

By Fax/Speed Post
No. 66/1/C/DE/2003
Govt. of India, Ministry Defence
Directorate General Defence Estates
Raksha Sampada Bhawan
Ulaan Bataar Marg, Delhi Cantt.-10
New Delhi- 110010

21 April, 2011

To

The Principal Director
Defence Estates
Ministry of Defence
Western / Eastern / Southern / Central / Northern Command
Chandigarh / Kolkata / Pune / Lucknow / Jammu

Sub: **ASSESSMENT OF PROPERTY TAX AT COMMERCIAL RATES ON PROPERTIES WHERE PURPOSE HAS BEEN CHANGED FROM RESIDENTIAL TO COMMERCIAL**

In one of the references made to the Ministry of Defence recently, a point was raised whether an old grant or leased-hold property meant for residential purpose and subsequently put to any commercial use, can be assessed at higher or commercial rates and whether assessment of property at commercial rate will adversely affect the Government rights on land as per old grant or leasehold terms. In many Cantonments, old grant/leasehold properties are being used for commercial purpose. Apart from the legal implications that need examination, while imposing a higher rate of property tax on commercial properties will require an amendment to the tax notification, there is no bar in assessing residential properties that are being used for commercial purpose based on the actual income being derived from them.

2. Properties put to commercial use, irrespective of the land holding tenure, should, therefore, be assessed realistically to ensure levy of appropriate property tax and generation of adequate local revenue for the Cantonment Board. Some Cantonment Boards have already been assessing such properties on a realistic basis while in remaining Cantonment Boards commercial properties are still being assessed at par with other residential properties which is not correct as it results in loss of revenue to the Board.

3. It is clarified that assessment of old grant/leasehold properties based on their actual use, for taxation purpose, is well within the statutory rights of the Cantonment Boards as per the provisions of the Cantonments Act, 2006. While new assessments of the properties be carried out as per these instructions the properties already assessed can be reassessed under Section 79 of the Cantonments Act, 2006. All CEOs under your jurisdiction, may, therefore, be instructed to assess the properties put to commercial use in a realistic manner based on the actual income being received from such properties at commercial rates. A copy of the Minutes dated 29.09.2010 of the Committee constituted by Pune Cantonment Board for triennial assessment 2008-2011 is forwarded herewith as guidance to the Cantonment Boards which may be considered as one of the methods for assessing residential/commercial properties.

Sd/-
(Ajay Kumar Sharma)
Dy DG (Cantt)
for DGDE