OFFICE OF THE
CHIEF ENGINEER(VALUATION), NR,
INCOME TAX DEPARTMENT,
11th FLOOR, ROHIT HOUSE,
3, TOLSTOY MARG,
NEW DELHI-110001 Tele Fax : 23313693

No. CE(Val.)/NR/Inst./2006/603 Date:

To

The Director (S&D)
Directorate General Of Works,
CPWD,
Nirman Bhawan,
New Delhi-110011

Sub: Incorporating instructions related to valuation issued by Shri P.K.Majumdar , C.E(Val.) for the year 2006 in C.P.W.D Web site.

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Sir,

The undersigned has been directed to enclose herewith a soft copy on the above matter for incorporating in the CPWD Web site.

Encl: One number floppy

Yours faithfully,

(A.MALLICK)
AE(Hqrs.) I.T.Deptt.Val.Cell
New Delhi.

INSTRUCTIONS

ON

VALUATION OF

IMMOVABLE PROPERTIES

FOR THE YEAR - 2006

By:

P.K.MAJUMDAR
CHIEF ENGINEER(VAL.) NR
INCOME TAX DEPARTMENT
NEW DELHI

CHIEF ENGINEER (VALUATION)

INCOME TAX DEPARTMENT NORTHERN REGION
3, TOLSTOY MARG: ROHIT HOUSE
NEW DELHI – 110001

No.CE(V)/NR/Instruction2/06-07/ **Tele Fax : 23313693**
Dated:

To

All DVOs

INSTRUCTION 2 OF 2006

In case of reference u/s 16A of the Wealth-tax Act, 1957 or section 50C and 55A of the Income-tax Act, 1961 a statutory order has to be passed. It is necessary to put suitable heading to such order. What would be the heading for such order in respect of reference under different sections of the respective Revenue Act is indicated in Form NS-7 attached with Instruction 7 of 2005 (Form NS-7 is part of Valuation Guidelines, 1982)

Inspite of such clear indication it has been noticed that many Valuation Officers are giving improper heading . The Valuation Officers are directed to look at the Form NS-7 for heading of order to be passed in case of reference under section 16A of the Wealth-tax Act,1957.If reference u/s 50C or 55A of the Income-tax Act, 1961 is received, then heading of the order will be as follows:

I. ORDER U/S 50C(2) OF THE INCOME TAX ACT, 1961 READ WITH SECTION 16A(5) OF THE WEALTH TAX ACT, 1957.

or,

II. ORDER U/S 55A OF THE INCOME TAX ACT, 1961 READ WITH SECTION 16A(5) OF THE WEALTH TAX ACT, 1957.

as the case may be

DVOs are directed to convey the above instruction to all the Valuation Officers under them.

(P.K.MAJUMDAR)
Chief Engineer(Val.)NR.
Income-tax Department,
New Delhi.

CHIEF ENGINEER (VALUATION)

INCOME TAX DEPARTMENT NORTHERN REGION
3, TOLSTOY MARG: ROHIT HOUSE
NEW DELHI – 110001

No.CE(V)/NR/Instruction3/06-07/ **Tele Fax : 23313693**
Dated:

To
All DVOs

INSTRUCTION 3 OF 2006

Majority of cases referred u/s 142A of Income-tax Act, 1961 are related to estimation of value of investment in construction of building. Construction of building is generally spread over for more than a year, in some cases it may spread over for 6 to 7 years. In most of the cases on account of non maintenance of proper construction account by the assessee and his reluctance to furnish essential documents like sanctioned building plan, detailed architerual and structural drawings, vouchers relate to purchase of materials etc. it is not possible on the part of the Valuation Officer to adopt any method other than " Plinth Area Rate and Cost Index Method".

[Various methods which can be adopted for estimating value of investment in construction are given at para 5(A) of Valuation Guidelines, 1996 (page –11) . Method indicated in serial number (e) of para 5(A) i.e. Comparable Method is not meant for estimating value of investment in construction but is meant for estimating fair market value of immovable property like falts, shops, office spaces in Multi storeyed building. Its inclusion in para 5(A) is a mistake and it should be included in para 5(B).]

In the above method Cost Index has a very vital role to play. Cost Index is time and place specific and it is essential to adopt correct Cost Index with specific reference to place and time of construction.

While going through very many valuation reports it has come to the notice that in many cases Cost Index of different place and time is adopted especially when there is no CPWD approved Cost Index for required place and time. In this regard attention is invited to para 5.A.b of Valuation Guidelines, 1996 (page 12 to 14), specially the portion at page 14. Salient points indicated in the aforesaid guidelines related to Cost Index are reiterated as under:-

i) **Every DVO should identify the places within his jurisdiction where Cost Index will likely to be required for valuation and keep a record of these Cost Indices as on 1st June for each year.**

ii) **Cost Indices approved by the CPWD should be obtained. Those with base on 1.1.92 should be enhanced by 5% to account for the large scale use of timber in private construction. For other places DVOs should approve Cost Indices.**

iii) **Cost Index at a particular time should be calculated by interpolation of previous and subsequent Cost Indices. Otherwise Cost Index should be determined by extrapolation of immediately preceding two cost indices, but should not be executed beyond two years from last approved Cost Index.**

iv) **VOs and AVOs should get approval of DVO before adopting Cost Indices not approved by the CPWD for uniformity.**

So far not in a single report Cost Indices approved by the CPWD have been increased by 5% for large scale use of timber in private construction as exhorted in the aforesaid Guidelines. Valuation Officers are enjoined upon to follow the Guidelines while adopting the Cost Indices after verifying whether timber has been used instead of steel (in doors, windows). In some cases where Cost Indices of a place are not available, Cost Indices of nearby place are considered. This practice is fraught with danger. Though Valuation Guidelines, 1996 allows DVOs to approve Cost Indices of places within their jurisdiction where the CPWD approved Cost Indices are not available but this is possible where current Cost Indices are required. In case of estimation of value of investment in construction where past years are involved it may not be possible to work out Cost Indices for past years in respect of a place simply because it would not be practicable to collect authentic data regarding prices of materials and labour (labour rates shall not be less than statutory minimum wages) required to determine Cost Indices of the place for past years. In such cases it would be appropriate to adopt Cost Indices of places nearest to the place under consideration. In doing so following procedures may be followed:-

i) **Identify as many places as possible nearest to the place where the CPWD has approved Cost Indices for many years. These places should be within hundred kilometre radius (preferably, within fifty kilometre) of the concerned place.**

