other documents as required for preparation of valuation report.

3) **Site visit**

On receipt of letter of appointment and other particulars from the client, the valuer should personally inspect the site / premises, its surrounding areas accompanied by the client or his representative who is well acquainted with the property.

4) **Check and verify the dimensions of the premises.**

During the site visit valuer should take measurements of the premises and accordingly workout the areas.

5) **Detail notes in respect of the premises.**

During the visit as per format of O-1 Form, the valuer should prepare detailed notes in respect of the premises, it's locality, surrounding development, existing infrastructure facilities i.e. Roads, surface transports etc. including all other relevant information thereof. (Format of O-1 Form us reproduced in Chapter – 8)

6) **To estimate age of structure.**

If exact year of construction is not available the valuer should judge / estimate age of the structure by considering mode of construction, materials used, present condition etc.

7) **Photographs of property**

It would in the interest of the valuer to take photographs of property particularly when Valuation Report is required for submitting to the Hon. Court.

8) **To maintain all the time high professional integrity and impartiality.**

The valuer should render his services with high professional integrity and should be impartial.

PURPOSE OF VALUATION

Valuation is required for various purposes under specific market conditions at specific time and place. The main purposes are:

- Income Tax, Wealth Tax and Capital Gain Tax
- Land Acquisition.
- Mesne Profit
- Recovery of Stamp Duty
- Sale of Trust property,
- Mortgage, Loans and Advances / making financial arrangements.
- Recovery of Loans and Advances
- Auction Bid
- Fair Standard Rent
- Fair Lease Rent
- Insurance
- Family or Business partition
- Arbitration
- Probate petition
- Sale / Purchase of immovable property.
- Municipal Taxes.
- As an annexure to Visa application,

VALUATION REPORT

Valuation Report of immovable property other than tenanted should be based on comparable sale instances of properties in the vicinity.

Ready Reckoner published by the Government for the purpose of recovery of Stamp Duty gives market rates of vacant lands as well as constructed premises depending upon its mode of construction and user, including percentage of depreciation according to type of construction and age of the building.

Very purpose of Government Ready Reckoner is for recovery of stamp duty and other such recovery like premium, fees etc by local authorities.

While preparing Valuation Report in respect of constructed premises, year of construction (Age of Building) as well as estimated economic future life of building should also be taken into consideration.

- **How to go ahead with preparation of Valuation Report**

On receiving instructions from the client, a Valuer should inspect the subject property and its surrounding area; prepare his notes with regard to the property and the locality. As far as possible Valuer himself should visit the site and make his notes with regard to the property. The note should include all the relevant information with regard to the structure and the land.

He should take note of surrounding existing development and proximity to surface transports as well as civic amenities.

While visiting the property, it is advised to take all the particulars of the property as per O-1 form as prescribed by Central Board of Direct Taxes.

If exact year of construction is not available, in such cases Valuer should judge the approximate age of the structure considering mode & materials of construction, condition of the structure etc. Valuer should refer to rules & regulations of local planning authorities & ascertain permissible user of the land / premises. The valuer should ascertain whether the land is freehold or leasehold, in case of leasehold, lease term & unexpired period of lease should be considered. After collecting all the relevant particulars as per O-1 Form the Valuer should prepare the valuation report by appropriate technique of valuation.

- **Contents of Valuation Report**

Valuation report should contain followings.

1. Name of owner/s.
2. In case property is in joint ownership, names of joint owners with their respective share.
3. Purpose of Valuation.
4. Date of valuation.
5. Description of property
6. Details of user/s & tenure of land
7. Description of surrounding development and infrastructure facilities in the locality.
8. Area of land & building supported with documentary evidence.
9. Mode and year of construction & estimated economic future life of the Structure.
10. In general, all the relevant particulars as covered in O-1 Form, which is reproduced hereunder.

Form O-1
(See Rule 8 D)
Report of Valuation of Immovable Property
(Other Than Agricultural Lands, Plantations, Forests,
Mines And Quarries)

PART – I – QUESTIONNAIRE

All questions to be answered by the registered valuer. If any particular question does not apply to the property under the valuation, he may indicate so. If the space provided is not sufficient, details may be attached on separate sheets.

GENERAL :

1.	Purpose for which valuation is made.	:
2.	Date as on which valuation is made.	:
3.	Name of the owner/owners	:
4.	If the property is under Joint ownership/co-ownership, share of each such owner. Are the shares undivided?	:
5.	Brief description of the property	:
6.	Location, Street, Ward No.	:
7.	Survey/Plot No. of land.	:
8.	Is the property situated in residential/ commercial/mixed/industrial area?	:
9.	Classification of locality-high class/ middle class/ poor class.	:
10.	Proximity to civic amenities, like schools, hospitals, offices, market, cinemas etc.	:
11.	Means and proximity to surface communication by which the locality is served.	:

LAND: -

12. Area of land supported by documentary proof, shape dimensions and physical features. :
13. Roads, streets or lanes on which the land is abutting. :
14. Is it freehold or leasehold land? :
15. If leasehold, the name of lessor/lessee, nature of lease, dates of commencement and termination of lease and terms of renewal of lease. :
    (i) Initial premium. :
    (ii) Ground rent payable per annum. :
    (iii) Unearned increase payable to the lessor in the event of sale or transfer. :
16. Is there any restrictive covenant in regard to use of land? If so, attach a copy of the covenant. :
17. Are there any agreements of easements? If so, attach copies. :
18. Does the land fall in an area included in any Town Planning Plan of Government or any statutory body? If so, give particulars. :
19. Has any contribution been made towards development or is any demand for such contribution still outstanding? :
20. Has the whole or part of the land been notified for acquisition by Government or any statutory body? Give date of notification. :
21. Attach a dimensioned site plan :

IMPROVEMENTS: -

22. Attach plans and elevations of all structures standing on the land and a layout plan. :
23. Furnish technical details of the building on a separate sheet. :
24. (i) Is the building owner occupied/ tenanted/both? :
    (ii) If partly owner occupied, specify portion and extent of area under owner occupation.
25. What is the Floor Space Index permissible and percentage actually utilized? :

RENTS:-

26. (i) Names of tenant/lessees/licensees etc. :
    (ii) Portions in their occupation. :
    (iii) Monthly or annual rent/ compensation/ license fee, etc. paid by each. :
    (iv) Gross amount received for the whole property. :
27. Are any of the occupants related to, or close business associates of the owner? :
28. Is separate amount being recovered for the use of fixtures, like fans, geysers, refrigerators, cooking ranges, built-in wardrobes, etc. or for service charges? If so, give details. :
29. Give details of water and electricity charges, if any, to be borne by the owner. :
30. Has the tenant to bear the whole or part of the cost of repairs and maintenance? Give particulars. :
31. If a lift is installed, who is to bear the cost of maintenance and operation-owner or tenant? :

32 If a pump is installed, who is to bear the cost of maintenance and operation-owner or tenant? :

33.	Who has to bear the cost of electricity charges for lighting of common space like entrance hall, stairs, passages, compound, etc. – owner or tenant?	:
34.	What is the amount of property tax? Who is to bear it? Give details with documentary proof.	:
35.	If the building insured? If so, give the policy No., amount of which it is insured and the annual premium.	:
36.	Is any dispute between landlord and tenant regarding rent pending in a court of law?	:
37.	Has any standard rent been fixed for the premises under any law relating to the control of rent?	:

SALE: -

38.	Give instances of sales of immovable property in the locality on a separate sheet, indicating the name and address of the property, registration No. sale price and area of land sold.	:
39.	Land rate adopted in this valuation	:
40.	If sale instances are not available or not relied upon, the basis of arriving at the land rate.	:

COST OF CONSTRUCTION: -

41.	Year of commencement of construction and year of completion.	:
42.	What was the method of construction – by contract/by employing labour directly/ both?	:
43.	For items of work done on contract, produce copies of agreements.	:
44.	For items of work done by engaging labour directly, give basic rates of materials and labour supported by documentary proof.	:

PART II – VALUATION

Here the Registered Valuer should discuss in detail his approach to valuation of the property and indicate how the value has been arrived at, supported by necessary calculations.

Signature & Registration No. of Registered Valuer.

PART III – DECLARATION

I hereby declare that

(a) The information furnished in Part I is true and correct to the best of my knowledge and belief.

(b) I have no direct or indirect interest in the property valued.

(c) I have personally inspected the property on

Date :

Place :

Signature & Registration No. of Registered Valuer.

ANNEXURE TO FORM O-1

Technical Details	Main Building	Annexe	Servants' Quarters	Garages	Pump House

1. No. of floors and heights of each floor. :
2. Plinth area floor-wise :
   (As per IS : 3861-1966)
3. Year of construction. :
4. Estimated future life. :
5. Type of construction – load bearing walls/R.C.C. frame/steel frame. :
6. Type of foundations. :
7. Walls
   a) Basement and plinth. :
   b) Ground floor. :
   c) Superstructure above ground floor :
8. Partition. :
9. Doors and windows :
   a) Ground floor :
   b) 1st floor. :
   c) 2nd floor :
10. Flooring.
   a) Ground floor :
   b) 1st floor. :
   c) 2nd floor :
11. Finishing.
   a) Ground floor :
   b) 1st floor. :
   c) 2nd floor :
12. Roofing and terracing. :
13. Special architectural or decorative feature, if any. :
14. (i) Internal wiring-surface or conduit :
   (ii) Class of fittings-superior/ordinary/poor. :

Technical Details	Main Building	Annexe	Servants' Quarters	Garages	Pump House

15. Sanitary Installation :
(a) (i) No. of water closets :
(ii) No. of lavatory basins :
(iii)No. of urinals :
(iv)No. of sinks :
(v) No. of bath tubs :
(vi)No. of bidets :
(vii) No. of geysers :
(b) Class of fittings: Superior coloured/superior/white/ordinary. :
16. Compound wall :
(i) Height and length :
(ii) Type of construction :
17. No. of lifts and capacity :
18. Underground pump – capacity and type of construction. :
19. Overhead tank:
(i) Where located :
(ii) Capacity :
(iii)Type of construction :
20. Pumps – No. and their horse power :
21. Roads and paving within the compound, approximate area and :
type of paving :
22. Sewage disposal – Whether connected to public sewers. If septic tanks provided, No. and capacity. :

Signature & Registration No. of Registered Valuer.

