

Terms of Reference (TOR) for the proposed study on the impact of changes in Stamp Duty and Registration Charge on residential property, and suggest a revenue neutral model for enabling affordable housing for all

Inviting quotes from Institutions which have the experience and expertise in conducting studies/researches in the housing sector with specific reference to the impact of the stamp duties, registration charges etc., for conducting the proposed study as per this Terms of Reference (TOR).

1. General Information

- 1.1 Charges/duties levied by the Government on certain types of instruments comprising of transactions of particular description is called Stamp Duty. The Indian Stamp Act, 1899 (2 of 1899) is a fiscal statute laying down the law relating to duties levied in the form of stamps on instruments recording transactions. At present, duty is levied on all types of instruments except cheques. Stamp duties on documents specified in Entry 91 of the Union List (viz. Bills of Exchange, cheques, promissory notes, bills of lading, letters of credit, policies of insurance, transfer of shares, debentures, proxies and receipts) are levied by the Union. Under Article 268, State, in which Stamp Duty is collected, retains the proceeds except in case of Union Territories in which case the proceeds form part of the Consolidated Fund of India. Similarly, Registration is a mechanism mandated under the Registration Act, 1908 which (under Section 17 of the Act) requires that certain documents are compulsorily to be presented to an officer who maintains public record (like a sub-registrar) for registration. The document can be a sale deed, conveyance deed, gift deed, mortgage deed or any of the other documents, as defined under the Act. Basically, these documents are used to create rights and liabilities of the parties involved in the transaction.
- 1.2 Acquiring of the legal ownership is as important as the possession of the house. To create legal ownership in immovable property (of value more than Rs.100), it is important to get the property registered in the purchaser's name and this process requires the payment of Stamp Duty (SD) and Registration Charges (RC). The SD and RC are payable on the instrument effecting transfer of any immovable property (of value more than Rs.100) and to establish ownership. Instrument, which requires compulsory registration, with proper SD and RC paid on it, will have the evidentiary value to establish one's right in a court of law. The amount of SD payable is based on the value of the property. As per the current norm, SD on instruments comprising immovable property is generally paid on the Circle Rate (CR) fixed by the State Government. SD and RC also differ from State to State and even between urban and rural areas.
- 1.3 SD and RC are important revenue sources for the State Governments and have much wider ramifications in so far as its simplifying, streamlining and management is concerned. Taxes on property and capital transactions cover two important aspects such as SD and RC, besides land revenue and tax on urban immovable property. A comparative study of International stamp duties indicates that the prevailing rates of stamp duties are generally higher in Indian States. High SD rates coupled with lack of infrastructure to ensure proper implementation lead to revenue leakages and duty

evasion through non-disclosures and under-declaration of property values and details. Therefore, necessary SD reforms through leveraging the Information Technology platform can lead to efficient and effective SD and RC management. Also, additional revenue collection through effective and proper SD and RC regime will have huge financial implications to the exchequer by altering the flow of savings and improve the rate of home ownership through true disclosures and transparency in land and property transaction.

2. Rationale

- 2.1 Over the past 3-4 decades, urban population in India has grown from 109 million in 1971 to 377 million in 2011 and is expected to grow to almost 600 million by 2030. While rapid urbanization and growing cities provide various opportunities, there is fallout in terms of proliferation of slums, high prices of land and building materials which render houses unaffordable for the segment at the bottom of the pyramid. Further the Census 2011 has estimated 65 million slum population in the 4041 statutory towns. The technical committee constituted by the Ministry has estimated housing shortage at 18.78 million during the 12th FYP period of which over 95% of this housing shortage is estimated in the Economically Weaker Sections (EWS) and Low Income Group (LIG) categories. Accordingly, to address this shortage intensive efforts are required to substantially increase the housing stock at an affordable cost.
- 2.2 SD reform is a key to this process because high SD rates strongly discourage real estate transactions and thus impede the development of efficient and flexible urban real estate markets. Though levying high rate of SD and imposing high compliance costs on tax payers have become the major revenue source for many States, but resulted in increase in benami transactions, evasion and fraud in property dealings due to lack of proper implementation. Hence, the distortionary impacts appear to be large, reducing the responsiveness of real estate markets in Indian cities which discourages the transactions essential to the efficient growth of cities. An appropriate reform can lead to unlocking the potential of real estate wealth in cities, which has typically been a foundation of municipal finance. The overall purpose of conducting the study is to gather quantitative data and qualitative analysis, based on pilot study of select States like Andhra Pradesh, Bihar, Gujarat, Jharkhand, Maharashtra, Odisha, Rajasthan, Tamil Nadu, Telangana, Uttar Pradesh and West Bengal for studying the revenue impact assessment and suggesting alternative model for the establishment of new framework towards revenue neutral regime.