ii) **Work out the Cost Indices of required time for each place commensurating with the period of construction of the building for which year wise value of investment is to be estimated.**

iii) **For each time average out the Cost Indices of all places nearest to the place under consideration and adopt this figure as Cost Index of the place that time.**

iv) **As further check work out the current Cost Index of the place after collecting prevailing market rates of materials and labour and compare with that derived from the above Method. If there is large deviation, average out Cost Indices of those places which give figure closest to the figure of current Cost Index worked out considering prevailing market rates of materials and labour of the place. This can easily be achieved by trial and error method. For past Cost Indices, take average of Cost Indices of those places only whose average of current Cost Indices correspond nearest to current Cost Index of the place.**

v) **It would be appropriate to choose as many places as possible surrounding the place under consideration so that average figures of Cost Indices at different time will represent as closely as possible to the Cost Indices of the place under consideration related to those time. In case only one or two nearby places are available where Cost Indices at different time have been approved by then CPWD then following method may be adopted:**

   a) **Work out the current Cost Index of the place under consideration based on prevailing market rates of materials and labour and that of the other nearest places based on the CPWD approved Cost Indices of those places. Work out Cost Index differential factor of the place under consideration with reference to the nearest places.**

   b) **Determine Cost Indices of the place under consideration for different time by applying Cost Index differential factor on the Cost Indices approved by the CPWD for these nearest places . If there is more than one nearest place, then average figure may be adopted. Cost Indices thus worked out shall be adopted for estimating value of investment in construction.**

DVOs shall bring this to the knowledge of all VOs / AVOs working under them.

(P.K.MAJUMDAR)
Chief Engineer(Val.)NR.
Income-tax Department,
New Delhi.

CHIEF ENGINEER (VALUATION)
INCOME TAX DEPARTMENT NORTHERN REGION
3, TOLSTOY MARG: ROHIT HOUSE
NEW DELHI – 110001

No.CE(V)/NR/Instruction4/06-07/ **Tele Fax : 23313693**

Dated:

To
All DVOs

INSTRUCTION 4 OF 2006

It is noticed that Valuation Officers have been showing values not only in under ten figure but in some cases also in decimal figure. Value being an estimate depends on many variables and therefore, quantum of value may considerably differ from valuer to valuer . Therefore, mathematical exactitude is not warranted in expressing value in arithmetic term.

Methodology of rounding off net wealth is given in section 44C of the Wealth-tax Act, 1957. Same methodology may be followed in expressing value in arithmetic term. In keeping with the above section final value may be rounded off to the nearest multiple of one hundred rupees. The provisions of section 44C will be clear from the following examples:

The value of a property is mathematically worked out as Rs.54,549.69P. From the above amount part of a rupee consisting of paise is to be ignored and the above value, therefore, stands as Rs. 54,549/-. In this case Rs. 49/- being less than Rs. 50/- is to be ignored and the final value of the property is to be be expressed as Rs. 54,500/-. As further illustration, in another case the value is estimated at Rs. 54,551.89P and ignoring the element of paise the value is Rs. 54,551/-. In this case Rs.51 being more than Rs. 50 the final value is to be expressed as Rs. 54,600/-. The above procedure may henceforth be followed in all cases of valuation.

DVOs shall bring this to the knowledge of all VOs / AVOs working under them.

(P.K.MAJUMDAR)
Chief Engineer(Val.)NR.
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CHIEF ENGINEER (VALUATION)
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NEW DELHI – 110001

No.CE(V)/NR/Instruction4/06-07/ **Tele Fax : 23313693**
Dated:

To
All DVOs

INSTRUCTION 5 OF 2006

1. It is noticed that Valuation Reports in many occasions have been prepared with insufficient data. Common refrain for preparing Report based on scant data is ' non co-operation of the asssessee'.
No doubt there is, in many cases, ingrained reluctance on the part of the assessee to supply the Valuation Officer(V.O) with necessary documents as well as to afford necessary facilities esssential for valuation.
In such circumstances it becomes necessary to compel the reluctant assessee into submitting required documents and affording facilities like inspection of the property, taking measurements of buildings etc.
Keeping in view the above necessity various tax statutes empowered the V.O to exercise authority over the assessee to facilitate the process of valuation.
To exercise authority one has to know the nature and the extent of powers exercisable. Powers exercisable are the powers expressly provided in the statutes to be exclusively used by the V.O as defined in section 2(r) of the Wealth-tax Act, 1957(W.T.Act).

In Instruction-3 of 2005 issued on 23.11.05 provisions of various statutes under which reference can be made to the V.O have been dealt with.

Presently the Assessing Officer(A.O) can make reference to the V.O only under the section 16A of the W.T. Act. the section 50C, 55A and 142A of the Income-tax Act, 1961(I.T.Act).

2. Powers which can be exercised by the V.O under the above sections will now be discussed in details.

2.1 Reference under section 16A of the W.T.Act.

2.1.1 U/s 16A(2) the V.O may serve notice on the assessee to produce accounts, records or other documents required for valuation on a specified date and time.[u/s means ' under section']

2.1.2 'Explanation' below section 18A states that the V.O while exercising the powers vested in a court under the Code of Civil Procedure, 1908 (C.C.P) when trying a suit in respect of matters specified in section 37(1) is considered as a wealth-tax authority as far as this section is concerned. The V.O therefore, can take action as per provisions contained in section 18A. Section 18A(1) interalia states that a person shall pay as a penalty a sum not less than Rs. 500/-(five hundred) but extendable toRs.10,000/- (ten thousand)each time if he refuses to answere any question put to him by the V.O or he refuses to sign any statement made by him which the V.O may legally require him to sign or if he fails to comply with a summons issued by the V.O u/s 37(1).
However, no penalty shall be imposed if the person proves that there was reasonable cause for such failure. Penalty can be imposed if contravention, failure or default occurs in the course of any proceeding before the V.O not lower in rank than a joint Director or Joint Commissioner [Valuation Officer in the rank of Superintending Engineer i.e. District Valuation Officer (DVO) in the context of Valuation Cell].

No penalty should be imposed by the V.O without giving the person a reasonable opportunity of being heard in the matter.