SCALE OF PROFESSIONAL FEES:

Professional fees for preparing and submitting valuation report shall be worked out on the basis of prescribed scale of fees as per Notification dated 30.01.2009 of Central Board of Direct Taxes, Government of India with effect from 1st April, 2009, as detailed hereunder.

(a) On the first ₹5,00,000 of the asset as valued	:	0.5% of the value.
(b) On the next ₹10 lakhs of the asset as valued	:	0.2% of the value
(c) On the next ₹40 lakhs of the asset as valued	:	0.1% of the value.
(d) On the balance of the asset as valued	:	0.05% of the value.

Illustration showing working of professional fees:

Considering total value of the property as ₹80,00,00,000/-

(a) On the first ₹5,00,000 of the asset as valued @ 0.5% of the value	:	₹ 2,500.00
(b) On the next ₹10 lakhs of the asset as valued @ 0.2% of the value	:	₹ 2,000.00
(c) On the next ₹40 lakhs of the asset as valued @ 0.1% of the value	:	₹ 4,000.00
(d) On the balance of the asset i.e. ₹79,45,00,000/- as valued @ 0.05% of the value	:	₹ 3,97,250.00
		₹4,05,750.00

Professional fees worked out as above is excluding service tax.

CHAPTER – 9

TECHNIQUES OF VALUATION WITH CASE STUDIES

Following are two categories for valuation of immovable properties.

1. Valuation for open lands.
2. Valuation for lands with buildings thereon.

For valuation of open lands comparable sale instances technique is most appropriate & in case when comparable sale instances of the same locality or comparable locality are not available, in such cases, the land rate can be arrived by considering composite rate of comparable sale instances & deducting reasonable cost of construction and developers' overhead & profit from the composite rate

While considering the rate for the land, Valuer should take in to account situation of the property, size, shape, frontage & depth of the plot, topography of land, soil condition, and approach to the property, rules & regulations of the local authorities' mainly permissible user of the land, permissible F.S.I. etc.

As technique of valuation is not governed by any uniform rule, hence, Valuer has to consider nature of the property and purpose of valuation and adopt the appropriate technique depending on circumstances of the case, future potentiality, etc.

Following techniques are generally adopted for valuation of lands with buildings depending on the nature of the property & purpose for which Valuation Report is required.

i) Comparable sale instances technique.
ii) Rent capitalization technique.
iii) Scheduled technique.
iv) Reinstatement technique

The above techniques are briefly described along with case studies here after.

i) <u>Comparable sale instances technique</u>

For self occupied premises most appropriate technique of valuation is comparable sale instances, in which, comparable instances of sales of similar properties are considered & the rate is derived after giving due consideration towards various factors.
It is very important that comparable sale instances are genuine & are for the relevant period, in case the sale instances are for different period, reasonable allowance towards time lag should be considered while deriving the rate.

While deriving the rate, the valuer should compare the instance properties & the subject property, mainly with respect to situation & location, physical character i.e. type of soil, topography etc., surrounding development, proximity to civic amenities, type of construction, amenities & specifications, planning, situation of the subject premises in the building, age & condition of the building, etc.

Sale instances can be obtained from the office of the Sub Registrar of the respective village. There are laisoning persons / search clerks who undertakes to apply to the office of the Sub Registrar & obtain the sale instances. On receipt of sale instances the valuer should compare the same with the subject property & after short listing the comparable instances he should also obtain certified copy of Index II, which can be obtained from Sub Registrar's office on payment of fees.

It is not always the case that the sale instances are of the same period or of the same building or locality of the subject property, therefore, after obtaining sale instances it is very important that after visiting the subject property, locality & property of the sale instances should also be visited & make analysis & arrive at a reasonable rate accordingly.

Case studies of valuation by comparable sale instance technique:

Case study-1:

Nature of property	:	A residential flat in a building at Juhu Lane, Andheri (West).
Purpose	:	For auction by a Public Sector Office, Government of India.
Date of valuation	:	August 2008.

Description of the building:

The building of the subject flat is of stilt plus four upper floors with two wings namely A & B, and each wing is served by a staircase.

As in 2008 the building was about 30 years old & estimated economic future life as 35 years.

Construction of the building is of R.C.C. frame with brick masonry / concrete block walls covered with cement plaster. Compound paving is of cement concrete. Average 5' high compound wall on all sides of the plot is of brick masonry. R.C.C. underground and overhead tanks are provided with pumping arrangements.

Description of the flat :

The subject flat is on 4th floor of 'A' wing & has accommodation of living room with enclosed and merged balcony, two bedrooms, a kitchen with enclosed & merged balcony, two toilets, one of which is attached to a bed room, passage and lobby. The flat admeasures 785 sq.ft. i.e. 73 sq.mts. of carpet area and about 900 sq.ft. i.e. 83.60 sq.mts. of built up area.

The valuer noted that the building as well as the flat required structural & non structural repairs.

Valuation:

For the purpose of arriving at reasonable rate for the subject flat, from the office of the Sub-Registrar the valuer obtained two instances of sales of residential flats from same locality. The instance properties are within 10 minutes walking distance from the subject property & are comparable. Both the instances are from same building and for November 2007. The building of instance flats was visited by the valuer and observed that the building is of stilts plus seven upper floors served by a staircase and two lifts. The building was constructed during 1980-81 and is well maintained.

Instance No. 1:

Flat admeasuring 505 sq.ft. of built up area on 4th floor was sold on 12th November 2007 for a consideration of ₹40,00,000/- and unit rate works out to ₹7,920/- per sq.ft. of built up area.

Instance No. 2:

Flat admeasuring 735 sq.ft. of built up area on 4th floor was sold on 12th November 2007 for a consideration of ₹58,25,000/- and unit rate works out to ₹7,925/- per sq.ft. of built up area.

As both the instances are of November 2007, whereas, date of valuation being August 2008, the Valuer considered allowance towards time lag based on authentic particulars available with him, which was 10% per annum, accordingly, for time lag of 10 months the allowance worked out was 8.33% & the rate of instances were worked out to as under:

Instance No. 1:
₹7,920/- + (₹7,920/- × 8.33%) = ₹8,579.74 say ₹8,580/- per sq.ft. / ₹92,354/- per sq.mt. of built up area.

Instance No. 2:
₹7,925/- + (₹7,925/- × 8.33%) = ₹8,585.15 say ₹8,585/- per sq.ft. / ₹92,408/- per sq.mt. of built up area.

After comparing location of the subject property with the instance property, age of the building of the subject flat which is on 4th floor of a building of stilt plus four upper floors without lift, whereas, building of instance flats is of stilts plus seven upper floors with two lifts, moreover, subject flat as well the building is requiring structural & non structural repairs; the valuer estimated rate for the subject flat at ₹7,000/- per sq.ft. / ₹75,350/- per sq.mt. of built up area & accordingly worked value of the flat as:

83.60 sq.mts. × ₹75,350/- = ₹62,99,260/-.

Case study-2:

Nature of property	:	A residential flat on 4th floor of the building on B. J. Road, Bandra (West) and a covered car parking space in the compound.
Purpose	:	To estimate fair market value as in July 2010 as owners were desirous to sell the flat and based on Valuation Report they wanted to know what price they can expect from prospective purchaser.
Date of valuation	:	July 2010.

Description of the building:

Building is of stilt plus 17 upper floors served by a staircase & two lifts. Stilt is used for car parking purpose & all upper floors having two flats per floor are used for residential purpose.

Being high rise building, fire fighting equipments are installed.

It is one of the premium buildings in the locality and has a swimming pool as well as a well developed garden for use by the occupants.

The building was constructed in 1970-71; accordingly, its age was considered about 39 years and estimated economic future life as 26 years.

Construction of the building is of R.C.C. frame with R.C.C. floor & roof slabs. External & internal walls are of brick masonry / concrete blocks finished over with cement plaster.

In rear portion of the plot, an independent R.C.C. ground floor structure exists and is used as covered car parking space.

<u>Description of the flat</u> :

The flat is on 4th floor facing South, West and East directions with an advantage of panoramic view of Arabian Sea as well as view of swimming pool & the garden in the compound.

Accommodation of the flat consists of an entrance lobby, a living / dining room, two bedrooms with attached toilets, a kitchen with servant's toilet, lobby & passage.

Floor paving in one bedroom, passage, entrance lobby and one toilet is of marble and ceramic tiles in another bedroom, kitchen and a toilet. Floor paving in living / dining room is mix of marble and ceramic tiles. Doors are of timber with laminated finished flush shutters. Windows are glazed in powder coated aluminium sections.

The flat is jointly owned by four family members & admeasures 948 sq.ft. / 88 sq.mts. of carpet area and 1,068 sq.ft. / 99.25 sq.mts. of built up area.

<u>Description of covered car parking space</u>:

The covered car parking space admeasures 130 sq.ft. / 12 sq.mts. & is in an independent ground floor structure accommodating 20 cars.

Construction of the structure is of R.C.C. frame with R.C.C. roof slabs. Floor paving is of I.P.S. On external side facing open space / compound R.C.C. grille are provided for deriving light & ventilation to parking spaces & drive way.

