

KHOSLA, J. I agree.

CIVIL REFERENCE

Before Khosla and Kapur, JJ.

ORIENTAL GOVERNMENT SECURITY LIFE INSURANCE CO., LTD,—Petitioner

versus

THE NEW DELHI MUNICIPALITY,—Respondents

Civil Reference 16 of 1953

1954

March, 9th.

The Punjab Municipal Act (III of 1911)—Section 3(2)(b)—Whether modified by the provisions of the Delhi-Ajmer Merwara Rent Control Act—Municipal Committee whether can for purposes of taxation increase the annual value of the house beyond the standard rent—Expression “reasonably be expected to let” in section 3(1)(b) of the Act, meaning of—

Held, that the expression “reasonably be expected to let” means the amount which a landlord can recover under the law. It does not cover the case of a landlord who chooses to break the law and receive a higher rent. Such amount cannot be said to be reasonably recoverable. Therefore, it is clear that the Rent Control Act does modify the definition of the “annual value” as given in the Punjab Municipal Act.

Corporation of the Town of Calcutta v. Ashutosh De (1) and Ghulam Ahmed Rogay v. Bombay Municipality (2) referred to.

The case reference made by Shri H. S. Dhillon, the Additional Collector, Delhi, dated 26th November 1952, under Section 84(2) of the Punjab Municipal Act.

(1) A.I.R. 1927 Cal. 659

(2) A.I.R. 1951 Bom. 320.

JUDGMENT

Khosla, J.

KHOSLA, J. This is a reference made by the Additional Collector, Delhi, under section 24(2), of the Punjab Municipal Act. The point requiring our decision arose out of the following facts. The appellant before the Collector built a house in Delhi and let it out to the Delhi Safe Deposit Company, Limited, for a period of 25 years at a monthly rental of Rs. 216-15-6. The lease deed was executed on the 1st of March 1938 and so this figure represented the standard rent under the Delhi and Ajmer Merwara Rent Control Act. Subsequently the Municipal Committee, Delhi, sought to increase the annual value of the house for purposes of taxation and increased it from Rs 2,591-10-0 to Rs 3,858. The landlord protested that the Municipal Committee could not raise the annual value beyond the figure arrived at by making a computation from the standard rent as this was the maximum income which he could derive from letting out the house. The case of the Municipal Committee was that section 3(2) (b) of the Punjab Municipal Act was not in any way modified by the provisions of the Delhi-Ajmer Merwara Rent Control Act and that therefore despite the fact that a landlord could not recover more than the standard rent the Municipal Committee for purposes of taxation increased the annual value of the house. The point for our decision, therefore, is whether the Municipal Committee can assess the annual value of a house beyond the standard annual rent, as determined by the Rent Control Act.

It is quite clear that section 3(1) (b) of the Punjab Municipal Act defines the meaning of "gross annual rent." The definition is as follows—

"In the case of any house or building, the gross annual rent at which such house or building, together with its appurtenances and any furniture that may be let for use or enjoyment therewith, may reasonably be expected to let * * * .

The expression "reasonably be expected to let" means the amount which a landlord can recover under the law. It does not cover the case of a landlord who chooses to break the law and receive a higher rent. Such amount cannot be said to be reasonably recoverable. Therefore it is clear that the Rent Control Act does modify the definition of the "annual value" as given in the Punjab Municipal Act.

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The Additional Collector has referred to two decisions respectively of the Calcutta and Bombay High Courts. In *Corporation of the Town of Calcutta v. Ashutosh De*, (1) the decision was that the Corporation could not increase the assessment above the standard rent mentioned in the Calcutta Rent Control Act of 1920. There is, however, a definite provision in the Calcutta Rent Control Act whereby the Corporation is debarred from doing so. In the Bombay case *Ghulam Ahmed Rogay v. Bombay Municipality* (2), a contrary view was taken, but in the case of Bombay, the Bombay Municipal Act provides for the recovery of house-tax from the tenant. Whether this was the ratio *decidendi* of that case or not, it seems to me that as far as the State of Delhi is concerned the Rent Control Law applicable to the State clearly modifies the provisions of the Punjab Municipal Act and since a landlord cannot recover more than the standard rent, that standard rent is the amount at which he can reasonably expect to let out his house. The Municipal Committee, therefore, cannot increase the annual value of the house for the purposes of taxation beyond the standard rent.

The case will now be returned to the Collector for disposal in accordance with the opinion given.

KAPUR, J. I agree.

(1) A.I.R. 1927 Cal. 659.

(2) A.I.R. 1951 Bom. 320.