2.1.3 The V.O u/s 35 is empowered to amend any order passed by him u/s 16A with a view to rectify any mistake apparent from the record of his own motion or when such mistake brought to his notice by the asssessee with the proviso [section 35(7)] that no such amendment shall be made after expiry of 4(four) years from the end of the financial year in which the order sought to be amended was passed [e.g. on account of arithmetic mistake plinth area of a building was considered much higher than what should have been the actual figure, thus increasing the fair market value of the property considerably than what should have been the correct value .The V.O can, exercising power vested u/s 35, amend the order passed by him u/s 16A(5)].

2.1.4 Order amended as above shall invariably be sent to the A.O for amendment of the order of assessment at his end.

2.1.5 For the purpose of estimating the value of any asset (immovable property) in pursuance of reference u/s 16A(1), the V.O u/s 37(1) has the same powers as are vested in a court under the Code of Civil Procedure, 1908(C.C.P) when trying a suit in respect of (a) discovery and inspection, (b) enforcing the attendance of any person, including any officer of a banking company and examining him on oath, (c) compelling the production of books of account and other documents, and (d) issuing commissions.

2.1.6 Subject to any rules made in this behalf the V.O u/s 37(3) may impound any books of account or other documents produced before him after recording his reasons for so doing and retain in his custody any such books or documents for such period as he thinks fit but not exceeding fifteen days (exclusive of holidays). For retention by more than fifteen days the V.O. has to obtain the approval of the Chief Commissioner or the Commissioner as the case may be.

2.1.7 Prior to 01.04.1989 the V.O had power u/s 37(2) [now omitted] to impose fine not exceeding Rs. 500/- on a person to whom summons had been issued either to attend to give evidence or produce books of account or other documents at a certain place and time but intentionally did not comply. Power to impose penalty now lies with the V.O. in accordance with the provisions of section 18A discussed in para 2.1. 2 above as well as u/s 32 of the C.C.P discussed later in para 3.1.5.

2.1.8 U/s 38A(1) the V.O (or any overseer, surveyor or assessor authorised by the V.O) may (a) enter any land within the limit of the area assigned to the V.O, (b) enter any land, building or other place belonging to or occupied by any person in connection with whose assessment a reference has been made u/s 16A to the V.O or (c) inspect any asset in respect of which a reference u/s 16A has been made to the V.O. and require any person in charge of, or in occupation or possession of such land, building or other place or asset to afford the V.O the necessary facility to survey or inspect such land, building or other place or asset or estimate its value or inspect any books of account, document or record which may be relevant for the valuation and gather other particulars relating to such land, building or other place or asset. [from reading of section 38A(2) it is clear that such facility is required to be extended to any overseer, surveyor or assessor authorised by the V.O in this behalf]

The V.O contemplating to take any of the actions mentioned above shall have to give at least two days' notice in writing to the person concerned unless he consents to waive this statutory requirement.

The V.O or his authorised officers mentioned above may carry out acts as listed in (a), or (b) or (c) above on any day except Sundays and holidays under the Negotiable Instruments Act, 1881 at any time between 6 a.m to 6 p.m.

2.1.9 Section 38A(2) empowers the V.O to exercise all the powers under section 37(1) & 37(2) for enforcing compliance if a person either refuses or evades to afford facility required to be provided in accordance with sec. 38A(1) [section 37 has been discussed in para 2.1.5, 2.1.6 & 2.1.7 above].

2.1.10 A notice or a reqiuision under the Act may be served on the person either by post or as if it were summons issued by a court under the C.C.P [procedures related to issue and service of summons are delineated in Order 5 of the First Schedule of theC.C.P]. Also refer to section 41.

2.2 Reference under section 50C of the I.T.Act (came in to existence w.e.f. 01.04.2003):

2.2.1 Reference under this section is made for determining value of capital asset being land or building or both on the date of transfer for the purpose of assessing capital gains subject to fulfillment of conditions stipulated in sub section (2) of the said section.

In disposing cases referred under this section the V.O having the same meaning as in section 2(r) of the W.T.Act shall have all the powers under section 16A, 35 & 37 of the W.T.Act [discussed in para 2.1.1 to para 2.1.7 above].

2.3 Reference under section 55A of the I.T.Act:

2.3.1 Same powers as discussed in para 2.2.1 above are available to the V.O while dealing cases referred under this section. Reference under this section is made to ascertain the fair market value of the property either on the date of sale or on 01.04.1981 or both for the purpose of assessing capital gains.

2.4 Reference under section 142A of the I.T.Act (introduced by the Finance act, 2004 but effective retrospectively from 15.11.1972):

2.4.1 Under this section reference is made for estimating value of investment in purchase of immovable properties as well as in construction of buildings including remodelling, extension, improvement etc.

The V. O to whom reference u/s 142A(1) is made has all the powers of section 38A of the W.T.Act. Here the V.O has same meaning as defined in clause 2(r) of the W.T.Act .

Section 38A has been discussed in para 2.1.8 above. This is to be read with para 2.1.5, 2.1.6 & 2.1.7.

This Section is not applicable in respect of assessment made on or before 30.09.2004 and where such assessment has become final and conclusive on or before that date except in cases where a reassessment is required to be made under section 153 A after taking action under section 132 (search and seizure) and 132A (requisition of books of accounts etc.).

Through provisions contained in section 38A(2) the V.O can exercise powers contained in section 37(1) and 37(2) of the W.T.Act [section 37(2) was omitted w.e.f. 01.04.1989].

3.0 The V.O. has been vested with powers of a court under the C.C.P via section 37(1) of the W.T.Act. Therefore, it is necessary to understand as to the nature and extent of such powers in relation to matters indicated in (a),(b),(c) and (d) within section 37(1) of the said Act.

3.1 Before proceeding further it would be appropriate to clarify certain matters related to the C.C.P which came into force on 01.01.1909. The code applies to all proceedings in courts dealing with suits of civil nature as distinct from criminal suits.

Drastic changes both in the sections and the rules were carried out by the Parliament through enactment of the Civil Procedure (Amendment) Act 104 of 1976. While trying a suit [suit means a civil proceeding instituted by means of a plaint (a written statement of grievance against some one, submitted to a court of law) before a civil court] the court has interalia following powers vested on it by the C.C.P :

3.1.1 To issue a summons to the defendant (a person against whom a plaint has been lodged in the court of law) to appear and answer the claim indicated in the plaint to be served in prescribed manner [ref. sec. 27 and order 5 of the C.C.P].

3.1.2 To make orders relating to the delivery and answering of interrogatories (a question or inquiry), the admission of documents and facts and the discovery, inspection, production, impounding (to take legal possession of something) and return of documents or other material object producible as evidence.