Valuation of flat:

For the purpose of reasonable rate for the subject flat the valuer considered two comparable sale instances from the locality as obtained by him from the office of the Sub-Registrar.

Instance No. 1:

A flat admeasuring 1,446 sq.ft. of built up area on 10th floor of a building situated at 28th Road, Bandra (West) was sold in May 2009.

Consideration as per agreement	: ₹3,70,00,000/- i.e. unit rate of ₹25,588/- per sq.ft. of built up area.
Market value as assessed by the Office of the Registrar	: ₹2,12,70,775/- i.e. unit rate of ₹14,710/- per sq.ft. of built up area.

The valuer visited the locality of the instance property & observed that the property falls in T.P.S. III, Bandra (West) and abuts 28th Road and is within one minute walking distance from Guru Nanak Road (Turner Road) and is in a well developed residential locality with shops.

Civic amenities like garden, school, places of worship, market are available within walking distance of 5 to 10 minutes

Building of the instance flat is recently completed & is of lower ground floor, podium and 11 upper residential floors.

Instance No. 2:

A flat admeasuring 1,581 sq.ft. of built up area on 5th floor of a building situated at Nargis Dutt Road also known as Pali Hill Road, Bandra (West) was sold in July 2009.

Consideration as per agreement	: ₹3,50,00,000/- i.e. unit rate of ₹22,138/- per sq.ft. of built up area.
Market value as assessed by the Office of the Registrar	: ₹2,48,19,746/- i.e. unit rate of ₹15,699/- per sq.ft. of built up area.

During visit to the locality of the instance property, the valuer observed that the instance property abuts Nargis Dutt Road also known as Pali Hill Road & is within one minute walk from the junction of Nargis Dutt Road & Pali Mala Road and is in a well developed residential locality.

Civic amenities like garden, school, places of worship, market are available within walking distance of 5 to 10 minutes

Building of instance flat is of stilt plus 7 residential upper floors & about 3 to 4 years old.

As the instances are of May 2009 & July 2009, whereas, date of valuation being July 2010, allowance towards time lag was considered based on authentic particulars as available with him, which was 10% per annum, accordingly, rate for instances were worked out:

Difference in period between date of valuation & date of sale instance No. 1 is about 13 months, accordingly on the basis of 10% difference in rate per year, rate as in June 2010 was worked as under :

For consideration as per agreement:

₹25,588/- + (₹25,588/- × 10.83%)

= ₹28,360/- per sq.ft. / ₹3,05,255/- per sq.mt. of built up area.

For market value as assessed by the Office of the Registrar:

₹14,710/- + (₹14,710/- × 10.83%)

= ₹16,303/- per sq.ft. / ₹1,75,485/- per sq.mt. of built up area.

Difference in period between date of valuation & date of sale instance No. 2 is about 12 months, accordingly on the basis of 10% difference in rate per year, rate as in June 2010 was worked out as under :

For consideration as per agreement :

₹22,138/- + (₹22,138/- × 10%)

= ₹24,352/- per sq.ft. / ₹2,62,120/- per sq.mt. of built up area.

For market value as assessed by the Office of the Registrar:

₹15,699/- + (₹15,699/- × 10%)

= ₹17,270/- per sq.ft. / ₹1,85,880/- per sq.mt. of built up area.

As consideration as per agreement in both the cases were higher than the market value as assessed by the Office of the Registrar the valuer considered the same & accordingly worked out average rate as under:

(₹3,05,255/- + ₹2,62,120/-) ÷ 2 = ₹2,83,687.50 say ₹2,83,690/- per sq.mt. of built up area.

Considering above particulars, location of the instance properties, age & condition of the building of the subject flat, situation of the flat in the building having advantage of panoramic view of Arabian Sea as well as view of swimming pool & the garden in the compound, an allowance at 10% was considered on the rate of ₹2,83,690/- per sq.mt. of built up area which worked works out to: ₹2,83,690/- + 10% of ₹2,83,690/- = ₹3,12,059/- say ₹3,12,000/- per sq.mt. of built up area & value of the flat was worked out as:

99.25 sq.mts. × ₹3,12,000/- = ₹3,09,66,000/-

Valuation of covered car parking :

In view of high demand for car parking space within the compound and this being a covered car parking space, the rate was estimated at 35% of ₹3,12,000/- i.e. ₹1,09,200/- per sq.mt. of built up area & value of covered car parking space as:

12 sq.mts. × ₹1,09,200/- = ₹13,10,400/-.

Total value of flat with covered car parking space was worked out to : **₹3,09,66,000/- + ₹13,10,400/- = ₹3,22,76,400/-.**

As the property was jointly owned by 4 family members having equal share, therefore rate was considered @ 85%, accordingly, value worked out:

₹3,22,76,400/- × 0.85 = ₹2,74,34,974/-.

ii) <u>Income or rent capitalization technique</u>:

This method is most appropriate for tenanted premises who are protected under the Rent Control Act, and even in number of cases Hon. Courts have upheld that for tenanted premises rent capitalization technique alone is to be followed.

In rent capitalization technique, from the gross annual rent following are to be deducted to work out net rent.

i) Municipal Tax.

ii) General repairs & maintenance charges (which is generally considered @ 5% of Gross Rent.)

iii) Rent collection & management charges (which is generally considered @ 5% of Gross Rent.)

iv) Insurance (which is generally considered @ 1¼% of Gross Rent.)

In case of cess properties, further deduction @ 10% of ratable value towards owner's contribution for repairs cess is to be considered.

The net rent so worked out is capitalized by multiplying appropriate rate of interest.

In case the tenants are protected under Rent Control Act, the net rent is to be capitalized in perpetuity by multiplying appropriate rate of interest & in case the income from the property is for a defined period the capitalized value is to be worked out by multiplying appropriate rate of interest to net income for the specify period.

<u>Case study-1</u>:

<u>Valuation of fully tenanted property</u>:

<u>Nature of property</u>	:	A fully tenanted building of ground plus three upper floors situated at Nagdevi Street, Mumbai, constructed on a freehold plot of land admeasuring 150 sq.mts.
<u>Purpose</u>	:	To estimate fair market value for auction by a Government office on As Is Where Is Basis.
<u>Date of valuation</u>	:	October 2005

<u>Description of the building</u>:

Building is of ground plus three upper floors served by a staircase. Ground, 1^{st} & part 2^{nd} floors are being used for non residential purpose and one room on 1^{st} floor & entire third floor are used for residential purpose. On ground floor there is a shop with storage in the rear portion along with two water closets. On 1^{st} floor there are three offices and a single room residential unit with a common water closet and a bathroom. On 2^{nd} floor there are four offices with a common water closet and a bathroom. Entire third floor is being used for residential purpose having accommodation of a living room, 2 bed rooms, a kitchen, 2 bath rooms, 2 water closets.

Construction of the building is of brick masonry external load bearing walls with M.S. stanchions and R.S. Joists. Walls are covered with cement plaster. All internal walls are of brick masonry finished over with plaster. Floors and roof is of R.C.C. slabs.

Age of the building was estimated at 75 years as in 2005 and as such has over lived its economic life. Considering age, condition, mode & materials of construction, future life was estimated at 15 years, if regularly repaired and maintained from time to time under competent advice and supervision by an experienced agency.

Total built up area of the building admeasured 475 sq.mts., thus, there was no balance potential.

During visit to the property, the valuer observed that being part of old development of Mumbai, the building is constructed along the plot boundaries, i.e. without side, rear or front open spaces. Rooms derive light & ventilation from front, rear and open to sky chowk provided above ground floor.

Details of rent & outgoings :

Gross Rent of ₹16,886/- per annum + Municipal Tax of ₹27,420/- & repair cess of ₹16,256/- making a total of **₹60,562/- per annum** recovered by the owner from the tenants:

Valuation:

As the building was fully tenanted; valuation of the property was worked out on rent capitalisation technique as hereunder.

Gross Rent inclusive of municipal taxes and repair cess as recovered from the tenants. [₹16,886/- + ₹43,676/-]	:	₹60,562/- per annum.
Deduct:		
i) Municipal Tax & repair cess as recovered by the owners	:	₹43,676/- per annum.
ii) General repairs & maintenance charges @ 5% of Gross Rent of ₹16,886/-	:	₹ 845/- per annum.
iii) Rent collection & management charges @ 5% of Gross Rent of ₹16,886/-	:	₹ 845/- per annum.
iv) Insurance @ 1¼% of Gross Rent of ₹16,886/-	:	₹ 211/- per annum.
Net Rent	:	₹ 14,985/- per annum.

As tenants are protected under Rent control Act, therefore, net rent is capitalized @ 10% in perpetuity, accordingly, capitalised value of net rent works out to:

₹14,985/- × 100 ÷ 10 = **₹1,49,850/-.**

Note:

Generally owner's contribution towards repair cess is 10% of Ratable Value, however, in present case owner was collecting full amount of repair cess from the tenants & was paying the same to the authority, accordingly, while working out net rent full amount of repair cess was deducted.

Case study-2:

Valuation of partly tenanted & partly self occupied property:

Nature of property	:	A partly tenanted & partly self occupied bungalow of ground plus two upper floors with two corner enclosed garages in the compound situated at Juhu.
Area of land	:	690 sq.mts.
Purpose	:	As an annexure to Probate petition.
Date of valuation	:	August 2009.

Description of the bungalow :

Bungalow of ground plus two upper floors with two corner enclosed garages in the compound constructed during 1982-83.

Construction of the bungalow is of R.C.C. frame with R.C.C. floor and roof slabs. External and internal walls were of brick masonry finished over with cement plaster.

