

S. S. Hussain I.A.S. (Ex)

Chief Executive Officer

Ref. No.: MCHI/CEO/15-16/199

January 21, 2016

Sub.: Clarification of 22% ULB & Government Charges in an average project in Mumbai and Industry request for rationalization

Dear

In our presentation to the Hon'ble CM on 5 lakh affordable houses, as part of accelerators and facilitators, we had presented a working of various costs of a project as a percentage of sales proceeds of the project. As per that slide / working, as reproduced below, the total taxes payable to the government at various levels and in various forms was to the tune of 38% of sales proceeds in Mumbai wherein, 22% were directly payable towards various development linked approvals & premiums.

Reduce Taxation for Affordable Housing

	NCR	MUMBAI
Service tax	4%	1%
VAT / CST / WCT	3%	1%
Labour cess	1%	0%
Custom duty	1%	0%
ULB and Government Charges	4%	22%
Income Tax	2%	3%
Total tax to developers (A)	14.53%	27.04%
Stamp duty	6%	5%
Service tax	4%	4%
VAT / CST / WCT	1%	1%
Labour cess	0%	1%
ULB Charges	3%	0%
Total tax to customers (B)	13.60%	11.20%
Total Tax from the project (A+B)	28.13%	38.24%

High taxation structure affects feasibility for low margin affordable housing, making them less attractive for both developers & buyers

MCHI - CREDAI

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20/1/16

P. A. to Secretary
Chief Minister's Secretariat
Mantralaya, Mumbai 400 032

As part of our discussions, please find below the actual balance sheet of a sample project of one of the prominent projects in suburban Mumbai for your perusal and analysis. As a Chamber, we would like to stress upon the point that the workings are on the basis of the actual sales proceeds and costs incurred on the sample project and nowhere is a reference made to the ASR value.

Sample Project Details		Location: Mumbai	
Summary		In Rs Lacs	
Sales Value		50700	
Taxes Paid by Customers		18290	
Tax in % Paid by Customers		36%	
#	Particulars	Rs Lacs	% of Sales
A.	Taxes Paid by Developer	12,588	24.8%
1	Stamp Duty & Registration	166	0.3%
2	VAT / Sales Tax	453	0.9%
3	Service Tax	329	0.6%
4	Octroi	4	0.0%
5	Custom Duty	14	0.0%
6	Labour Welfare Cess	226	0.4%
7	Survey Fee	1	0.0%
8	Property Tax	215	0.4%
9	Approvals **	11,180	22.1%
B.	Taxes Paid by Customer	5702	11.2%
1	Stamp Duty	2535	5.0%
2	Service Tax	2130	4.2%
3	VAT	507	1.0%
4	Labour Welfare Cess	507	1.0%
5	Registration	23	0.0%
C.	Total Tax Paid by Customers (A) + (B)	18290	36.1%
	The Total Sales Value From the Project[#]	50700	100.0%

The above is one such specific instance taken into account while working out the cost details. We request your kind attention to the above.

With respect to the various ULB charges & premiums, MCHI-CREDAI and its members would like to draw your kind attention to the premium being charged in other states / cities which should be treated as a benchmark before fixing such premium charges in the city of Mumbai. The table below highlights that while the other states also charge premium on the basis of ASR rates of land, however, the rate being charged remains range bound within 10%~40% of ASR rates of land, on an average.

	Premium Charged
Uttar Pradesh	@40% of ASR rate of land
Karnataka	@40% of ASR rate of land
Rajasthan	@40% of ASR rate of land
Andhra Pradesh	Minimal "Impact Infra Cost"; Rs.30/-~35/- per sq.ft. average' roughly 6%~8% of ASR rate of land
Gujarat	@40% of ASR rate of land
Chennai	For Base FSI of 1.5, @67% of ASR rate of land, @50% of ASR rate of land for FSI of 2.0; @40% of ASR rate of land for FSI of 2.5
	Free of charge for LIG & MIG housing

It may also be seen from the above table, that for LIG & MIG housing in Chennai, premium FSI is provided to developers free of charge.

Basis the above, in order to help create more affordable housing, MCHI-CREDAI strongly recommends such premium charges to be capped at a maximum of 25% of the land rates of Annual Statement of Rates (ASR) of the year, with an additional proposal to keep LIG & MIG housing out of this purview.

It is our earnest plea that the State should take the above burden on the common man into cognizance and seriously review the following to make affordable housing a reality in MMR:

1. Limit the total taxes of 38% to a maximum of 20%.
2. Cap all individual premium and charges to a maximum of 25% of ready reckoner value

Please appreciate that the above plea is being made only keeping the interest of the common man in mind to realize the dream for all by 2022. The above step shall directly reduce the project cost, which when passed on to the end user, will boost his purchasing power and his affordability. Your co-operation and support in this regards is critical.

Yours


S. S. Hussain

To
Shri Pravin Darade (I.A.S.)
Secretary to Hon'ble Chief Minister,
Government of Maharashtra
Mantralaya,