3.1.3 To issue summonses to persons either to give evidence or to produce documents or such other objects.

3.1.4 To order any fact to be proved by affidavit.
[for para 3.1.2, 3.1.3 & 3.1.4 refer section 30 and orders 11,12,13,16 & 19 of the C.C.P]

3.1.5 To compel the attendance of any person to whom a summons has been issued under section 30 of the C.C.P and for that purpose interalia may impose a fine upon him not exceeding five hundred rupees (ref. sec. 32 of the C.C.P).

3.1.6 To issue a commission –

a) to examine any person, b) to make a local investigation , c) to examine or adjust accounts, d) to make a partition, e) to hold a scientific, technical or expert investigation , f) to conduct sale of property which is subject to speedy and natural decay and which is in the custody of the court pending the determination of the suit, g) to perform any ministrial act (ref. sec. 75 and order 26 of the C.C.P).

3.1 Court's powers vested by the C.C.P related to matters outlined in sec. 37(1) of the W.T.Act [number (a) to (d)] have been briefly outlined in the above para 3.1
The V.O has to exercise the above powers as are relevant for the sole purpose of estimating value of an immovable property or estimating value of investment in real estate, construction of building or remodelling, upgradation or extension of building etc. when a reference from the A.O is received under either section 16A of the W.T.Act or any of the section like 50C, 55 & 142A of the I.T.Act.

NOTE:

1) THE V.O HAS TO READ CAREFULLY THE ORIGINAL TEXT OF THE SECTIONS OF THE STATUTES MENTIONED ABOVE BEFORE EXERCISING HIS POWERS. LOT OF SIMPLIFICATIONS HAVE BEEN EFFECTED IN THE ABOVE DISCOURSE FOR EASY UNDERSTANDING OF THE SUBJECT AND THEREFORE, IT IS ESSENTIAL TO REFER TO THE SECTIONS IN ORIGINAL SO THAT PERFORMANCE OF QUASI JUDICDIAL FUNCTIONS OF THE V.O IS EXACTLY ACCORDING TO THE PROVISIONS OF THE STATUTES.

2) IT IS UNLIKELY THAT THERE IS ANY DISCREPANCY BETWEEN THE SECTIONS OF STATUT ES AND WHAT IS STATED HERE. HOWEVER, IF ANY DISCREPANCY IS NOTICED IT SHALL BE IMMEDIATELY BROUGHT TO THE KNOWLEDGE OF THE CE(VAL), N.R AND HIS DIRECTION SOUGHT BEFORE TAKING ANY ACTION.

3) STATUTORY POWERS SHALL BE EXERCISED WITH DUE CARE AND PROPER APPLICATION OF MIND IN ACCORDANCE WITH STATUTORY PROVISIONS.

(P.K.MAJUMDAR)
Chief Engineer(Val.)NR.
Income-tax Department,
New Delhi.

CHIEF ENGINEER (VALUATION)
INCOME TAX DEPARTMENT NORTHERN REGION
3, TOLSTOY MARG: ROHIT HOUSE
NEW DELHI – 110001

No.CE(V)/NR/Instruction/06-07/ **Tele Fax : 23313693**
Dated:

To
All DVOs

INSTRUCTION 6 OF 2006

Majority of cases being referred by Assessing Officers are referred u/s 142A of the Income-tax Act, 1961. References under this section are made for the purpose of assessment or re-assessment under the Income-tax Act, 1961 for estimating value of investment made by assessees in respect of unexplained investments [u/s 69] or investments not fully disclosed in the books of accounts [u/s 69B]. Assessing Officers make references to Valuation Officers for estimating the value of investment made by assessees in following items:

i) Purchase of land,

ii) Purchase of land and building,

iii) Construction of building/structure on the land,

iv) Development of land for the purpose of business or self enjoyment,

v) Improving existing building/structure both structurally and architecturally as well as carrying out expansion,

vi) Remodelling and improving specifications of existing building/structure.

Against para 1.3 of the standard formate of valuation report (Annexure-13 of Valuation Guidelines, 1996) i.e. Purpose of valuation different Valuation Officers write different things. Some write "Cost of Investment"; some write " To estimate the cost of construction" and some other write " To determine cost of investment in property" and so on and so forth. To convey concisely but correctly the purpose for which reference u/s 142A of the Income-tax Act, 1961 has been made by the Assessing Officer and to ensure uniformity of

expression, either of the following expressions may henceforth be used against para 1.3 of the Valuation report:

i) purchase of land or land and building : "To estimate the value of investment in purchase of land or land and building."

ii) Construction of building/structure on the land: "To estimate the value of investment in construction of building/structure."

iii) Development of land: "To estimate the value of investment in development of land."

iv) Improvement of existing building/structure: "To estimate the value of investment made in improving the existing building/ structure."

v) Remodelling of existing building/ structure: "To estimate the value of investment in remodelling of the existing building / structure."

Depending on the nature of reference u/s 142A of the Income-tax Act, 1961 one of the above expressions suited for the purpose may be used with necessary modifications commensurating with facts and circumstances of the case.

DVOs shall bring this to the knowledge of all VOs / AVOs working under them.

(P.K.MAJUMDAR)
Chief Engineer(Val.)NR.
Income-tax Department,
New Delhi.

CHIEF ENGINEER (VALUATION)
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NEW DELHI – 110001

No.CE(V)/NR/Instruction 7/06-07/ **Tele Fax : 23313693**

Dated:

To
All DVOs

INSTRUCTION 7 OF 2006

So far 17 instructions on various matters related to valuation have been issued (11 instructions in the year 2005 and 6 instructions in the year 2006) but on review of reports of different Valuation Officers it appears that those instructions were either not read thoroughly or are not followed without assigning reasons for deviation. If facts and circumstances of a particular case necessitates deviation from the instructions reasons for such deviation need to be given in the copy of valuation report endorsed to the Chief Engineer (Val.), N.R. New Delhi.

D.V.Os are requested to ensure that instructions are followed by the Valuation Officers working under them.

(P.K.MAJUMDAR)
Chief Engineer(Val.)NR.
Income-tax Department,
New Delhi.