Floor paving is mix of marble, mosaic tiles & ceramic tiles. Doors & windows are of timber with flush shutters to doors & glazed shutters to windows.

Ground floor admeasuring 2,495.50 sq.ft. i.e. 231.85 sq.mts. of built up area is self occupied.

Entire first floor admeasuring 2,735.67 sq.ft. i.e. 254.15 sq.mts. of built up area inclusive of balconies is occupied by a tenant.

Second floor is self occupied & admeasures 2,735.67 sq.ft. i.e. 254.15 sq.mts. of built up area inclusive of balconies.

Total built up area of self occupied portion including balconies admeasured 5,231.17 sq.ft. / 486 sq.mts.

Total built up area of the bungalow excluding balconies : 685 sq.mts., thus, there is no balance F.S.I.

Age of the bungalow as in 2009	:	27 years.
Estimated economic future life as from 2009	:	38 years.
Gross rent from tenanted portion	:	₹1,500/- per month i.e. ₹18,000/- per year.

Details of covered garages:

Two covered garages exists in the compound. Each covered garage admeasured 144 sq.ft. / 13.40 sq.mts. of carpet area i.e. 185.25 sq.ft. / 17.20 sq.mts.

Out of two covered garages, one garage is tenanted & one is self occupied.

Gross rent received from tenanted garage: ₹75/- per month i.e. ₹900/- per year

Valuation:

As the property is partly tenanted and partly self occupied, valuation report was prepared on the basis of rent capitalisation method for tenanted portion and land & building method for self occupied portion.

Value of tenanted portion :

Gross Rent:

First floor	:	₹18,000/- per annum
Garage	:	₹ 900/- per annum
		₹18,900/- per annum

Deduct:

(i) Proportionate Municipal Tax:		₹ 5,434/- per annum
(ii) General repairs & maintenance charges @ 5% of Gross Rent of ₹18,900/-	:	₹ 945/- per annum
(iii) Rent collection & management charges @ 5% of Gross Rent of ₹18,900/-:		₹ 945/- per annum
(iv) Insurance @ 1¼% of Gross Rent of ₹18,900/-	:	₹ 236/- per annum
Total of (i) to (iv)	:	₹ 7,560/- per annum.

∴ Net Rent: ₹18,900/- less ₹7,560/- = ₹11,340/- per annum.

As tenant is protected under Rent control Act, therefore, net rent is capitalized @ 10% in perpetuity, accordingly, capitalised value of net rent works out to: ₹11,340/- × 100 ÷ 10 = **₹1,13,400/-**.

Value of self occupied portion (ground & second floor):

For the purpose of valuation of self occupied portion, comparable sale instances from the locality were obtained from the office of Sub Registrar, which were for residential flats and average rate was ₹1,10,250/, whereas, subject property is bungalow, therefore, an allowance of 25% was considered, accordingly, rate for self occupied portion was worked out to ₹1,37,812.50 say ₹1,37,815/- per sq.mt. of built up area & value of self occupied portion admeasuring 486 sq.mts. was worked out as: 486 sq.mts. × ₹1,37,815/- = **₹6,69,78,090/-.**

Value of self occupied garage:

Considering high demand for open or covered car parking spaces, the rate for the garage in possession of the owner was considered at 40% of the rate for self occupied portion of the bungalow i.e. ₹1,37,815/- × 0.40 = ₹55,126/- per sq.mt. and value worked to: 17.20 sq.mts. × ₹ 55,126/- = **₹9,48,267/-**, and total value of the property worked out to:

I]	**Value of tenanted portion (first floor & one covered garage)**	**:**	**₹ 1,13,400/-**
II]	**Value of self occupied portion (ground & second floor)**	**:**	**₹ 6,69,78,090/-**
III]	**Value of garage in possession of the owner**	**:**	**₹ 9,48,267/-**
			₹6,80,39,657/-.

iii) Scheduled valuation:

Scheduled valuation is commonly known as valuation under Rule 1BB which is now known as Schedule III of the Wealth Tax Rule.

Very purpose of introducing this method by the Government is to overcome various difficulties & hardship being caused to assesses. This method is also used for preparing valuation for the purpose of Probate Petition & is being accepted by Hon. Courts.

An assessee can take advantage of Scheduled Valuation if the house is belonging to him & being exclusively used by him for residential purpose throughout a period of twelve months immediately preceding the date of valuation. In case more than one house belongs to assessee & exclusively used by him for residential purpose, the assessee can take advantage of Scheduled Valuation only for one of the houses owned by him.

It is to be mentioned that the provisions of Schedule Valuation are not applicable to an open piece of land.

Before proceeding in details of Scheduled Valuation, following definitions & other provisions must be read carefully.

- **Definitions of aggregate area, specified area & un-built up area:**

(a) "aggregate area" in relation to the plot of land on which the property is constructed, means the aggregate of the area on which the property is constructed and the unbuilt area:

(b) "specified area" in relation to the plot of land on which the property is constructed means, -

  (i) Where the property is situate at Mumbai, Kolkata, Delhi or Madras, sixty per cent of aggregate area;

  (ii) Where the property is situate at Agra, Ahmedabad, Allahabad, Amritsar, Bangalore, Bhopal, Cochin, Hyderabad, Indore, Jabalpur, Jamshedpur, Kanpur, Lucknow, Ludhiana, Madurai, Nagpur, Patna, Pune, Salem, Sholapur, Srinagar, Surat, Tiruchirappalli, Trivandrum, Vadodara (Baroda) or Varanasi (Banarasi), sixty five per cent of the aggregate area; and

(iii) Where the property is situated at any other place, seventy per cent of the aggregate area:

Provided that where, under any law for the time being in force, the minimum area of the plot of land required to be kept as open space for the enjoyment of the property exceeds the specified area, such minimum area shall be deemed to be the specified area;

(c) "Un-built area" in relation to the aggregate area of the plot of land on which the property is constructed, means that of such aggregate area on which no building has been erected .

While working out schedule valuation, following criteria are to be considered.

(*i*) where the house has been constructed by the assessee, he shall be deemed to have become the owner thereof on the date on which the construction of such house was completed ;

(*ii*) "house" includes a part of a house being an independent residential unit.

1. In case of un-built area of land on which the structure is constructed exceed this specified area, the value arrived is to be increased by an amount to be calculated as under.
   (a) Where the difference between the un-built area and the specified area exceeds five per cent, but does not exceed ten per cent, of the aggregate area, by an amount equal to twenty per cent of such value.
   (b) Where the difference between the un-built area and the specified area exceeds ten per cent but does not exceed fifteen per cent of the aggregate area, by an amount equal to thirty per cent of such value.
   (c) Where the difference between the un-built area and the specified area exceeds fifteen per cent but does not exceed twenty per cent of the aggregate area, by an amount equal to forty per cent of such value.

- **<u>Schedule III Valuation is not applicable in following circumstances</u>:**

(i) When difference between un-built area and the specified area exceeds 20% of the aggregate area;

(ii) un-expired period of lease is 15 years or less and absence of renewal clause in lease.

Tenure of land:

Broadly speaking the land can be of freehold tenure or leasehold one. The lease usually provides a number of covenants and conditions mentioning the rights and liabilities of each party to the lease. Out of various lease conditions, only following three conditions are of important in the scheduled valuation viz:

(i) Unexpired period of lease,

(ii) Absence of renewal clause, and

(iii)Payment of unearned increment to the Govt. or any Authority.

Firstly, based on tenure of land, Rule No. 3 alters the multiplier or year's purchase as under:-

Tenure of land	Multiplier
(i) Freehold land	12.50
(ii) Leasehold land with unexpired period of more than 50 years.	10.00
(iii)Leasehold land with unexpired period less than 50 years.	8.00

In case of lease hold properties for which unexpired period of lease is less than 50 years in such case before using multiplier of 8.00 it would be essential to ascertain whether provision for renewal of lease term is provided in lease deed & in case where the lease renewal clause is provided said period should be added & accordingly work out unexpired period of lease & use appropriate multiplier.

If the house is built on leasehold land and lease expires within 15 years of the valuation date, and there is no option for further renewal, valuation is required to be made under Rule 20 that is based open market price concept.

Rule No. 7 provides that if any part of unearned increase in value of land is payable to the Government or any Authority at the time of transfer of the property, such portion is deductible from the basis value under Rule No. 3 to the extent payable limited to 50% of the said basic value. This gives statutory recognisation to the law laid down in C.W.T. Vs. P. N. Sikand (1977) 107 I.T.R. 922 (S.C.)

Note: The Scheduled valuation does not take into consideration the payment of lease rent as an outgoing. It is submitted that this aspect needs consideration to allow actual of the lease rent or ground rent as an outgoing.

Procedural Criteria:

Gross Maintainable Rent (G.M.R.)

(a) When the property is let out:

The amount of annual rent (whether received or receivable) or the annual value as assessed by the local authority, whichever is higher.

(b) When the property is not let out:

The amount of annual rent as assessed by the local authority. In the absence of this, the amount which the owner can reasonably be expected to receive as its annual rent had such property been let out.

Increment in G.M.R. mentioned above in the following cases:

(i) If the tenants bear the amount of taxes of local authority, taxes so borne.

(ii) 1/9th of the annual rent, towards expenditure on repairs borne by the tenants.

(iii)Interest at 15% on deposit (this would include advance rent for a period exceeding three months) less interest, if any, actually paid by the owner on the deposit. The interest shall be calculated on the basis of completed months only;

(iv) The amount of premium or consideration for leasing the property. This is to be calculated on year to year basis; and

(v) The amount of any other benefit or perquisite derived by the owner from the leasing out of any such property.

