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Ref. No.: MCHI/PRES/18-19/303

June 11, 2019

To,
Hon'ble Shri Devendra Fadnavis
Chief Minister
Government of Maharashtra
Mantralaya
Mumbai 400 032

मुख्यमंत्री सचिवालय
महाराष्ट्र शासन
मंत्रालय, पुणेई - ४०० ०३२.
दिनांक..... 11/6/19

Subject :- Drawing your kind attention to some of the IT/ITeS sector issues

Respected Sir,

For the past few years, we as CREDAI-MCHI have been trying to bring to your notice the ever-increasing Ready Reckoner Rates and its impact on the cost of projects and thereby the landed price in the hands of the end buyer. The situation has already come to a point beyond which it shall become untenable for the industry and it may lead to a catastrophic situation; it is the end buyer who suffers the most. The Ready Reckoners have become a kind of a vicious cycle - as the government increases the Ready Reckoner Rates, the market is forced to correct itself to at least match the increased rates thereby increasing the median rate of the market, in the absence of any other economic or civic factor to drive prices upwards. Besides, there are pain areas related to premiums and GST chargeable on lease rentals that needs immediate attention.

A. RECALIBRATION OF IT-ITeS LAND / SALE RATE ASR TO 50% OF COMMERCIAL RATE

We take this opportunity to bring to your kind notice one such anomaly in the ASR which has been a pain area for a while and has impacted sales in IT-ITeS Buildings across MMR. From being the IT-ITeS hub, MMR seems to be losing out to other cities and states like NCR, Bengaluru, Hyderabad, Chennai etc. primarily owing to rates.

Vide provisions of guideline 8 (c) of the Government Guidelines & Instructions to be Used for Market Valuation as per Stamp Duty Reckoner, it is provided that IT / ITeS premises should be valued at the rate applicable to Industrial premises and where Industrial premises rates are not provided for, it should be valued at 110% of Residential premises rate in that zone.

A perusal of the ready reckoner for the year 2017-18 applicable to the key IT / ITeS destinations across MCGM limits, reveals the following :

1. For all the zones & sub-zones, industrial premises ready reckoner rates have been provided;

2. The industrial premises rates are almost at par with residential premises rates. Out of 50 sub-zone checks, only in 10 cases a slight variation was observed between the two rates. (Please refer Annexure I : 2017 ASR Rates of Sample Sub-Zones)
3. The industrial premises rates across these 50 sub-zones was found to be approximately 88% of the commercial premises rates.

Sir, the provisions of guideline 8 (c) is a welcome noting but does not help address the anomaly in any way. This is an anomaly in the ASR which has been a pain area for a while and has impacted sales in IT-ITeS Buildings across MMR.

In ASR, while there is provision for Industrial, Residential & Commercial properties to be valued, there is no separate consideration for IT Park; in the absence of which, IT & ITeS properties are also valued at par as Commercial Property. Sir, you would agree that IT-ITeS, for its inherent operational parameters cannot be treated at par with Commercial, and hence deserves a separate treatment. While the rent and capital values of IT-ITeS properties are 50%~60% lower than that of commercial in a location, for Stamp Duty purposes, they are valued at Commercial Property rates, thereby increasing the cost of transaction. For e.g., in Lower Parel, while IT-ITeS deals are happening at Rs.17,000/-, the ASR applicable to IT-ITeS (at par with Commercial) is Rs.30,000/-~Rs.32,000/-. Many deals including huge in-flow of FDI are stuck owing to this anomaly in valuation which is creating an ironical situation where, while on one side, the Government's laudable & noble intentions and objective is to create jobs & affordable housing and such anomalies in taxation are leading to a flight of jobs to other cities.

In order to do away with the anomaly and to give IT-ITeS its rightful due, we as CREDAI-MCHI would like to sincerely request you to either have a separate appropriate column for IT-ITeS in the ASR table or else please include a rider in the ASR table to value IT-ITES at 50-60% of commercial rate applicable. Your Government's IT Policy 2015 has provided for various concessions and relief to the IT / ITeS sector and has been widely lauded. A favorable consideration of our prayer shall go a long way in boosting the Government's revenue and in implementation of the IT / ITeS Policy in the state.

B. Re-Calibrate Land Value for IT / ITeS premises at 50% of the Stamp Duty Valuation of IT / ITeS premises

Land ready reckoner rates remain another big impediment in making the IT Policy 2015 a grand success. Since the introduction of fungible FSI, all premiums approval charges have been linked to land ready reckoner rates. In case of IT / ITeS premises, it is a double whammy for the developer / promoter as while deals happen at almost 50% of the commercial premises rates, the stamp duty rate is roughly 88%, the developer / promoter is forced to pay all premiums and approval charges at standard land rates applicable to commercial premises.

