

Getting your property registered?

The recent increase in circle rates means that both buyers and sellers will have to pay more for stamp duty, registration and applicable taxes

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LEGAL REMEDIES

Undervaluation of property prices is a significant factor contributing to circulation of black money and avoidance of stamp duty. In order to curb the menace of heavy undervaluation of transactions of immovable property, state governments regularly fix and revise circle rates. Circle rate is the minimum rate for valuation of immovable properties for the purpose of calculating stamp duty. Circle rates are taken into consideration by the competent registering authorities at the time of registration of documents relating to transactions of immovable properties.

The Delhi government has once again revised the circle rates under the Indian Stamp Act, 1899, as applicable to Delhi and Delhi Stamp (Prevention of Undervaluation of Instruments) Rules 2008 for properties in Delhi. The revised circle rates have come into effect from September 23, 2014, and have superseded the circle rates last prescribed by the Delhi government in December 2012.

The circle rates which are applicable to a particular prop-

erty depend on various aspects. For instance, circle rates differ on the basis of the prescribed usage of the land/property, which could be for residential, commercial, industrial or any other use. In Delhi, circle rates are much higher for commercial and industrial land as compared to residential. Circle rates also differ on the basis of category of locality where the immovable property is located.

In Delhi, the govern-

ment has divided all localities into eight different categories, ranging from A to H. Each category has a different circle rate with more affluent areas having higher circle rates in comparison to the less developed areas. Within a year's time, circle rates in category A properties have increased from the pre-

vious rate of ₹6.45 lakh per square metre to the current rate of ₹7.74 lakh per square metre. Rates in other categories, too, have moved up accordingly (Refer to table for revised circle rates for residential land in Delhi).

Circle rates also prescribe the minimum rate of construction for ascertaining the minimum valuation of built-up properties (on per square metre basis). These rates depend on the category of locality, the purpose for which the property is being used — residential or commercial etc; the year of completion of construction and the quality of construction [whether pucca (permanent), semi-

MINIMUM LAND RATE FOR RESIDENTIAL USE

Category of the locality	Minimum rates as notified on December 4, 2012	Minimum rates as notified on September 22, 2014
A	645000	774000
B	204600	245520
C	133200	159840
D	106400	127680
E	58400	70080
F	47200	56640
G	38500	46200
H	19400	23280

All values in ₹ per sq metre

pucca or kutchra (temporary)].

Regarding flats in Delhi, the minimum value of built-up rate depends on whether a flat is located in a Delhi Development Authority (DDA)/cooperative/group housing society or whether a flat has been developed by a private builder. Minimum built-up rate for flats developed by private builders is higher than that of flats in DDA/cooperative/group housing societies. Additionally, the minimum built-up rate for flats in buildings with more than four storeys is greater than that of flats in buildings that are up to four storeys high.

The new circle rates may help curtail the circulation of the black money component in real estate transactions in areas where the market rate is higher than the circle rate. However, in areas where the actual market rate is lower than the circle rate, this revision will increase the

stress on sale/purchase transactions of properties. An increase in circle rates does not necessarily mean an equivalent proportionate increase in property prices and with this latest hike in the circle rates, buyers and sellers will have to pay more for stamp duty, registration fee and applicable taxes.

The recent revision in circle rates shows that the 20% increase in circle rates across all categories/localities has taken place without any in-depth study or research with respect to actual market rates of properties situated in areas falling in different categories.

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