CHIEF ENGINEER (VALUATION)
INCOME TAX DEPARTMENT NORTHERN REGION
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NEW DELHI – 110001

No.CE(V)/NR/Instruction 8/06-07/253 **Tele Fax : 23313693**

Dated: 27.07.06

To
All DVOs

INSTRUCTION 8 OF 2006
ON THE SUBJECT OF ESTIMATION OF
VALUE OF INVESTMENT MADE
IN CONSTRUCTION OF BUILDING

One of the important functions of a Valuation Officer (V.O) is to estimate value of investment made in construction of building, in common parlance termed as cost of construction case.

From time to time observations on reports of various Valuation Officers (V.Os) in respect of cost of construction cases were made and in many cases their replies received.

Instead of dealing with individual replies it is felt that a comprehensive exposition on the above subject will be more appropriate as this will bring within its ambit every V.Os who are not involved with those particular cases but nonetheless, linked with a common thread of being in the same profession. In this exposition the defficiencies observed are also dealt with in an integrated manner.

A building is not merely a structure with walls and a roof but also to fulfill certain intended functions for which it is built. To fulfill intended functions various services are integrated in the building which are also part of the building. Fittings & fixtures, appliances, instruments, machineries which are permanently rooted to the building and are essential for providing services required to fulfil functions for which the building is built are part of the building. While estimating value of investment in the building these fittings & fixtures, machineries etc. are to be included.

For example a residential or a non residential building apart from the building itself has very many fittings & fixture, machineries etc. rooted to the building essential for performance of intended

functions such as i) electric distribution boards, ii) circuit breakers, iii) internal electric wirings including switch boards, iv) transformers, v) fans & lights, vi) lightening arrestors, vii) lifts viii) pumps & motors, ix) generators as captive power plant , x) central air conditioning, xi) water supply line including taps, valves etc. xii) bath room and water closet fittings and fixtures, xiii) over head tanks, xiv) house sewer up to municipal sewer line etc. These are to be counted as part of the building. One of the criteria and an important one at that to decide about which fittings & fixtures or machineries are part of the building is to ascertain whether these are rooted to the building in permanent fashion and are integral part of a service or services essential for fulfillment of functions of the building for which it is built. Obviously, such fittings & fixtures or machineries are not movable without injury to the building and its functions. Viewed in this light furniture and furnishing items are not part of the building and similarly window type airconditioners and aircoolers are not part of the building. V.O s are to apply their mind to ascertain which items are part of the building and which are not.

In one case a V.O considered 4.5% towards internal electric installations instead of 12.5% on the plea that cost of fans, electric fittings & fixtures are not debited to the building account by the assessee. This is incorrect approach. The assessee should have been asked to furnish the total expenditure yearwise on this count and these should have been included in the yearwise declared cost for the purpose of estimating value of investment in construction. These electrical fittings & fixtures are part of the building and logically to be debited to the building account. If for any reason the assessee fails to include this type of expenditure related to building, the V.O should after due examination of the account include this expenditure as part of the investment in the building and accordingly estimate the value of investment.

The declared yearwise expenditure in construction is very important data which greatly affects the value of investment and therefore, it is essential that the V.O takes due care in accepting the yearwise declared cost of construction. With this end in view the V.O may take following steps:

i) On receipt of the reference the V.O shall ask the Assessing Officer to furnish yearwise expenditure shown in the Income-tax returns filed by the assessee if these are not indicated

in the reference letter.

ii) The assessee shall be asked to furnish details of construction account including all vouchers which shall be carefully examined and any discrepancy or lacuna to be noted and clarifications with supporting evidence to be sought. In case of Firm or Company also ask for yearly balance sheet duly audited by a Chartered Accountant for all the relevant years. Investment in construction of buildings, purchase of plants & machineries etc. are indicated in the balance sheet.

iii) Some of the expenditures rightfully to be debited to the building account may have been debited to some other accounts. These expenditures are to be seggregated and clubbed yearwise with expenditure on building construction.

iv) In many cases assessees may not cooperate and in such situation powers of V.O as detailed in Instruction-5 of 2006 shall be judiciously exercised to elicit required informations, documents etc. from unwilling assessees.

It is noticed in many cases V.Os finalise the reports without obtaining required informations related to declared expenditure for some years without due exercise of their powers to elicit such informations from assessees. The cost of construction cases are referred u/s 142A of the I.T.Act, 1961 and powers of V.O under this section have been discussed in para 2.4 of Instruction-5 of 2006 and there is no reason as to why such vital informations can not be extracted from assessees by use of powers vested on V.O by the statute.

It may be remembered that yearwise declared expenditure is foundational data over which valuation is based and if any part is missing then the exercise become futile as the resultant valuation is rendered seriously flawed and undependable. If the asssessee declared through affidavit or indicated in his yearly I.T.return that in certain years he did not make any expenditure on construction and progress of the work was stalled, then valuation can be done considering declared expenditure as Zero for those years and not otherwise.

While estimating value of investment in construction of building one has to determine the cost involved in the construction as close as pracaticable to the true expenditure commensurating with type of construction, specifications, method of construction, period of construction, rate of progress of construction, nature and source of procurement of materials and quality of services required to achieve the workmanship reflected in construction and other facts and circumstances of the case having impact on the value of investment.

From the above it would be clear that it is a very complicated matter and needs help of an expert in the field of construction having working knowledge of accountancy and book keeping.

There are various methods for estimating value of investment in construction of building, but which one or combination of which is to be adopted shall entirely depend on availability and reliability of data either furnished by the assessee or, supplied by the Assessing Officer or, collected by the Valuation Officer. Details of these methods are given in para 5A, 5.A.a, 5.A.b., 5.A.c and 5A.d. of Valuation Guidelines, 1996 (page-11 to 15) [Note: In the Valuation Guidelines it is incorrectly shown that ' Comparable Method' is one of the methods which can be adopted to estimate value of investment in construction. Only one of the four methods or combination thereof can be adopted. However, ' Comparable Method' can be used to estimate fair market value of an immovable property]. Highest priority shall be given to collect and collate maximum volume of relevant data for objective assessment of value of investment. Ideally Accounts Method in combination with Detailed or item wise Method as an additional check is most appropriate method. But such as ideal situation can hardly be expected.

In almost all cases barring few exceptions the assessees do not maintain complete vouched building accounts [chronological account of expenditure made in connection with construction of building right from the inception including expenditure on planning and designing of the building, getting approvals of various authorities involved up to obtaining the completion certificate from the municipal authority duly supported by original vouchers] and are also unable to supply approved building plans alongwith the detailed architectural and structural drawings making it practically

impossible to adopt any other method except ' Plinth Area Rate and Cost Index Method'. This method is simple and can be effectively used based on inspection of the building and yearly expenditure declared by the assessee. In expert hand this method gives fairly accurate estimate of value of investment in construction of building.

