5.4 CALCULATION OF STANDARD RENT

5.4.1 FIXATION OF RENT

Capitalized value of the property can be known by any of the methods discussed earlier and suitable value of year's purchase is adopted according to the admissible rate of interest (8% or any other fair rate).

Then,

Net income = capitalized value / year's purchase

All possible outgoings are added to this net income which will give gross income from the property. Gross income or gross rent = Net rent + outgoings

The standard rent = (Gross Income / 12) per month.

5.4.2 CALCULAITON OF STANDARD REND OF A GOVT.PROPERTY

(In Punjab / Haryana), standard rent is calculated on the capital cost of the residence and shall beeither:

1. (a) A percentage equal to the rate of interest on the capital (which includes the cost on sanitary, water supply and electrical installation, fencing, boundary walls and service roads etc. as fixed from time to time) value of a building. In addition, municipal and other taxes and the expenditure for the maintenance of building are also realised,or

   (b) 6%per annum of the capital value of a building constructed/ occupied after 1992 whichever isless.

2. Municipal taxes etc. levied on the occupant will be payable to the occupant direct to the authorities concerned in addition to the above rentcalculations.
3. Generally the value of the land is excluded. If value of land to be considered a little less percentage says 1 to 2 % on value of land be taken for calculation of standard rent.

1. The present value of a property is 20000/- Calculate the standard rent. The rate of interest may be assumed as6%.

Annual rent @ 6% = 20000x 6 /100 = Rs.1200/-

Standard rent per month = 1200/12 = Rs.1200/12 = Rs.100/-

2.govt. accommodation is built at the cost of Rs. 60,000/- . The water supply and sanitary and electrical installation expenditure is Rs. 15000/-. Calculate the standard rend of the building if the following rate of return are fixed:

i. 6% on construction cost.

ii. 1 $^1/_2$ % towards maintenance of building work,

iii. 4 $^1/_2$ % on installation expenditure. v. 4% on maintenance of installation.

iv. Rs. 120/- as property tax per year.

Cost of land is be neglected.

Solution:

(a)(i) Return on construction cost	= Rs. 3600/-
(ii) Return on installation cost	= Rs.675/-
(iii) Cost of maintenance of building	= Rs. 900/-
(iv) Cost of maintenance of installations	= Rs. 600/-
(v) Property tax	= Rs. 120/-
Gross return	=Rs.5895/-
Standard rent	= Gross rent/12
	=Rs. 491.25 P.M. (Per Month).

b) Standard rent is also equal to 6% of capital value Capital value

Construction cost = Rs.60,000.00

Installation cost = Rs.15,000.00

Total = Rs.75000.00

Standard rent= 4500/- per year

5.4.3 MORTGAGE

An owner can borrow money againstthe security of his property an df o tr hat purpose heisrequiredto pay aninteresttothe party aninteresttothe party advancing the loan.

5.4.4 LEASE

A lease is a contractual arrangement calling for the user (referred to as the lessee) to pay the owner (the lessor) for use of an asset.Property, buildings and vehicles are common assets that are leased. Industrial or business equipment is also leased. Broadly put, a lease agreement is a contract between two parties: the lessor and the lessee. The lessor is the legal owner of the asset, while the lessee obtains the right to use the asset in return for regular rental payments. The lessee also agrees to abide by various conditions regarding their use of the property or equipment. For example, a person leasing a car may agree to the condition that the car will only be used for personal use.