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Ref. No. MCHI/PRES/20-21/079

December 29, 2020

To,
Shri Jitendra Bhople
Deputy Director of Town Planning (Valuation)
Mumbai Region
Fort, Mumbai

Sub: Request for Recalibration for Ready Reckoner for the year 2021-22

Ref: Meeting Notice dated 17th December 2020

Respected Sir,

Thank you for giving us the opportunity for inviting our suggestion with regard to ASR rates for the year 2021-22.

The real estate sector has been trying to recover from the impact of the various structural reforms like demonetization, RERA, GST, NBFC liquidity crisis and the ongoing pandemic is the last nail in the coffin which had hit the sector one after the other without any breather. Hence we request you to please consider our below suggestion.

CREDAI-MCHI suggestions for ASR 2021-22

- 1) Government of India while finalizing Goods & Service Tax Act (GST) has considered land cost at 1/3 of the total Cost of the Immovable Property. However as per the present Annual Schedule of Rates of Maharashtra the land rates are at 50% to 60% of Built-up area rates of residential property. This contradiction in valuing the land is unfair and is clearly an injustice to the public at large. **Hence we hereby request you that land rates should not be more than 33% of Built-up area rates of residential premises.**
- 2) Moreover, very few transactions of sale of land are happening as compared to sale of residential/commercial premises. Thus the present rates of land in ASR are not based on statistics and not scientific. Various analysis and reports have clearly brought out the fact that the current day premiums and charges payable to the government (all linked to land ASR) are around 20%~25% of the residential sale value. Another 30%~40% of the sale price goes towards the construction cost. Accounting for other administrative, marketing and finance costs which is another 15%~25%, the land rates should be under any scenario, be less than 20%-25% of residential sale rates or **not be more than 30% of Built-up area rates of residential premises as per ASR.**

- 3) Due to RR rates announced on 14th September 2020 various zones have further been divided in sub zones arbitrarily and thus ASR rates of several land parcel were increased over night even though the actual capital value based on demand was totally different. **Mentioned below are the few examples of the harsh & repressive approach of the Stamp & Valuation Authority.**
- (a) Few Land parcels in Village Bandivali, Taluka Andheri was changed to a different sub zone. Earlier ASR rate of the said land was Rs: 44900/sq.mtrs however overnight it became at Rs: 63010/sq.mtrs. **The increase in ASR is more than 40 %.**
 - (b) One land parcel was earlier in Sub-Zone 102/482 which was later included in Sub-zone 102/483. Thus the ASR of that particular area was changed from Rs.44300/Sq.Mt. to Rs.78640/per Sq.Mt. **The increase in ASR is more than 85 %.**
 - (c) Similarly, CTS 7643 of Bandra Division i.e. the Bharat Nagar slums earlier in zone 31/172 of 2018-2019 RR was included in zone 31/173 A i.e. the 'G' Block of the BKC of 2020-2021 RR. **This changed the RR Rate of the slums by 60% overnight and brought the Bharat Nagar slums at par with the 'G' Block of BKC.**
 - (d) Cascading effect of due to this illogical increase in ready reckoner rate can be seen when it goes for further permissions of development and end result is real estate project become unviable which defeats the sole aim of providing "Housing For All"
- 4) In other major cities of India, ASR rates are increased only once in 3~5 years, Mumbai is the only exception where it is done every year. Hence we hereby suggest you that ASR should be increased only after 5 years. This will help the real estate industry to stabilize and shall generate more revenue to the Government in the long run.
- 5) Presently the method for valuing the land as per ASR for the purpose of land transaction is hypothetical. Today for the purpose of transacting the land sale/purchase and stamp duty; the Land is valued by considering FSI of 3.00 because of future potential by way of premium FSI + TDR FSI+ Fungible FSI. **This is a draconian way of calculating land value.** It is to be noted these FSI are not free and are optional. Hence we hereby suggest that for the purpose of stamp duty & registration the Land valuation should be calculated on basic FSI only. (Basic FSI in City 1.33 & Suburbs 1.00)
- 6) Cessed Building with Land should be given 90% depreciation.

- 7) **Encroached Lands and/or Slum Lands should be valued at 25% ASR rate that too on the basic FSI.**

Today the open market transactions of lands which are encroached or having slum are valued at negligible rate. However, there are no provisions in ASR for valuation of such lands and hence presently these lands are valued by considering regular valuation methods of ASR. This is totally unfair and unnecessarily creates tax liability to Seller and/or to the Purchaser. Even Government charges premium for encroached or slum land owned by it @ 25% of RR Rate.

- 8) **Under construction property to be discounted by, up-to 30% over ready premises with O.C.**

As a general practice, for stamp duty valuation, the ASR rate applicable on the date of valuation is taken as the valuation consideration irrespective of whether the residential unit is ready for immediate possession or is still under construction with a delivery 3~4 years from the date of valuation. It may be appreciated that from a consumer perspective, the flat becomes usable only post possession which is 3~4 years ahead in time.

- 9) **Request to either have a separate appropriate column for IT/ITES Built-up Area in the ASR table or else please update the guidelines to value IT/ITES BUA at 50-60% of BUA rates of Commercial Premises. It is to be noted that commercial premises provide for a better benchmarking of IT / ITES vis-à-vis Industrial.**

- 10) **Development / JV Agreement to be charged at 1 % as Government will get full stamp duty of transactions at the time of flats sale & during conveyance.**

Sir, we humbly request you kindly consider our above mentioned suggestion in Positive manner and make the necessary corrections.

Thanking you,

Your sincerely,
For CREDAI-MCHI



Deepak Goradia
President



Pritam Chivukula
Hon. Secretary