

**GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(RAILWAY BOARD)**

No. 2010/LML/18/64

9/11
New Delhi, Dated: 11.07.2018

General Managers,
All Zonal Railways.
(Including Production Units, DG/RDSO)

Sub: Procedure for assessment/re-assessment of rent to be charged from other Government department except P&T where the whole railway building or part of the building is given on rent.

The rent to be charged for the railway building allotted to other Government department for their exclusive use is prescribed in Engineering Code para 1942. The procedure given in the Engineering code is only for two classes of building, i.e., Pucca(permanent) and Kaccha (temporary). The procedure given is also for the calculation of rent for the whole building, nothing is mentioned in Para 1942 regarding how to calculate the rent if only a part of the building is given to other Government department. As such, the need is felt to re-visit the procedure given in Engineering Code para 1942 taking into consideration the method adopted by the CPWD for calculation of the rent for the whole of the building or part of the building. The details are as under:

1. The reasonable rent shall be relevant to a date (referred to hereafter as 'date of assessment') as specified by the Hiring department. The relevant date in respect of reassessment of rent shall be the date from which the revision is due and the rent shall be assessed according to the following method:-
 - (i) On the basis of recognized principles of valuation
2. The assessment of reasonable rent according to the recognized principles of valuation which represents reasonable annual return on the property shall be done in accordance with the method prescribed as hereunder:-
 - (i) Workout the depreciated cost of the building (D) as on the date of assessment. First of all reproduction/reconstruction cost of the building (C) shall be worked out as on the date of assessment, based on the ruling cost of building construction in the locality. The depreciated cost shall accordingly be calculated taking the end residual value of the building as 6% of its reproduction cost and assuming a straight line variation of depreciation depending on the age of the

building (A) as on the date of assessment and its total serviceable life (A+R), where 'R' is residual life of the building as on the date of assessment, which shall be worked out with due care and keeping in view the type of structure and specifications adopted in its construction.

In other words, $D = C - \frac{0.94 \times C \times A}{A+R}$

(ii) The expected serviceable life of various types of building shall be taken as mentioned below:-

(a)	Monumental structures	100 years
(b)	RCC framed structures	75 years
(c)	Load bearing structures	55 years
(d)	Semi permanent structures	30 years

(iii) Work out the land area appurtenant to the building (La) by taking into account the local bye-laws for permissible ground coverage and accordingly work out the surplus land area (Ls) as $L - La$, where L = total land area. For example, if the permissible ground coverage as per local bye-laws is 'X%' and the plinth area of the building at ground floor (i.e., actual; ground coverage) is

$$Y \text{ Sqm, } La = \frac{Y \times 100}{X} \text{ Sqm,}$$

subject to the condition however that if 'La' works out to be more than 'L', which might be the case if actual plinth area at ground floor is more than what is permissible according to the local bye-laws, the same shall be restricted to 'L'. There would accordingly be no 'Ls' in such cases. In case, no local bye laws exist in the locality, comparison shall be made with the general practice in the locality.

(iv) Ascertain the prevailing land rate in the locality.

The land rates as notified by Revenue authority shall be adopted. If building is for residential purpose then land rate for residential use shall be adopted and for other purpose, the land rate for commercial use shall be adopted. Preferably authenticated documents or if the same are not made available by the concerned authorities, at least reference of such documents shall be kept on record in support of the land rate considered as prevailing in the locality.

(v) Workout the cost of land area appurtenant to the building and that of the surplus land area as discussed in Para 2(iii) above, separately.

While working out cost of surplus land, care shall be taken that only

that portion of the surplus land is taken into account which enhances utility of the property by way of improved access or parking facilities or any other such utilization.

- (vi) Add the cost of the appurtenant land area to the depreciated cost of the building to find out the net value of the property if the building as a whole is not proposed to be hired, the net value of the property shall be reduced accordingly keeping in view the built up area of the premises to be hired and total built-up area. Care shall be taken that if the area of common utilities, such as staircase, toilets, corridors, etc. are being or shall be used by more than one user on a particular floor or in a particular wing, only proportionate built up area of such common utilities is considered in working out the built up area of the premises to be hired.
- (vii) The annual rate of return on the net value of the property referred to in Para 3(vi) above shall be worked out as follows:-
 - (a) In case of cities/towns which come in 'x' and 'y' classification of cities/towns for the purpose of House Rent Allowance(HRA) – 8% for non-residential use of the property and 7% for residential use.
 - (b) In case of other cities/towns – 7% for non-residential use of the property and 6% for residential use.
- (viii) For the surplus land within the compound of the property which would offer improved access and/or parking facilities etc., the annual rate of return on the cost of the said surplus land shall be taken as 7% in case of places mentioned in Para (vii)(a) and 6% in case of places mentioned in Para (vii) (b) above, both for non-residential and **residential use of the property**. The area of surplus land shall be reduced accordingly keeping in view the built up area of the premises to be hired and total built-up area, if building as a whole is not proposed to be hired.
- (ix) The net annual returns on the property including surplus land, if any, shall be worked out by addition of the returns as worked out in Para (vii) (a)/(b) and that in Para (viii) above.
- (x) The following factors shall further be added to the figure as arrived at in Para 2(ix) above to work out the gross annual return, i.e., reasonable rent per annum.

(a) Municipal tax (house/property tax) as per actual. If actual figures are not available, municipal taxes shall be assessed based on the rateable value of the property in accordance with the relevant local/municipal bye-laws. If the building as a whole is not proposed to be hired, the Municipal tax shall be carefully worked out on prorata basis.

(xi) Maintenance and repairs at the rate of 12% of the annual return on the property as arrived at in Para 2(vii)(a)/(b) above. If any statutory provision exists in the areas binding the landlord to defray certain minimum expenses on maintenance and repairs, the same shall be duly accounted for.

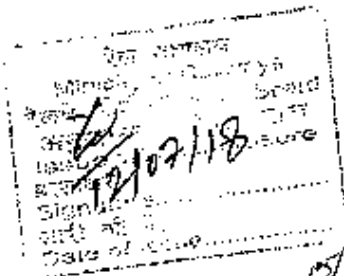
(xii) The rent of building is required to be reassessed every year as on 1st April by following the procedure as mentioned above.

3. The rent assessment/re-assessment shall be done by a Hiring Committee headed by Sr. DEN under whose jurisdiction the building proposed to be hired stands. The other members of the Hiring Committee shall be Sr. DEE(G) and Sr. DFM of the division. The recommendation of the Hiring Committee shall be approved by DRM.

The above procedure order will be in supersession of provisions of Para 1942 of Engg. Code of 1982.

The above provisions may also be made applicable to cases which are under dispute/pending on account of non-availability of clear cut guidelines on the calculation of rent for part of a building.

4. This issues with the concurrence of the Finance Directorate of the Ministry of Railways.



(Signature)
(Anil Kumar Sinha)
Dy. Director/LML-II
Railway Board

No. 2010/LML/18/64

New Delhi, dated 11.07.2018

Copy to:-

- (1) The Principal Financial Adviser (PFA), All Zonal Railways.
- (2) Principal Director of Audit, All Zonal Railways.
- (3) Deputy Comptroller and Auditor General of India (Railways), Room No. 224, Rail Bhawan, New Delhi.

(Signature)
For Financial Commissioner/Railways

18/7/18
(Signature)