3. Objective

- 3.1 Terms of Reference (TOR) for
 - 3.1.1 Study of legal and institutional framework prevailing in India on SD and RC on Residential Property and its impact on house cost and its document delivery along with their bearing on various stakeholders, and suggesting a way forward for making improvement in future;
 - 3.1.2 Documenting the history and evolution of The Indian Stamp Act, 1899, and The Indian Registration Act, 1908 with emphasis on SD and RC on Residential Property;
 - 3.1.3 Documenting the international experiences on SD and RC on Residential Property and examine the possibility of dovetailing the best practices for Indian environment;
 - 3.1.4 Examining the SD and RC and their revenue impact on States through pilot study in select States;

- 3.1.5 Documenting the links between Circle Rate (CR) with SD and RC and studying the possibility of dispensing with the requirement of CR notification and its way for easier administration;
 - 3.1.6 Suggesting different types of revenue neutral model in terms of SD and RC on Residential Property to incentivise and for enabling affordable housing for all, through rate reduction and process simplification;
 - 3.1.7 Examining the effect of the revenue neutral model for the States by reducing SD and RC and their short term and long term impact;
 - 3.1.8 Studying the effect of SD and RC reduction to stimulate the rate of growth of home ownership and its revenue impact on property and other taxes collection, administration charges, etc. viz. a viz. consequent change on collection of other charges and taxes related to home ownership by the State Governments, Urban Local Bodies, Corporations, Municipalities, etc.
 - 3.1.9 Studying the effect of Housing for All by 2022 programme and the long term income impact for State Governments, Urban Local Bodies, Corporations, Municipalities, etc.
 - 3.1.10 Suggesting a format for the data collection from authorized data points on CR and revenue from SD and RC from the State Governments, at periodic intervals along with their validation sources and processes;
 - 3.1.11 Making suggestions/ recommendations for successful implementation of revenue neutral models across various geographic regions of India, by comparing them with the best international experiences.
- 3.2 The TOR can be amended, through a process of consultation and consensus between National Housing Bank (NHB) and the Institution to cover additional objectives/areas/ aspects under the Study, based on their significance and cost-benefit consideration.

4. Scope and Coverage

- 4.1 The scope and coverage of the Study broadly would include the following, and other recognized aspects, which may be identified by the NHB and the Institution during the period of study, based on their significance and mutual agreement.
 - 4.1.1 History and evolution of Indian and International Laws, Acts, notifications and Government Orders of State and Central Governments on SD, RC and CR, and their empirical study impact;
 - 4.1.2 Data collection from primary and secondary sources coupled with data analysis through evaluative and statistical methods through a pilot study on select States;
 - 4.1.3 Analysing the data sources for SD, RC and CR for arriving at the periodic collection format from uninterrupted authorized data sources, and their validation and evaluation processes;
 - 4.1.4 Collecting relevant information on existing initiatives, existing law and policies in the country as well as from the institutions/organizations/networks/private bodies that are currently involved in this sector will also require to support the study;
 - 4.1.5 Revenue Models implemented by the State Governments on SD and RC, and its comparison with the best and efficient international models/practices;
 - 4.1.6 Documenting the prevailing legal and institutional framework in India on SD, RC and CR for residential property and its delivery effectiveness and cost, and suggesting a way forward for making improvement in future to benefit the stakeholders;

- 4.1.7 Reasoning and documenting the reduction of CR, SD and RC for affordable housing for all, including slab-wise administration, and the impact of such suggested measures on the revenue of State Governments;
- 4.1.8 Impact of the said measures for increasing the availability of houses to meet the shortage and decreasing the affordability gap, with empirical analysis of similar initiatives taken by domestic and international experiences;
- 4.1.9 Way Forward - Suggesting legal, financial and institutional measures for the successful implementation of new architecture for establishing a revenue neutral model in the long run, including in meeting the objective of Housing for All by 2022 Mission.
- 4.2 Institution to undertake the study, collate and analyse the specific data/information, and prepare the Study Report within a time frame of three months. The Study Report should be original, informative, compact and easy to comprehend covering the aspects of the TOR.

5. Output

- 5.1 Capturing the background, rationale and evolution of Stamp Duty and Registration regime in India along with international evolutionary trend on SD, RC and CR with quantitative data and qualitative analysis;
- 5.2 Analysing and presenting the revenue trend of select States and comparing the contribution of SD and RC from residential property on the same;
- 5.3 Synthesizing the recent changes on SD, RC and CR and capturing the revenue impact with case studies on select states;
- 5.4 Comparing the best practices and making scenario analysis to know their impact, if and when they have been implemented;
- 5.5 Bringing out a trend analysis on select states, based on past data under four scenarios i.e. (a) if the current trend continues, without change; (b) if the proposed revenue neutral regime is accepted and implemented; (c) if the slab-wise SD regime is implemented, with inclination of benefit to EWS and LIG categories; and (d) if a uniform pan India SD and RC regime is proposed and implemented to simplify the management;
- 5.6 Suggesting a data format for collection from authorized data points on CR and revenue from SD and RC from the State Governments, at periodic intervals along with the process for their validation, storage and retrieval;
- 5.7 Suggesting the way forward and recommendations along with the timelines for action points.