Net Maintainable Rent (N.M.R.):

Net maintainable rent shall be the amount of gross maintainable rent as reduced by:

(i) the amount of taxes levied by any local authority in respect of the property; and

(ii) a sum equal to 15% of the gross maintainable rent.

Case study – 1:

Nature of property	:	A bungalow of ground plus one upper floor on a leasehold land admeasuring 980 sq.mts. situated at Khar (West), Mumbai.
Lease Period & lease rent	:	999 years (in perpetuity) at Re.1/- per annum.
Purpose	:	As an annexure to Probate petition
Date of valuation	:	16th April 2005, date of demise of the owner.

Description of the bungalow:

A self occupied bungalow of ground plus one upper floor constructed during 1950-51.

Construction of the bungalow is of load bearing brick masonry walls finished over with cement plaster.

Doors and windows are of timber with paneled shutters to doors and glazed shutters to windows. Floor is of R.C.C. and roof is of Manglore tiles on T.W. trusses, boardings & plankings.

Floor paving is of marble mosaic tiles. Bath, W.C. and toilets have white glazed tiles in floor and dado.

<u>Plinth & built up area</u>:

Plinth area of the bungalow : 195 sq.mts.

Total built up area inclusive of area of staircase and verandah: 390 sq.mts.

F.S.I. consumed : 0.398.

Bungalow is assessed by M.C.G.M. and Rateable value being ₹6,480/- and yearly Municipal Tax is ₹4,285/-.

On the basis of R.V. of ₹6,480/- for bungalow, monthly rent as per BMC assessment table for suburbs is ₹627/- i.e. ₹7,524/- per annum.

- **Valuation of property as per provisions of Schedule III of Wealth Tax Act.**

i) Aggregate area of land : 980.00 sq.mts.

ii) Specified area at 60% of aggregate area : 588.00 sq.mts.

iii) Land required for built up area (Plinth + Appurtenant) 195 sq.mts. + 300 sq.mts. : 495.00 sq.mts.

iv) Un-built area of land (980 sq.mts. less 495.00 sq.mts.) : 485.00 sq.mts.

i.e. Un-built area of 485 < specified area of 588 sq.mts., therefore Schedule III of Wealth Tax Act is applicable in this case.

Land is lease hold & unexpired period of lease being more than 50 years, therefore, as per provision of Schedule III of Wealth Tax Act multiplier is 10.00 and valuation works out as under.

Gross Maintainable Rent (G.M.R.) : ₹7,524/-.

Net Maintainable Rent (N.M.R.) =

G.M.R. Less [(i) Municipal Tax

+ (ii) Statutory outgoings @ 15% of G.M.R.]

= ₹7,524/- Less [₹4,285/- + ₹1,128/-] = ₹2,111/-

Therefore, value of the property as per Schedule III of Wealth Tax Act = N.M.R. × Multiplier : ₹2,111/- × 10 = **₹21,110/-.**

Valuation of the same property in case unexpired lease period of less than 50 years

For unexpired period of lease less than 50 years, according to provision of Schedule III of Wealth Tax Act multiplier is 8.00 & valuation as per Schedule III of Wealth Tax Act would have worked out as under.

N.M.R. × Multiplier : ₹2,111/- × 8.00 = **₹16,888/-.**

Valuation of the same property in case the tenure of land is freehold:

For freehold tenure of land, according to provision of Schedule III of Wealth Tax Act multiplier is 12.50 & valuation as per Schedule III of Wealth Tax Act would have worked out as under

N.M.R. × Multiplier : ₹2,111/- × 12.50 = **₹26,387/-.**

Case study – 2:

Nature of property	:	A flat in building of stilt plus eight upper floors at Napean Sea Road, Mumbai.
Purpose	:	As an annexure to Wealth Tax Return.
Date of valuation	:	March 2005.

Description of the building:

Building with five wings is of stilt plus eight upper floors. Each wing is served by a staircase & two lifts. Stilt is being used as enclosed / covered car parking garages and all upper floors are being used as residence.

Construction of the building is of R.C.C. frame with brick masonry external & internal walls finished over with cement plaster.

Building was constructed in 1967-69 on freehold land & F.S.I. permissible under D. C. Rules / Regulations for Greater Mumbai is 1.33 and is fully consumed.

Description of the subject flat:

Subject flat is on 1st floor of wing 'A' & according to society records flat admeasures 1,700 sq.ft. / 158 sq.mts. of carpet area.

Accommodation of the flat consists of a living / dining room with merged balcony, three bedrooms with attached toilets, a kitchen, servant's room with attached toilet, passage & lobby.

Floor paving in the flat is partly of marble & partly of cement mosaic tiles. Toilets have glazed tiles in floor & dado. Doors & windows are of timber. Doors have flush shutters. Toilet doors have paneled shutters. Windows have glazed shutters.

<u>Valuation of flat as per provisions of Schedule III of Wealth Tax Act:</u>

The flat was acquired / purchased by the owner in 1969.

Annual Ratable Value as fixed by M.C.G.M : ₹4,979/-

Monthly Rent assessed by M.C.G.M. : ₹540/-

Monthly Municipal Tax : ₹346.33

Gross Maintainable Rent per annum. (₹540/- × 12): ₹6,480.00

Net Maintainable Rent shall be the amount of Gross Maintainable Rent as reduced by :

(i) Amount of taxes levied by any local authority in respect of the property
i.e. Municipal tax per annum ₹346.33 × 12: ₹4,155.96

(ii) Sum equal to 15% of the Gross Maintainable Rent
i.e. ₹6,480/- × 0.15 : ₹ 972.00

Net Maintainable Rent = ₹6,480.00
less (₹4,155.96 + ₹ 972.00) : ₹1,352.04

As land is free hold, multiplier is 12.50, and value of flat according to Schedule III works out to:

₹1,352.04 × 12.5 = **₹16,900.50**.

iv) Physical method or land & building method of valuation

This method is also known as land & building method or capital value method or contractor's method. In this method the valuer to estimate present cost of structure & depreciate the same depending upon its age & further utility and add fair market value of the land by considering comparable sale instances.

Depreciation may be defined as decrease in value of movable assets due to wear, tear, decay & obsolescence.

Among all the different methods to determine depreciation, following three methods are being normally used.

(1) Sinking Fund Method.

(2) Straight Line Method.

(3) Written Down Value Method.

The Straight Line Method is more recommended as it calls for realistic evaluation of salvage value and correct computation of service life.

It is pertinent to mention that according to Stamp Duty Ready Reckoner depreciation is to be worked out on the composite rate i.e. land + structure, however, while working out depreciated value of immovable property it would be appropriate to work out value of land separately & add depreciated cost of construction.

If the structure is in dilapidated condition and is beyond economic repair cost, the valuer can opt to consider the scrap value of the structure and add fair market value of the land by considering comparable sale instances.

Case study-1:

Nature of property	:	A self occupied bungalow of ground plus one upper floor constructed on freehold land situated at Khar (West).
Purpose	:	Taxation
Date of valuation	:	March 2004.

Description of the bungalow:

The bungalow was constructed in 1955.

Construction of the bungalow is of R.C.C. frame with R.C.C. floor & roof slabs. External & internal walls are of brick masonry finished over with plaster. Doors & windows are of timber with flush shutters to doors & glazed shutters to windows. Floor paving in living room & kitchen is of marble & all the bedrooms & passages are finished in Morbi galicha tiles. Floor paving in toilets was of glazed tiles with 7' high dado. Terrace is finished over with china mosaic tiles. Electric & plumbing work is of surface. Underground & overhead water storage tanks are of R.C.C. 5' high compound wall on all sides is of brick masonry with m.s. compound gate. Compound paving is of cement concrete.

Total built up area of the bungalow admeasured 275 sq.mts.

Depreciated cost of construction:

The valuer estimated cost of construction of bungalow as in 2004 at ₹18,500/- per sq.mt. & depreciated by Straight Line Method as under.

Total built up area	:	275 sq.mts.
Age of bungalow	:	49 years.
Estimated total life of bungalow	:	65 years
Cost of construction in 2004	:	₹12,000/- per sq.mt.
Total cost of construction	:	₹33,00,000/-

Depreciated cost of construction by Straight Line Method for 49 years of age and 65 years of total life works out to:

₹33,00,000/- less (90/100 × ₹33,00,000/- × 49/65)= ₹10,61,077/-

Value of land :

The valuer worked out value of land considering comparable sale instances.

Area of land	:	710 sq.mts.
Land rate	:	₹50,000/- per sq.mt.
Total value of land	:	₹3,55,00,000/-

Value towards utilising T.D.R.:

As land falls in T.D.R. receivable zone, valuer added value towards utilising T.D.R. on the land considering rate of T.D.R. at relevant period in the locality at ₹16,000/- per sq.mt. which worked out to: 710 sq.mt. × ₹16,000/- = ₹1,13,60,000/-

Total value of property:

(a) Depreciated cost of construction of existing bungalow	**:**	**₹ 33,00,000/-**
(b) Value of land	**:**	**₹3,55,00,000/-**
(c) Value towards utilising T.D.R.	**:**	**₹1,13,60,000/-**
		₹5,01,60,000/-

Case study-2:

Nature of property	:	Industrial property situated at village in Panvel Taluka, Raigad District
Purpose	:	For the purpose of taxation
Date of valuation	:	1984.

Description of the property:

The property is situated in a remote area of a village in Panvel Taluka, Raigad District.

On the land admeasuring 30,000 sq.mts., a factory building admeasuring 1,965 sq.mts. is existing. The construction of the building is of load bearing brick masonry walls covered over with A.C. sheet roof on m.s. trusses.

The building was constructed in 1970, therefore, its age as in 1985 was 15 years & estimated future life was considered as 45 years.