' Plinth Area Rate and Cost Index Method' is described in Para 5.A.b. at page 12 to 14 of the Valuation Guide Lines, 1996. Methodology and pertinent details along with a worked out example to demonstrate the methodology are given at page 45 to 67 of the said Guidelines.

Methodology in a nutshell is to determine the yearly progress in financial term (which is directly linked with physical progress) from the yearly value of investment declared by the asssessee by reducing the amount to the base year cost level with the help of cost index of each year with relation to the base year and then estimate the total value of investment with the help of the approved Plinth Area Rates and weighted average cost index relevant to the period and place of construction and finally distributing the total value of investment year wise on the basis of yearly progress and cost index relevant to the year.

The Central Board of Direct Taxes(C.B.D.T) vide its circular F.No. 319/6/92-WT dated 13.12.1998 had enjoined that all V.Os including AVOs andDVOs should adopt CPWD Plinth Area Rates as applicable and should not suo motto reduce or alter these rates without detailed justification.

Delhi Plinth Area Rates as on 01.10.1976 or as on 01.01.1992 as approved by the DGW, CPWD are normally adopted. Cost indices of different places at different time are worked out considering rates taken in either DPAR, 1976 or DPAR, 1992 as base of 100.

Before discussing new methodology of estimating of cost of investment in construction adopting Plinth Area Rate and Cost Index Method certain defects noticed in the worked out example in Annexure-14 (page 63 to 67) of the Valuation Guidelines, 1996 need to be highlighted. These are discussed as under:-

i) There is no logic in allowing a rebate of 7.5% for self supervision on lump sum figure as the amount of lump sum item can well be excluding the element of cost of self supervision. Therefore, rebate for self supervision shall be allowed after excluding lumpsum items (for example in analysis of rate lump sum item includes element of profit and therefore, element of profit is not separately worked out for this item). [Instruction 5 of 2005 dated 06.12.2005 may be kept in view]

ii) Architect's fee @ 2% is allowed on the amount excluding cost of self supervision which in principle appears to be incorrect. An architect calculates his fees on the basis of estimate he makes for the building without making any concession for the savings the owner is likely to effect through self supervision and he charges his fees either in advance or in installments at different stages commensurating with the progress of the work. This aspect needs to be recognised and the Architect's fees to be worked out on the whole amount before allowing any rebate for self supervision.[Instruction 10 of 2005 dated 07.03.2006 may be kept in view]

iii) The weighted average cost index (pagae-63) is rounded off to nearest whole rupee which introduces an element of mismatch. Summation of figures in column 5 of the table at page 65 should match with the figure of total cost of construction indicated at serial no. 10 at page 64. However, there will be difference if the procedure outlined in step-III at page 59 is followed as value of A at page 65 is worked out based on rounded figure of cost index.

This discrepancy can be obviated either by distributing the difference (i.e. amount of Sr. no. 10 at page 64 minus summation of figures in col. 5 of table at page 65) yearwise commensurating with percentage progress and adding this to yearwise figure in col.5 or distributing the total cost of construction in the ratio of yearwise declared expenditure and total declared expenditure without considering weighted average cost index (as done in the worked out example) at all e.g. yearwise cost of investment for the year 1990-91 would be : 20,00,000/ 64,50,000 X 68,73,992 = Rs.21,31,470/-. The first method is round about way of doing things and may not be appreciated by layman whereas, the second method is direct and therefore, may be followed.

In the new approach described below the concept of weighted average cost index is altogether discarded.

In this approach cost of construction of the whole building is worked with the base rates commensurating with either Delhi Plinth Area Rates as on 01.10.1976 or 01.01.1992 and then distribute this base cost with reference to yearwise percentage progress which is turn is enhanced by the average cost index applicable for the particular year to arrive at investment made in construction during the year. Considering the example given in Annexure-14 of the Valuation Guidelines, 1996 cost of investment is worked out by the new methodology, details of which are given in Annexure A, B & C. Value of investment worked out following new methodology is 16.5% higher and therefore, advantageous to the Revenue.

The new method was discussed in the Memorandum issued vide this office No.CE(Val.)/ReviewReport /E-41/05-06/856 dated 17.03.06 and all the V.Os including AVOs and DVOs were directed to send a report on the basis of experience of real life applcation of both the methods i.e. one given in the Valuation Guidelines, 1996 and the new one out lined in the above memorandum. Not a single report has so for been received in this matter.

On account of perceived advantage of the new method discussed above, henceforth this new method may be adopted in estimating value of investment in construction of building.

VOs may in certain cases find it difficult to work out the cost of construction on base date i.e. either 01.10.1976 or 01.01.1992[or the effective date of new Plinth Area Rates approved by the DGW CPWD] on account of difficulty in getting rates for extra items (items not included in Delhi Plinth Area Rates] as prevalent either on 01.10.1976 or on 01.01.1992. It would, therefore, be necessary to collect CPWD Schedule of Rates both Delhi as well as Zonal as well as local PWD Schedule of Rates as prevalent during the base dates mentioned above. All VOs should collect and keep in their custody above schedules.

In estimating value of investment in construction this instruction shall be read in with Instruction –1 of 2005 and Instruction –5 of 2005, Instruction 7 of 2005, Instruction 9 of 2005, Instruction-10 of 2005, Instruction 3 of 2006, Instruction 4 of 2006, Instruction 5 of 2006 and Instruction 6 of 2006.

The DVOs are requested to bring the above instructions to the notice of AVOs and VOs under their control for compliance.

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Dated:

To
All DVOs

INSTRUCTION 9 OF 2006
VALUATION OF SHOP OR SPACE IN MALL

Opening up of economy in nineties of last century and on account of globalisation and intrusion of electronic media in all sphere of life, there has been rapid change of life style particularly in urban India. This trend is not confined to only metros but gradually encompassing smaller cities and towns. This change has conspicuously veered towards western life style and led to introduction of concept of mall developed in western world, more specifically in the U.S.A.

In India construction of malls started sparingly in selected metros about a decade back and now it is ubiquitous adjunct to cityscape and considering the enormous spurt in activities in the retail business this mall concept will spread to small towns in the far flung corners of the country in the foreseeable future.

The Valuation Cell has already started receiving reference for valuation of shop/space in mall, albeit in very small number, but for reasons stated earlier this number will likely to swell in coming years and the Valuation Cell should be ready to take up the challenge effectively.

