

Development charges

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1 MRTP Act Sections 124A–124B: levy of development charge, user categories and rates

Chapter VI-A of the MRTP Act (ss.124A–124L with s.124K-1, inserted in 1992) makes every Planning or Development Authority levy a development charge on development, use or change of use that needs permission; s.124B classifies users into four categories and fixes minimum rates through the Second Schedule, expressed as a percentage of the ready-reckoner rate of developed land.

Core facts

- **Chapter VI-A:** "Levy, assessment and recovery of development charge", **ss.124A to 124L** (plus **s.124K-1**, 2015, applying it to Regional plan areas).
- Inserted by the **MRTP (Amendment) Act, 1992 (Mah. XVI of 1992)**, in force from **10 August 1992**.
- **s.124A(1):** the Authority **shall levy** the charge on **institution of use, change of use, or development** of land or building **for which permission is required** under the Act.
- **"The Authority"** in this Chapter = the **Planning Authority or the Development Authority**.
- **s.124A(2):** the charge is levied on the **person** who institutes or changes the use or carries out the development.
- **No charge** where permission was granted (or deemed granted) **before 10 August 1992** (first proviso, added with retrospective effect by **Mah. X of 1994**).
- **Demolition** of an existing building, structure or erection is **outside** the Chapter (further proviso).
- **s.124B(1): four user categories — Industrial, Commercial, Residential, Institutional.**
- Category is decided by the **predominant purpose** of use.
- **s.124B(2)** (substituted by **Mah. 34 of 2010**): rates in **column (4) of the Second Schedule**; the Authority may **enhance** them, and may reduce an enhanced rate, but **never below** the Schedule rate.
- Second Schedule base rates (residential/institutional): **0.5%** of ASR rate of developed land for **land development**; **2%** for **building or construction**.
- **Commercial = 2 times, industrial = 1.5 times** the residential/institutional rate.

Explained

What attracts the charge (s.124A)

- Three triggers, each only where **MRTP permission is required**:
 - institution of a use of land or building;
 - change of use of land or building;
 - development of land or building.
- If land attached to a building is used for a purpose **independent** of the building, the charge may be levied **separately** for the land and for the building (proviso to s.124A(1)).

The 1992 cut-off (provisos to s.124A(2))

- Clause (i): no charge where development permission was **already granted or deemed granted before 10 August 1992**. It covers a commencement certificate, any other permission under the MRTP Act or any other law, or (in Mumbai) an **Intimation of Disapproval** under **s.346 of the Bombay Municipal Corporation Act, 1888**.
- This applies **whether or not** the work had started or finished, and whether or not a completion certificate had been issued, before that date.
- Clause (ii): if only **land development** (sub-division, layout, land reclamation, no building) was permitted before 10 August 1992, no charge for that land development. A **later building permission** attracts the charge **only for the building or construction**.
- s.12 of Mah. X of 1994 ("removal of doubt"): charges wrongly collected on or after 10 August 1992 on such pre-1992 permissions had to be **refunded or adjusted**, with interest at **14% per annum**.

User classification (s.124B(1))

Category	Basis	Multiplier on base rate (Second Schedule Part II)
Residential	Predominant purpose	1 (base)
Institutional	Predominant purpose	1 (base)
Industrial	Predominant purpose	1.5 times
Commercial	Predominant purpose	2 times

Second Schedule, Part I (residential or institutional use) Areas covered: Municipal Corporations, Municipal Councils, Nagar Panchayats, Special Planning Authorities and New Town Development Authorities.

Item	Nature of development	Rate
(a)	Land development, no building or construction	0.5% of ASR rate of developed land
(b)(i)	Only building, where charge under (a) already paid	2%
(b)(ii)	Only building, land developed before 10 Aug 1992 so (a) not payable	2%
(c)	Land development and building	0.5% for development + 2% for construction

- "ASR" = the **Annual Statement of Rates** (the **Stamp Duty Ready Reckoner**) prepared under the Bombay Stamp (Determination of True Market Value of Property) Rules, 1995, made under the **Bombay Stamp Act, 1958**.

Derived rates (Part II(1))

Use	Land development	Building
Residential / Institutional	0.5%	2%
Industrial (1.5×)	0.75%	3%

Use	Land development	Building
Commercial (2×)	1%	4%

- Part II(2): in **Municipal Corporation** areas, **reconstruction** or a **material change** in a building is charged at the Part I rate for building-only development.

Rate flexibility (s.124B(2))

- The Authority **may enhance** the Schedule rate from time to time.
- It **may reduce** an enhanced rate, but **not below** the column (4) rate. The Schedule is a **floor**.
- Exceptions to this scheme (MIDC's lower rates under s.124B(2A) and the 100% Vital Urban Transport Project increase under s.124B(2-1A)) are in UPL-DC-02.
- Regional plan areas (s.124K-1, Mah. 43 of 2014, w.e.f. 22-4-2015)**: ss.124A-124K apply where permission is given under **s.18(1)(ii) or (iii)** (Village Panchayat in gaathan, or Collector); the charge is **assigned to the Village Panchayat** for basic amenities and infrastructure.

Common traps

✗ "Section 124B classifies users into three categories." ✓ **Four**: industrial, commercial, residential, institutional (agricultural is not one).

✗ "The Authority may reduce the rate below the Second Schedule rate with State approval." ✓ **Never below** the column (4) rate (proviso to s.124B(2)).

✗ "Chapter VI-A came into force on 11 January 1967." ✓ The Act began on **11 January 1967**; Chapter VI-A from **10 August 1992**.

✗ "Land development for hospital use attracts 2% of ASR." ✓ Land development (no construction) for residential/institutional use = **0.5%**; **2%** is for building.

✗ "Commercial use is charged at 1.5 times the residential rate." ✓ **Commercial = 2 times; industrial = 1.5 times**.

✗ "Demolition of a building attracts development charge." ✓ Demolition is **outside** Chapter VI-A; reconstruction is chargeable.

Quick revision

- Chapter VI-A = ss.124A-124L; inserted by Mah. XVI of 1992; from 10 Aug 1992.
- s.124A: Authority shall levy on use, change of use or development needing permission.
- Permissions before 10 Aug 1992: no charge (proviso added by Mah. X of 1994).
- Demolition: outside the Chapter.
- s.124B: four users, by predominant purpose.
- Second Schedule (Mah. 34 of 2010): 0.5% land, 2% building, of ASR developed-land rate.

- Industrial 1.5×; commercial 2×.
- Authority may enhance; never below Schedule rate.
- ASR = Stamp Duty Ready Reckoner (Bombay Stamp Act, 1958).
- UDCPR 2.2.13: deposit before permission / CC.