Valuation :

Value of land :

On making inquiry in the office of the Sub-Registrar at Panvel, the valuer could not get any comparable sale instances from the locality, therefore, for the purpose of land rate the valuer considered the premium rate of land of nearest MIDC area which is MIDC – Patalganga & rate of developed industrial land of said MIDC as in 1985 was ₹120/- per sq.mt.

Considering area of land, surrounding development & availability of infrastructure, the valuer considered land rate at 40% of MIDC rate which worked out to ₹48/- per sq.mt. & accordingly value of the land was worked out as:

30,000 sq.mts. × ₹48/- = ₹14,40,000/-.

Depreciated cost of construction:

The valuer considered cost of construction as in 1985 at ₹800/- per sq.mt. making total cost of construction as :

1,965 sq.mts. × ₹800/- = ₹15,72,000/-.

Being industrial building with load bearing brick masonry walls & A.C. sheet roof, depreciation was worked out at 5% by Written Down Value method as under.

[₹15,72,000/- × (100 less 51.23)] ÷ 100 = ₹7,66,665/-.

Total value of the property :

Value of land	:	₹14,40,000/-
Depreciated cost of industrial building	:	₹ 7,66,665/-
		₹22,06,665/-

v) <u>Reinstatement method for Insurance purpose</u>

In this method a structure is insured with a clause for reinstatement or replacement & the insurance company undertakes to pay towards damage to the structure & in case the entire structure is destroyed by fire, the insurance company shall have to consider cost of construction of new structure & make the payment against the claim at 90% of its cost as 10% is considered towards cost of foundation & plinth which do not get damaged due to fire.

It is important that the insurance policy has the clause that the insurable value of a structure must be equal to the value of a new structure. In case such clause is not incorporated in the policy, the insurance company will consider the claim on depreciated cost of construction.

<u>Case study-1</u>:

<u>Nature of property</u> : An industrial building at Andheri (East).
<u>Purpose</u> : To estimate present Reinstatement Value
<u>Date of valuation</u> : July 2005.
<u>Description of the building</u> :

The building is of basement, ground plus two & part third floor served by a staircase & one fire escape staircase in m.s. A 500 kg. capacity goods lift of is provided from ground floor to 2nd floor. Sanitary accommodation for both the sexes is provided from ground to 2nd floors.

Building was completed in 1980, therefore, its age as in 2005 worked out to 27 years and economic future life estimated as 38 years.

Construction of the building is of R.C.C. frame with R.C.C. floor & terrace slabs with brick masonry / concrete blocks internal & external walls finished over with cement plaster.

Floor paving is of Kotah stone slabs with marble pieces. Ceramic tiles are provided in entrance & office area on ground floor. Toilets have granite tiles in floor & glazed tiles in dado. Doors are of m.s. rolling shutters / glazed in wooden frame / flush doors laminated finished / m.s. grille door shutters. Windows are glazed in m.s. sections with protection bars. Ventilators to basement are glazed in wooden frame. Electric work is surface & is industrial type.

For the purpose of water supply underground and over head R.C.C. tanks with pumps are provided to the building.

Built up area :

Floor wise built up area; floor height & user are us under.

Floor	Built up area	Floor height	User
Basement	146.05 sq.mts.	3.05 mt.	Storage
Ground	192.20 sq.mts.	4.19 mt.	Factory
First	192.20 sq.mts.	4.19 mt.	Factory
Second	104.42 sq.mts.	3.81 mt.	Factory
	87.78 sq.mts.		Office
Third (part)	77.34 sq.mts.	2.74mt.	Residential.
Fire Escape staircase	12.96 sq.mts.		
Total built up area	812.97 sq.mts.		

Valuation:

Considering mode and materials of construction, rate of materials and labour charges at relevant period, valuer estimate cost of construction at ₹8,000/- per sq.mt. as a fair rate as in 2005 & accordingly, cost of construction worked out to:

812.97 sq.mts. × ₹8,000/- = ₹65,03,760/-,

Deduct 10% towards the cost of foundation & plinth

i.e. ₹65,03,760/- less ₹6,50,376/- = ₹58,53,384/-.

Depreciated cost of construction:

As the building is R.C.C. frame structure with R.C.C. roof slab and 27 years old & total life considered as 65 years, therefore, after deducting depreciated cost of construction by Written Down Value method at 2.5% was worked out as under.

[₹58,53,384/- × (100 less 48.21) ÷ 100 = **₹30,31,470/-**.

Case study-2:

Nature of property : A residential building situated at Santacruz (West).

Purpose : To estimate Reinstatement Value

Date of valuation : 2011.

Description of the building:

The building was completed in the year 2007 & is of stilt plus 6 & part 7th floor served by a staircase & two lifts of 6 persons capacity each.

Construction of the building is of R.C.C. frame with R.C.C. floor & roof slabs. External walls are of brick masonry / concrete blocks finished over with Rough & Tough cement base plaster. Internal walls are of brick masonry / concrete blocks finished over with cement plaster covered over with POP. Electric and plumbing work is concealed.

Following common amenities are provided to the building.

1) Diesel Generator Set.
2) Solar System.
3) Underground RC.C. water storage tank with Hydro Pneumatic System for water supply to all the flats.

Total built up area of the building including 50% area of stilt, staircase, lift shafts, lift lobby & balconies admeasures 2,250 sq.mts.

Cost of construction :

Cost of construction was considered by the valuer at ₹22,000/- per sq.mt. as in 2011, accordingly, total cost was worked out as: 2,250 sq.mts. × ₹22,000/- = ₹4,95,00,000/- from which deduct 10% towards the cost of foundation & plinth

i.e. ₹4,95,00,000/- less ₹49,50,000/- = **₹4,45,50,000/-.**

(As building is about four years old, therefore, depreciation was not considered.)

VALUATION FOR COMPUTATION OF CAPITAL GAIN TAX

What is Capital Gain:

The profit on sale of a capital asset whether movable or immovable is known as capital gain, thus, the capital gain is the difference between the sale price & cost of acquisition plus cost of subsequent improvements.

The asset held for less than 36 months prior to the date of sale is short term & asset held for more than 36 months is long term.

At present, for the purpose of Capital Gain Tax, in case the property is acquired prior to 01.04.1981, fair market value of the property as on 01.04.1981 will be taken in to account, however, the option is with the assessee either to take actual cost of acquisition or fair market value as on 01.04.1981 i.e. in case if asset acquired prior to 01.04.1981, if the actual cost of acquisition is more than the fair market value as on 01.04.1981, the assessee may adopt such cost of acquisition, however, he has to substantiate the cost of acquisition by submitting documentary evidence.

For the purpose of Capital Gain Tax, the assessee can add cost of improvements, if any, carried out to the property and has to substantiate the said cost by submitting documentary evidence.

For the purpose of working out Capital Gain the basic formula is as under:

[(Fair market value as on 01.04.1981 × Cost Inflation Index for the year of sale) ÷ Cost of Index for the year 1981]

Cost Inflation Index is being announced every year after budget by Ministry of Finance & for financial year 1981-82 onwards is as per the following table.

Financial Year	Cost Inflation Index	Financial Year	Cost Inflation Index
1981-82	100	1996-97	305
1982-83	109	1997-98	331
1983-84	116	1998-99	351
1984-85	125	1999-2000	389
1985-86	133	2000-2001	406
1986-87	140	2001-2002	426
1987-88	150	2002-2003	447
1988-89	161	2003-2004	463
1989-90	172	2004-2005	480
1990-91	182	2005-2006	497
1991-92	199	2006-2007	519
1992-93	223	2007-2008	551
1993-94	244	2008-2009	582
1994-95	259	2009-2010	632
1995-96	281	2010-2011	711
		2011-2012	785

Case Study-1:

Nature of property	:	A residential building of ground plus one & part second floor in a suburb of Mumbai.
Purpose	:	For computation of capital gain.
Date of valuation	:	01.04.1981.

Description of the property:

The property consisted of freehold land with building standing thereon. The building was of ground plus one & part second floor and was partly self occupied & partly tenanted with balance potential of about 50%. The property has advantage of return frontage with one side road having 30' width and another road with 44' width.

Details of plot area & built up area of existing building

On the basis of above & sale instances obtained by him the valuer prepared the report as under.

Area of plot	:	1,000 sq.mts.
F.S.I. permissible	:	1.00
Permissible built up area	:	1,000 sq.mts.
Area in self occupation	:	160 sq.mts.
Area occupied by tenants	:	285 sq.mts.
Existing built up area	:	445 sq.mts.
Balance built up area	:	555 sq.mts.
F.S.I. consumed	:	0.55

Valuation:

As there was balance potential of 555 sq.mts. any prudent developer would have redeveloped the property after demolishing existing structure by negotiating & offering alternate accommodation to existing tenants and consuming full permissible built up area by proposing new building with modern planning, better amenities and specifications to fetch better price. Moreover, as one of the road being 44' wide, it was possible to propose shopping user on ground floor as per the Development Control Rules. Two comparable sale instances were obtained a accordingly valuation was prepared.

The property of sale instances was abutting 30’ wide road with single frontage, whereas, subject property has return frontage with 44’ wide Road on one side & 30’ wide road another side.

On the basis of above particulars & sale instances valuation was worked out as under.

Area of plot	:	1,000 sq.mts.
Area of instance plot	:	4,200 sq.mts.

Rate of land of instance plot was ₹2,590/- per sq.mt., to which allowance @ 10% towards return frontage was added & 15% towards advantage of shopping user & 15% towards size & location of the subject property, making total allowance of 40% was considered on the rate of ₹2,590/- per sq.mt. which worked out to ₹3,626/- per sq.mts.. & value of land worked out as:

1,000 sq.mts. × ₹3,626/- = ₹36,26,000/-.