Reviewing a report related to valuation of shop/space in a mall it is seen that the Valuation Officer adopted 'Land and Building Method' which is not the appropriate method.

Mall buildings are normally 3/4 storeyed modern building of high class specifications having convenience like underground parking, lifts, escalators, air conditioning, electronic surveillance, electronic bill boards, captive power plant, lawns

etc. It is practically difficult to evaluate reproduction cost of all the components which go into making a composite whole i.e. mall and apportion this cost and add to the proportionate cost of land to arrive at value of the shop/space in the mall. Over and above this practical difficulty, on the conceptual level one can not equate the summation of proportional cost of all components making the shop/space as reflection of its value, as all the ingredients which have gone into making the shop/space have created a new commodity commanding entirely different value which is different from the sum total of individual value of ingredients.

If one venture to give example to illustrate the point made above, one can cite the example of two properties identical in all respect except that building of one property is aesthetically better looking and functionally more efficient and well planned though identical in other parameters like plinth area, height, number of storey, type of construction, specifications, period of construction etc. Reproduction of cost the of two buildings are exactly same and so are the cost of lands. This means value of the two properties by 'Land and Building Method' would be same, though it is obvious, the property with better designed building will fetch much higher price than the other property. This indicates that when a building is married to the land, it assumes altogether different identity and represent a different value than the summation of cost of reproduction of the building and the value of land.

The same arguments hold good for shop/space within a mall. Value of shop/space is not the summation of proportionate value of various components gone into making that shop/space but something entirely different counted as a new entity . It, therefore, follows that appropriate method to value such property (shop or space in a mall) is to compare with similar properties sold during recent past in other words 'Sales comparison Method' [or 'Sale Instance Method' as termed sometimes]. 'Land and Building Method' shall primarily be used to verify the value arrived at by 'Sales Comparison Method'. In normal circumstances value arrived at by 'Land and Building Method' will be less than the value estimated by adopting 'Sales Comparison Method'.

Some important characteristics/factors to be compared while adopting 'Sales Comparison Method'are given below :

A. i)Location, ii) surroundings, iii) character of the locality, iv) presence of any negative aspect like garbage dumping ground, burial/burning ground, noise emitting or smoke spewing factory etc. v) transport facilities, vi) availability of parking space either inside or around the mall, vii) proximity of transport hub, business district and residential locality. Locality can further be categorized as posh, upperclass, middle class, lower class, poor, viii) aesthetics of mall building, ix) availability of infrastructure facilities like lift, escalator, ramp, stair case, captive power plant, air conditioning, lighting, heating, ventilation, fire detection and fighting etc., x) security, xi) quality and rapidity of ingress and egress system provided, xii) overall quality and quantity of entertainment package provided including food and beverage stalls and restaurants, xiii) nature of shop and its business, xiv) compatibility of business of the shop with the theme of the mall, if any, xv) area, size and height of shop, xvi) location of shop with reference to entry and exit points as well as service area, floor, atrium and foyer of the mall, xvii) quality of services provided by the mall owner or manager, xviii) period of business hours permitted. For example, whether shops are permitted to run 24x 7 through out the year or not, xix) quality of construction and richness of specifications adopted in building the mall, xx) reputation of the promoter/builder of the mall, xxi) observance and compliance of all legal requirements regarding building and running of the mall xxii) brand value of various products and services accommodated in the mall.

Comparision shall be made with similar class of properties. Divergent class properties shall not be compared at all. For example a shop in highend

multiplex mall located in a posh locality can not be compared with a shop in a mall located in a middle class locality.

Best sale instance would be the sale of the same shop or space in the recent past (contemporaneous to valuation date) and second best would be the sale of similar shop or space in the same mall contemporaneous to the valuation date. If contemporaneous sale instance in the same mall is not available, then next best would be to consider contemporaneous sale instance of shop or space in similar mall in the same locality or comparable locality . Selection of appropriate sale instances is one of the important functions of a Valuation Officer and requires lot of judgement borne out of knowledge and experience.

If first category of sale instance is considered, then the job of Valuation Officer becomes much easier and in that case the Valuation Officer has to keep following aspects in mind while estimating value of the property:

i) any improvement made after the transaction.

ii) any deterioration in service, condition of the shop after the transaction.

iii) improvement or deterioration of functioning of the Mall as a whole after the transaction.

iv) general increase or lowering of demand of such property leading to price escalation or price reduction.

Needless to mention that such sale instance should only be considered when it is genuine and between willing seller and willing buyer without being affected by any special consideration or circumstances.

In case of second category of sale instances aspects mentioned in A. xiii) , A.xiv) , A.xv), A.xvi) need to be examined, analysed and accordingly value assessed.

In case of third category of sale instances all the aspects mentioned in A. above need to be looked into and after due analysis value of the property is to be assessed. In analysing sale instances of second and third categories aspects mentioned earlier in connection with first category sale instance need also to be kept in view. Normally value of shop or space in mall shall not be less than value estimated adopting 'Land and Building Method'. Malls are commercial entity and require huge investment and demand entrepreneurship for their development. In adopting 'Land and Building Method' for valuing shops or spaces in such malls certain modifications in details are required to be effected though basic concept remains the same.

Step by step procedures to be followed in estimating value of such property by 'Land and Building Method' is given below:

Land

1.1 Area of land	:	Sq.m.
1.2.Details of Sale Instances	:	At least three sale instances contemporaneous to valuation date are to be considered. [Ref: Instruction-2 of 2005]
1.3.Land rate adopted after analysis of sale instances	:	Rs. Per sq.m. [Ref: Instruction-2 of 2005,]
1.4. Land value	:	1.1 x 1.3 in Rs.
2. Building		
2.1 Work out plinth area	:	i) Multi level car parking at basement. ii) G.F. and other floors with reference to floor as well as plinth height.

iii) Foyer whose height is normally higher than that of normal floor height.

iv)Atrium

v)Mezzanine

vi) Service and other ancillary buildings.

2.2. Work out plinth area rate for each with the help of latest CPWD Plinth Area Rates and latest cost index of the place with reference to CPWD Plinth Area Rates adopted.

2.3. Identify extra items and measure these items. Work out rates for these items from CPWD/local PWD schedule of rates or based on market rate analysis.