It is our earnest request that land rates for IT / ITeS premises be re-calibrated in line with the re-calibrated IT / ITeS premises ready reckoner rate. As per our analysis of Annexure I, the standard land rate is on an average 53% of the Commercial premises rate. As proposed in the point [A] above, the ready reckoner

rates should be made 50%~60% of the Commercial premises rate. So effectively, for an IT / ITeS proposal, the land rate should be taken as roughly 50% * (50%~60% of the Commercial premises rate), that is to say, **land rate for IT / ITeS should be re-calibrated to 25% ~ 30% of Commercial premises rate.**

By bringing the afore-mentioned parity in the ready reckoner rates for IT / ITeS premises, not just would the IT Policy 2015 get a great fillip, it will help deals including FDI inflow that are currently stuck for this clarity and also help convert many lease transactions into outright purchases. This would only help generate more stamp duty revenue for the state. (Stamp Duty for Leave & License is 1/10th of normal duty).

C. DCPR 2034: PREMIUM PAYABLE FOR ADDITIONAL FSI TO BE REDUCED TO 30%

We refer to regulation 33(13) - Buildings of Information Technology Establishments, wherein there seems to be an inadvertent oversight/misprint with regards to the rate of premium payable for additional FSI. In its current form, the regulation reads: -

“The additional FSI shall be granted beyond permissible FSI as per regulation 30(A) (10 upon the payment of premium. Such premium shall be recovered for the BUA at the rate of 50% of ASR for open develop land (for FSI)”.

Sir, may we request your good-self to kindly look into the matter and restore the premium for additional FSI to 30% as against 50% proposed in the Final DCPR 2034.

D. All types of office users such as Corporate / Branch offices / Head Quarters to be allowed as users in IT / Business Parks, They should not be insisted for IT unit registration if no benefits of stamp duty, etc. are availed by such units.

E. HIGH GST ON COMMERCIAL, OFFICE / IT PREMISES ON RENTAL BASIS @ 8%:

When you rent out a residential property for residential purpose, it is exempt from GST. Any other type of lease or renting out of immovable property for business would attract GST at 18%, as it would be treated as a supply of service.

At this juncture we would also like to draw your kind attention that with an enabling IT policy, the state needs to look at viability of business of such IT/ITeS and new age companies as well so as to make Maharashtra the most favoured destination for investments in the IT and ITeS industry and across the other sectors as well. We remain hopeful to regain our lost glory and ground! As the key competition stems in from cities like Bangalore, Chennai, Hyderabad & Noida near NCR, it is indispensable that any taxation being proposed needs to be lower than the existing tax structure in these cities.

In order to make leasing of IT-ITeS premises competitive and to have operational viability, we hereby request the GST rate applicable on IT Parks for sale or lease to be brought down to 8%. This would help boost further leasing of IT-ITeS premises.

CREDAI-MCHI's Key Prayer

- A. Have a separate appropriate column for IT-ITeS in the ASR table or else please update the guidelines to value IT-ITES at 50-60% of commercial rate applicable;
- B. Land rate for IT / ITeS should be re-calibrated to 25% ~ 30% of Commercial premises rate;
- C. Restore the premium for additional FSI to 30% as against 50% proposed in the Final DCPR 2034.
- D. All types of office users such as Corporate/ Branch offices/ Head Quarters to be allowed as users in IT / Business Parks, they should not be insisted for IT unit registration if no benefits of stamp duty, etc. are availed by such units.
- E. GST rate applicable on IT Parks for sale or lease to be brought down to 8%.

Thanking you,

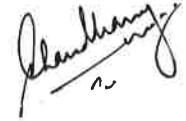
Your sincerely,
For CREDAI-MCHI



Nayan A. Shah
President




Bandish Ajmera
Hon. Secretary





Sanjiv S. Chaudhary MRICS
Chief Operating Officer

CC:

- 1) Hon'ble Shri Subhash Desai, Minister for Industries & Mining, Mantralaya, 4th Floor, Mumbai - 400032
- 2) Shri Ajoy Mehta (I.A.S.), Chief Secretary, Government of Maharashtra Mantralaya, Mumbai
- 3) Shri Satish Gavai (I.A.S.), Additional Chief Secretary, Industries Department, Annex -114 Mantralaya, Mumbai


11/6/19
मुख्य सचिवार्थे कागदपत्र
सामान्य प्रशासन विभाग
मंत्रालय, मुंबई ४०००३२


11/6/19
मंत्रा, उद्योग, खनिकामें
यांचे कार्यालय
महाराष्ट्र शासन
मंत्रालय, मुंबई ४०० ०३२


11-6-19
अ.मु.स. (उद्योग), ११४ कार्यालय
उद्योग, उर्जा व कामगार विभाग
मंत्रालय, मुंबई ४०० ०३२