Based on comparable sale instances of flats from the locality of the subject property, which was ₹2,500/- per sq.mt. of built up area, cost towards alternate accommodation to existing tenants occupying 285 sq.mts. was worked out as ₹7,12,500/- & scrap value of existing building admeasuring 445 sq.mts. of built up area was considered at ₹300/- per sq.mt. which worked out to ₹1,33,500/-, thus, total valuation as on 01.04.1981 was worked out to:

Value of land	:	₹36,26,000/-
Add scrap value of existing structure	:	₹ 1,33,500/-
		₹37,59,500/-
Less cost towards alternate accommodation to existing tenants	:	₹ 7,12,500/-
		₹30,47,000/-

District Valuation Officer accepted the method of valuation as prepared by the valuer & he also relied on the same sale instances, however, the District Valuation Officer had considered land rate as ₹2,560/- per sq.mt. & total allowance towards return frontage, shopping user on 44’ wide road side & size of the plot was considered by him at 25%, accordingly land rate was worked out to

₹3,200/- per sq.mt. and total value of the property as worked out by District Valuation Officer was

Value of land	:	₹32,00,000/-
+ scrap value of existing structure	:	₹ 1,35,000/-
		₹33,35,000/-
Less cost towards alternate accommodation to existing tenants	:	₹ 6,85,000/-
		₹26,50,000/-

Case Study-2:

Nature of property : Vacant piece of land acquired for proposed D. P. Road.

Purpose : For computation of capital gain.

Date of valuation : 01.04.1981.

Description of the property:

Out of total land admeasures 2,75,000 sq.mts. situated at Western Express Highway, Goregaon (East) land admeasuring 15,300 sq.mts. was acquired for proposed D. P. Road. Out of 15,300 sq.mts. land admeasuring 7,930 sq.mts. was in industrial zone & remaining 7,370 sq.mts. was in residential zone.

Valuation :

According to provision of Development Control Rules for Greater Bombay as amended up to 1978, the owner was entitle to 100% Floor Space Index of the area required for the road widening, which owner could have consumed on remaining land owned by him, therefore, the value of the land in terms of F.S.I. was worked out by considering comparable sale instances for industrial & residential lands.

According to sale instance for land with industrial user the rate was ₹700/- per sq.mt. & ₹1,200/- per sq.mt. for land with residential user.

As the subject land along Western Express Highway an allowance of 10% was considered on the instance rates which worked out as ₹770/- per sq.mt. for land with industrial user & ₹1,320/- per sq.mt. for land with residential user & accordingly valuation was worked out as under.

Industrial land : 7,930 sq.mts. × ₹770/- = ₹ 61,06,100/-
Residential land: 7,370 sq.mts. × ₹1,320/- = ₹ 97,28,400/-
₹1,58,34,500/-

The District Valuation Officer, I. T. Department, Mumbai, irrespective of user of land considered the rate for the land at ₹995/- per sq.mt. & accordingly worked out to the value as; 15,300 sq.mts. × ₹995/- = ₹1,52,23,500/-.

VALUATION FOR REDEVELOPMENT PROPOSAL OF PROPERTY BY PROPOSING TO UTILISE T.D.R. & FUNGIBLE F.S.I.

Development in Mumbai is governed by the Development Control Regulations for Greater Mumbai, 1991 & amended from time to time.

Vide Notification No. CMS 4311/452/CR-58/2011/UD-11 dated 6th January 2012 the Urban Development Department, Government of Maharashtra has modified the said Development Control Regulations. According to the modifications, sub regulations (3) & (4) are added to Regulation 35 wherein; list of users permitted free of F.S.I. with the special permission of Commissioner, Fungible compensatory F.S.I. over & above admissible F.S.I. may be permitted. Followed by the said modifications, Municipal Corporation of Greater Mumbai issued circular No. CHE/22276/DP/Gen dated 12.01.2012 wherein; the details of quantum of permissible fungible F.S.I. according to the user is quantified as under.

Residential user	:	35%
Non residential user including commercial & industrial user	:	20%

The said fungible F.S.I. over & above admissible F.S.I. shall be allowed by charging premium at the rate of 60%, 80% & 100% of Stamp Duty Ready Reckoner Rates for residential, commercial & industrial user respectively.

In case of redevelopment proposals, for rehab component no premium shall be charged for consumption of fungible F.S.I., however, it is to be distributed on prorate basis for the area of each existing tenements, fungible F.S.I. of one rehab tenement cannot be used for any other rehab tenement or for any of free sale component.

The fungible F.S.I. is interchangeable & usable as a regular F.S.I. It is not necessary that same shall be used only for flower beds, balconies, voids, elevation features etc. It can be used for these purposes and /or for enlarging the room sizes, or / and for additional rooms and / or for more dwelling units.

Case Study

Nature of property : Land with residential society building of ground plus four upper floors occupied by 10 members.

Purpose : Society to negotiate with the developer for compensation & corpus.

Date of valuation : Present.

Description of the property:

The property is situated in Town Planning Scheme of Suburb of Mumbai.

According to Sanctioned Revised Development Plan for Greater Mumbai 1981-2001 extended up to 2013, property falls in Residential Zone.

According to The Development Control Regulations for Greater Mumbai -1991 (As amended up to 15th August 2007), permissible F.S.I. for the Zone is 1.00 & it falls in T.D.R. receivable zone.

Area of land : 1,150 sq.mts.

Total area of existing building: 1,025 sq.mts. of carpet area & 1,140 sq.mts. of built up area.

F.S.I. consumed : 0.99.

The building is more than 55 years old, therefore, society proposed to invite offers from the developers for redevelopment of the property utilizing plot potential, permissible T.D.R. & fungible F.S.I.

[A] <u>Utilization of T.D.R. on the plot:</u>

(a) <u>Premium towards purchase of 33% T.D.R. to be purchased from the Government</u>

According to Government Notification No. TPB-4308/776/CR-127/2008UD-11 dated 24th October 2011 in case of proposals in which it is proposed to utilize T.D.R. it is mandatory to purchase 33% T.D.R. from the Government at a premium to be worked out based on the Stamp Duty Ready Reckoner Rate for the open land for the particular year, which, in subject case is 2012.

Total area of T.D.R. permissible		
100% of net plot area	:	1,150 sq.mts.
33% to be purchased from Government		
(1,150 sq.mts. × 0.33)	:	379.50
		say 380 sq.mts.

The land rate for Village & Zone of the said property is ₹75,500/- per sq.mt. and according to the annexure on page 5 & 6 of the Notification wherein working of premium rate for additional 0.33 F.S.I. is illustrated, for the plot premium towards 33% T.D.R. to be purchased from the Government works out as under.

Rate of developed land is ₹75,500/- per sq.mt. i.e. the rate is between ₹70,001/- to ₹1,00,000/- per sq.mt. & according to the annexure on page 5 & 6 of the Notification it falls in Sr. No. 9 wherein for land rate between ₹70,001/- to ₹1,00,000/- rate of premium is ₹20,300/- + 10% of Ready Reckoner rate exceeding ₹70,000/- per sq.mt.

i.e. ₹20,300/- + [10% of (₹75,500/- less ₹70,000/- = ₹5,500/-)]

= ₹20,300/- + ₹550/- = ₹20,850/- per sq.mt.

Thus, premium amount towards purchase of 33% T.D.R. from Government would be: 380 sq.mts. × ₹20,850/- = **₹79,23,000/-**.

(b) <u>Cost towards purchase of balance T.D.R. from open market</u>

Total T.D.R. permissible	:	1,150.00 sq.mts.
Less 33% T.D.R. to be purchased from Government	:	380.00 sq.mts.
Balance to be purchased from open market	:	770.00 sq.mts.

For the locality, rate of general T.D.R. to be purchased from open market is about ₹2,500/- per sq.ft. / ₹26,910/- per sq.mt., accordingly, cost towards purchase of T.D.R. including completing the formalities for transfer in D.R.C. would be: 770 sq.mts. × ₹26,910/- = ₹2,07,20,700/-.

Add cost towards stamp duty at 3%, registration charges at 1% & other miscellaneous expenses estimated at 2% making a total of 6%, accordingly, total amount would be:

₹2,07,20,700/- × 6% = ₹12,43,242/- & total cost towards purchase of balance T.D.R. from open market works out to: ₹2,07,20,700/- + ₹12,43,242/- = **₹2,19,63,942/-**.

(c) <u>Premium towards 35% fungible F.S.I. for free sale component</u>:

According to Government Notification No. CMS 4311/452/CR-58/2011/UD-11 dated 6th January 2012 read with circular issued by M.C.G.M. bearing No. CHE/22276/DP/Gen dated 12.01.2012, it is permitted to utilize fungible F.S.I. to an extent of 35% of admissible F.S.I. for residential user by charging premium at 60% of Stamp Duty Ready Reckoner rates for developed land, which for the subject land is ₹75,500/- per sq.mt.

As per latest modifications to D. C. Regulations as sanctioned by Government, for residential buildings 35% additional FS.I. / Fungible F.S.I. is permissible on basic F.S.I. as well as on T.D.R., thus, total F.S.I. would be 2.70. Said fungible F.S.I. includes 10% balconies, flower beds, niches, etc Further, as per the notification balcony area cannot be claimed free of F.S.I.

Existing built up area admeasures 1,140 sq.mts. which while redevelopment will be utilized for re-housing existing occupants & in addition 35% i.e. 1,140 sq.mts. × 0.35 = 399 sq.mts. can be added by way of fungible F.S.I. making a total of 1,140 sq.mts. + 399 sq.mts. = 1,539 sq.mts. for re-housing existing occupants.