2.4. Identify all development works and landscaping and ascertain rates for these items.

2.5. Work out the replacement cost of the mall as a whole including electrical components (on percentage basis given in CPWD Plinth Area Rates)as on the valuation data. In respect of replacement cost of plants & machineries such as air handling unit, escalators etc. help of audited balance sheet of the company promoting the Mall may be taken. From the balance sheet year and cost of procuring the plants & machineries can be obtained and further details can be obtained from the vouchers or invoices. Replacement cost of each of installed plant & machineries may be worked as below:

Cost of procurement x Price index of the particular plant machinery or on the valuation date

Price index of the particular plant or machinery on the date of purchase as indicated in the voucher or invoice.

[Note: Yearly wholesale price index of commodities issued by Office of Economic Adviser of Ministry of Industries which can be downloaded from the website "www. eaindustry. nic.in"]

2.6. Reproduction cost is equal to replacement cost less depreciation. For depreciation reference may be made to 'Instruction 4 of 2005'. Concept of equivalent spent life is also applicable to plants, machineries, equipments. Assessed future life of plant, machinery etc. depends on following aspects:

i) year of construction/ manufacture,

ii) history of routine and special maintenance including reconditioning, rebuilding and retrofitting,

iii) effect of obsolescence,

iv) existing physical condition,

v) history of use or operation such as whether past/present use was/ is intense or normal or moderate or low.

Reproduction cost of buildings, fittings and fixures, plants and machineries, equipments etc. which are essential and relevant for the proper functioning of

the mall and part of the mall as a whole are to be worked out based on replacement cost and depreciation.

2.6.1. While working out replacement cost 1% (one percent) of the building cost may be added on account of architectural features.

2.6.2 For development of mall architect is employed who charges percentage of the total cost of the project. Normal malls are high end product and project cost runs into crores. There is quite tough competition among the architects for securing such project and therefore 1.5 to 2% of the total project cost may be added as architect's fee depending on location, quantum of project cost etc.

2.6.3 After adding reproduction cost of the project and value of land married to the project on the date of valuation, 15% (fifteen percent) may be added as 'Entrepreneur's or promoter's risk and profit'. This means that value of shop or space would be a proportion of amount being 1.15 x (reproduction cost of the project plus value of land married to the project). Let this be designated as V.

2.7 In a mall there are lots of space meant for common community use. Owner of a shop or space in the mall has to share common facilities and services. Therefore, apportioning the cost indicated in para 2.6.3 above these aspects need to be kept in view. This is done in the following manner:

2.7.2 Work out the total plinth area of the main mall building excluding all service areas such as stair cases, lift wells, basement exclusively providing for common services and car parking, corridors, passages, foyer, atrium, escalator areas, circulation area short total saleable area of the mall, let this be designated as As

2.7.2. If plinth area of shop or space is a_s, then value of it would be: v $= \frac{V.a_s}{As}$ in general

term without making any distinction between shops or spaces vis-à-vis their floor wise location. Value of a shop or space in a mall is greatly affected by its floor wise location. Highest value is commanded by shops or spaces located on

the ground floor. Slightly less value will be commanded by shops or spaces located in 1st floor having facilities of adequate capacity and number of lifts as well as escalators apart from staircases. If these two facilities i.e. lift & escalator are not provided value of 1st floor shops or spaces will come down drastically with reference to ground floor shops or spaces. 2nd and 3rd floor of mall will be less attractive for shops but likely to be used as office space, movie hall, theater, conference room and possibly restaurant. Floor wise variation of values can be objectively established by analysing scores of sale of shops or spaces in malls across the locality.

For a modern mall in metropolitan cities like Kolkata, Delhi, Mumbai if one makes a subjective assessment, the floor wise variation in values may be as follows:-

Ground floor: 0% variation, value per unit plinth area = v, saleable area $= A_0$

1st floor : 10% variation, value per unit plinth area $v_1 = 0.9v$, saleable area $= A_1$

2nd floor : 25% variation, value per unit plinth area $v_2 = 0.75v$, saleable area $= A_2$

3rd floor : 35% variation, value per unit plinth area $v_3 = 0.65v$, saleable area $= A_3$

It therefore follows that V would be equal to

$$A_0v + A_1 \times 0.9v + A_2 \times 0.75v + A_3 \times 0.65v$$

$$= (A_0 + 0.9 \times A_1 + 0.75 \times A_2 + 0.65 \times A_3) v.$$

and $As = A_0 + A_1 + A_2 + A_3$

Value per unit plinth area of shop or space in ground floor

$$v = \frac{V}{A_0 + 0.9A_1 + 0.75A_2 + 0.65A_3}$$

$(A_0 + 0.9A_1 + 0.75A_2 + 0.65A_3)$ may be termed as equivalent plinth area of saleable area of the mall and designated as Ae.

Therefore, $v = \frac{V}{Ae}$

As a general expression $Ae = A_0 + n_1A_1 + n_2A_2 + n_3A_3$

Where,

$n_1 = \frac{v}{v_1}$, $n_2 = \frac{v}{v_2}$ and $n_3 = \frac{v}{v_3}$

n_1, n_2 & n_3 for a particular/locality are to be predetermined by analysing sale instances of mall properties in that locality as mentioned earlier.

From the above value of shop or space in a mall having plinth area of a_s is estimated as under:

Ground floor : a_sv

1st floor : n_1a_sv

2nd floor : n_2a_sv

3rd floor : n_3a_sv

It is mentioned earlier that 'Sales comparison Method' in most appropriate method is valuing this type of property provided it is fully owner occupied or vacant and therefore, it is essential that sale instance data are collected regularly on continuous basis and maintained properly. Valuation Officers shall immediately start, if not already started to prepare and maintain sale instance registers and keep themselves atleast

with present trend in this type of property market and keep a suitable notes in the registers for future reference.

This may be brought to the knowledge of all AVOs and VOs under the control of a DVO

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No. CE(Val.)/NR/Instruction/06-07/ **Date:**

To

All DVOs

Sub: Instruction 9 of 2006 issued vide this office letter No. CE(V)/NR/Instruction/06-07/327 dated 31.8.06

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Factors: n_1, n_2 and n_3 are incorrectly indicated at page 10 of the aforesaid instruction. Expression n_1 , n_2 etc., may be read as follows:-

$$n_1 = \frac{v_1}{v},$$

$$n_2 = \frac{v_2}{v},$$

and $$n_3 = \frac{v_3}{v}.$$

Necessary corrections may be effected in the original Instruction-9 before it is circulated to VOs & AVOs.

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