6. System and Methodology

- 6.1 System, Methodology and Experiences quoted in the Study should serve as information to various stakeholders. Documenting the past history, current trend and future projection based on the data analysis/experiences with necessary linkages to the provisions of the Act, Bill, etc. Case Study, Sample Survey, etc. as required to be supported in the Study;
- 6.2 The Institution will develop detailed methodology focusing on each indicator, and finalize in consultation with NHB.

- 6.3 Process of verifying the findings or undertaking meetings/consultations/interactions with stakeholders is the responsibility of the Institution;
- 6.4 Outcome and output indicators that are being proposed or have been used should be based on relevant quantitative data and qualitative analysis. Way Forward should have logical conclusion on the suggested measures with accrual benefits to various stakeholders;
- 6.5 All figures, tables, charts, boxes, etc. should be mentioned explicitly and in numerical order in the text. If a figure or table or chart or box comes from another source, full citation of the source should be mentioned in the references. It is the responsibility of the Institution to obtain necessary permission including reprint permission necessary from the author/authority for figure or table or graph or box quoted in the Study Report and safeguard the interest of the NHB, in case of any dispute arising out of such reference.

7. Time Schedule and Other Terms

- 7.1 Time schedule of various events relating to the Study are mentioned below –
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| 7.1.1 | Date of Issue of TOR | Aug. 17, 2016 |
| 7.1.2 | Last Date & Time for Submission of the quote | Aug. 25, 2016, 17:00 hrs. |
| 7.1.3 | Preliminary Discussion with NHB | Aug. 30, 2016 |
| 7.1.4 | Mid-term Review by NHB | Oct. 28, 2016 |
| 7.1.5 | Submission of draft Report to NHB | Nov. 7, 2016 |
| 7.1.6 | Submission of final Report to NHB | Nov. 15, 2016 |
- 7.2 Interested Institutions may submit their price quotes for undertaking the proposed study along with copies of atleast two reports as sample on the study/research works conducted on housing/legal subject by the Institution at the behest of any Government agency/department/body/ institution/organisation, earlier in the sector as sample. *It may be noted that the price quotes without the copies of sample reports as mentioned above will not be considered for evaluation for assignment of the proposed study/work.*
- 7.3 Price quote to be sealed in a separate envelope subscribing “Quotation to undertake a study on the impact of changes in Stamp Duty and Registration Charge on residential property, and suggest a revenue neutral model for enabling affordable housing for all” and addressed to GM (MR&CPD and BP&PD), National Housing Bank, Core-5A, India Habitat Centre, Lodi Road, New Delhi -110 003, shall be delivered to NHB on or before due date & time specified;
- 7.4 Query / Clarification if any, may be sought from Shri Anuj Gupta, Manager (011-24635081)/K. Jaganmohana Rao, Regional Manager (9818395291) between 10.00 hrs. to 17.00 hrs. on any working days (Monday to Friday except holidays), prior to the last date for submission;
- 7.5 NHB does not own any liability if the quote is not submitted within due date and time as per requirement;
- 7.6 NHB reserves the right to extend the deadline for submission of the quote, in which case all rights and obligations of the NHB and the agencies previously subject to the original deadline will then be subject to the new deadline.

- 7.7 Withdrawal or modification of the quote between the last date and time for submission of the quote may result in the forfeiture.
- 7.8 Payments will be made by NHB subject to the satisfaction of progress of the Study -
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| 7.8.1 | After Preliminary Discussion and Acceptance of the Offer | 10% |
| 7.8.2 | After Mid-term Review by NHB | 50% |
| 7.8.3 | Submission of final Report to NHB | 40% |
- 7.9 All payments shall be made through online (ECS) and any taxes liable to be deducted at source as per the prevalent rules shall be deducted from such payments. Stamped receipt will be given by the Institution, wherever necessary;
- 7.10 NHB reserves the right to call off the assignment at any stage due to unavoidable reasons in which event, the fee payable will be proportionate to the progress made in the assignment at that stage, as per mutual consensus between NHB and the Institution.
- 7.11 The NHB shall have the exclusive right on the Study Report and the Institution shall not share/part with the contents or the information collected to anyone, without prior written permission from NHB.

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