Total permissible built up area as per F.S.I. 1.00	:	1,150.00 sq.mts.
Add 100% permissible T.D.R.	:	<u>1,150.00 sq.mts.</u>
Total permissible built up area including T.D.R.	:	2,300.00 sq.mts.
Less built up area for rehabilitation of existing occupants	:	<u>1,140.00 sq.mts.</u>
Balance area towards free sale	:	1,160.00 sq.mts.
Area of 35% fungible F.S.I. for free sale component 1,160 sq.mts. × 0.35	:	406.00 sq.mts.

Thus, total premium amount payable for 35% fungible F.S.I. for free sale component would be:

406 sq.mts. × ₹75,500/- × 0.60 = **₹1,83,91,800/-**.

(d) **<u>Premium towards staircase / lift area to be paid to M.C.G.M:</u>**

According to Government Notification No. CMS 4311/452/CR-58/2011/UD-11 dated 6th January 2012 read with circular issued by M.C.G.M. bearing No. CHE/22276/DP/Gen dated 12.01.2012, staircase / lift area can be claimed free of F.S.I. with special written permission of Municipal Commissioner by paying premium at 25% of Stamp Duty Ready Reckoner rates for developed land, which for the subject land is ₹75,500/- per sq.mt. Staircase & lift area is estimated @ 10% of 2,300 sq.mts. which works out to 230 sq.mts.

Total premium amount towards staircase / lift area:

230 sq.mts. × ₹75,500/- × 0.25 = **₹43,41,250/-.**

Total amount of **(a)** to **(d):**

₹79,23,000/- + ₹2,19,63,942/- + ₹1,83,91,800/- + ₹43,41,250/- = ₹5,26,19,992/- [I]

[B] <u>Cost of construction:</u>

Prevailing cost of construction for residential buildings in Suburbs with standard amenities and specifications is estimated at ₹25,000/- per sq.mt. of built up area.

<u>Total estimated cost of construction</u>:

Built up area	:	2,300.00 sq.mts.
+ Fungible for rehab	:	399.00 sq.mts.
+ Fungible for free sale	:	406.00 sq.mts
+ Staircase and lift area	:	230.00 sq.mts.
+ Stilt area	:	125.00 sq.mts.
(For cost of construction considered @ 50% of proposed 1st floor.)	:	3,460.00 sq.mts.
Estimated cost of construction	:	
3,460 sq.mts. × ₹25,000/-	=	**₹8,65,00,000/- [II]**

[C] <u>Cost towards transit accommodation to existing occupants:</u>

Cost towards transit accommodation to existing occupants for 24 months is estimated @ ₹650/- per sq.mt. of carpet area per month.

1,025 sq.mts. × ₹650/- × 24 month = **₹1,59,90,000/- [III]**

[D] Other expenses such as payment to be made to M.C.G.M. under various heads like scrutiny fee, development charges, premium, etc. is estimated @ ₹6,500/- per sq.mt.:

2,300 sq.mts. × ₹6,500/- = **₹1,49,50,000/- [IV]**

[E] Other expenses / out of pocket expenses is estimated at ₹6,500/- per sq.mt.: 2,300 sq.mts. × ₹6,500/- = **₹1,49,50,000/- [IV]**

[F] Payment towards professional fees to Architect, Structural Engineer, Registered Site Supervisor is estimated @ 10% on the cost of construction of ₹8,65,00,000/- i.e. **₹86,50,000/- [VI].**

Total of [I] + [II] + [III] + [IV] + [V] + [VI] =

	₹ 5,26,19,992/-
+	**₹ 8,65,00,000/-**
+	**₹ 1,59,90,000/-**
+	**₹ 1,49,50,000/-**
+	**₹ 1,49,50,000/-**
+	**₹ 86,50,000/-**
	₹19,36,59,992/-

Add interest on block up capital @ 21% per annum i.e. 42% for 24 months on ₹19,36,59,992/-, which works out to ₹8,13,37,196.64 say **₹8,15,00,000/-**, making a total of project as :

	₹19,36,59,992/-
+	**₹ 8,15,00,000/-**
	₹27,51,59,992/- {X}

[G]Area available to developer for sale in open market would be:

1,160 sq.mts. + (1,160 sq.mts. × 0.35 fungible)

= 1,566 sq.mts.

Prevailing rate of ownership flats in newly constructed buildings in the locality is estimated at ₹2,25,000/- per sq.mt. of built up area, accordingly proceeds available to the developer on sale of 1,566 sq.mts.:

1,566 sq.mts. × ₹2,25,000/-	= **₹35,23,50,000/-**
Deduct :	
Cost of project as worked out above {X}	= **₹27,51,59,992/-**
	₹ 7,71,90,008/-

Completion period for redevelopment project is estimated as two years, therefore, present value of **₹7,71,90,008/-** is deferred for two years @ 10%, accordingly, differed value works out to:
₹7,71,90,008/- × 0.82645 = ₹6,37,93,682.11 say **₹6,37,95,000/-**.

Based on above society can negotiate with the developer for the corpus.

CHAPTER – 12

VALUATION PRACTICE IN INDIA & ABROAD

In India at present there is no legislation to regulate the profession of Valuation. The minimum qualifications required for the Registration as a Valuer are defined under Section 34AB of Wealth Tax Act 1957 for carrying out Valuation of restricted purposes of which details are already descried in earlier chapter.

In our Country by and large Valuation is part of discipline in Architecture and Engineering Studies. With the result at present Valuation practice is predominantly carried out mostly by practicing Architects and Engineers, sometimes without any training in other essential disciplines related to Valuation.

The Valuation besides engineering subjects requires adequate knowledge of Law, Economics, Insurance, Environment Science etc. coupled with desired experience. It is heartening to note that some of the universities are now covering education and training in related disciplines essentially required for valuation.

In United Kingdom (UK) and Canada it is mandatory for a professional to practice as Valuer has to be the member of "Professional Valuation Society", possessing academic qualifications as laid down, who are usually qualified Chartered Surveyors specialized in property Valuation with experience and training in Valuation. The property Valuation in UK is regulated by the Royal Institution of Chartered Surveyors (RICS), a body of building and property related professionals, who publish professional guide lines for valuation practice. U.S.A. and other countries have its own regulations and criteria for the registration of professional who intend to practice as Valuer.

The methods adopted for Valuation in our country are explained in detail in earlier chapter, however, for the purpose of comparison, in United Kingdom valuation methodology is classified in following five methods.

1) **Comparative Method:-** For the properties where there is adequate evidence of previous sale instances.

2) **Investment Method:-** For the commercial – residential properties producing future cash flows through letting out of premises.

3) **Residual Method:-** For the development, redevelopment properties and vacant land etc.

4) **Profit Method:-** For trading properties i.e. Hotels, Restaurants etc.

5) **Cost Method:-** For the lands & buildings of special character offering public services and having heritage value.
   It is essential that there should be uniform standards for minimum qualifications, set regulations, training and experience according to which the Valuer has to render his professional services as Valuer.

PEATA'S PRIDE PUBLICATIONS

1980 : THEME DOCUMENTS : REPAIR BOARD : ACTIVITIES, PROBLEMS AND SOLUTIONS

1981 : THEME DOCUMENTS : PLANNING, EXECUTION & MAINTENENCE

1982 : THEME DOCUMENT ON VALUATION

1983 : THEME DOCUMENT : REVISED DEVELOPMENT PLAN AND DEVELOPMENT CONTROL RULES FOR GR. MUMBAI

1984 : THEME DOCUMENT ON DETAILING OF R.C.C. STRUCTURES

1986 : GREEN BOOK : CODE OF CONDUCT & PRACTICE FOR ALL COMPONENT AGENCIES OF BUILDING INDUSTRY

1987 : THEME DOCUMENT ON SAFTY MANAGEMENT

1988 : BUILDING PROPOSAL MANUAL : JOINT VENTURE OF MCGM & PEATA

1989 : THEME DOCUMENT : HOUSING OPPERTUNITIES, PROPERTIES AND EVOLUTION OF SOLUTIONS.

1992 : THEME DOCUMENT ON D.C.R. 1991 : RESULTS, REVIEWS & REMEDIES

1997 : BUILDING PROPOSAL MANUAL : 1ST REVISION-1997 (4TH EDITION)

1997 : THEME DOCUMENT ON PROFESSIONAL PRACTISE FOR ARCHITECTS

1998 : HAND BOOK & GUIDE ON : D.C. REGULATINS 1991 (6TH EDITION)

1999 : HAND BOOK & GUIDE ON : FIRE SAFETY IN HIGH RISE BUILDINGS

2000 : HAND BOOK & GUIDE ON : REAL ESTATE TRANSACTIONS, REDEVELOPMENT OF SOCIETY BUILDINGS : 4THEDITION

2003 : HAND BOOK & GUIDE ON SITE SUPERVISION (2ND EDITION)

2003 : PEATA (I) PARIVAR : DIRECTORY OF PEATA MEMBERS (NOW UPDATED)

2004 : HANDBOOK & GUIDE ON : SLUM REHABILITATION SCHEMES IN GR. MUMBAI

2009 : HANDBOOK & GUIDE ON : WORKING OF DEVELOPMENT PLAN DEPARTMENT OF MCGM (JOINT VENTURE OF MCGM & PEATA)

2010 : COMPILATION OF CIRCULARS UP-TO-DATE

2012 : HAND BOOK & GUIDE : IN WONDERLAND OF VALUATION PRACTICE

2012 : मुंबईचा पाणीपुरवठा किती खर्चाचा किती कष्टाचा

2012 : गृहनिर्माणसंस्थेच्या इमारती : देखभाल आणि पुनर्विकास

2012 : माहिती अधिकार : जनहित याचिका : लोकअदालत

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