SUMMARY OF THE THESIS

DISTORTIONARY IMPACT OF STAMP DUTY EVASION IN HARYANA:

A CASE STUDY OF GURGAON CITY

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2011
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OBJECTIVES OF THE STUDY:

1. To prepare a case of reform with respect to stamp duties in Haryana.

2. To examine the distortionary impact created in terms of generation of black money in real estate through evasion of stamp duty.

RESEARCH METHODOLOGY:

The methodology adopted in this study is partly descriptive-analytical, partly evaluative and partly statistical. The data was collected from both the primary and the secondary source.

Time Series Analysis was used to study yearly data (1999-2000 to 2008-09) on Income from Stamp Duty for the State of Haryana, Gurgaon District and tehsils of Gurgaon District to observe and understand if it shows any specific pattern with the changes in stamp duty rates. The increase/decrease in the number of registrations over the years (1999-2000 to 2008-09) was also observed.

Paired sample t-test and independent sample t-test were applied to the data collected to study whether tendency to undervalue would decline with the decrease in the stamp duty rates. For this purpose sale deeds were picked randomly for all the quarters from 2001-2002 to 2007-08 while increasing the number of deeds in each year according to the number of registrations. A total of 1120 deeds were studied in total.

In order to study the distortionary impact of stamp duty evasion in Gurgaon Tehsil, a sample of 107 areas (82 residential and 25 commercial) in Gurgaon Tehsil was taken to study the difference between circle rates and market rates in property transactions. Since the time period included in the study is from 1999-2000 to 2008-2009, all the areas (excluding agricultural areas) which had been declared residential or commercial prior to 1999-2000 were included in the sample in order to have a continuous record for those ten years. The sample covered both old Gurgaon and New Gurgaon and included all types of income groups i.e. low income group, middle income group and high income group. Primary data was collected, in interview with real estate agents with regard to the
market rates of properties in various areas. This data was compared with the circle rates announced by the District administration in various sections of the city to arrive at the ratio of circle rates to market rates. The difference in the two components i.e. actual sale price and fair market price was utilized to take out the average component of black money in the real estate transactions.

ORGANIZATION OF THE THESIS:

The introductory Chapter- 1 gives the meaning and history of Stamp Duty as it evolved over the years including the present definitions of Stamp Duty and Registration Fee, broad classifications, definitions and as applicable under the Indian Stamp Act, 1899.

Chapter- 2 introduces the problem to be investigated and gives the methodology as taken over the period of research.

Chapter-3 presents the registration related aspects of Haryana, administrative framework, the present process of registration and the structure of real estate in Gurgaon Tehsil. Then it presents the revenue aspect of the stamp duty with respect to Haryana, Gurgaon District and its tehsils- Gurgaon, Patoudi, Faruknagar, Sohna.

Chapter -4 gives the evidence of the link between rate of stamp duty and undervaluation. This chapter is central to the whole thesis as it presents the distortionary impact of stamp duty evasion in creating a huge amount of black money in the market.

Chapter- 5 presents the conclusions drawn from the study and suggestions with respect to the reforms required in the stamp duty administration of the state of Haryana.

To conclude, the analysis suggests that there is a definitive need to rationalize the stamp duty rates on immovable properties as the high rates provide an incentive to the people to undervalue properties. A major concern of the State Government regarding rationalization is the loss of revenue. However, the undervaluation further helps in escaping the capital gains tax and income tax directly and excise duty and sales tax indirectly. This leads to huge amount of losses of revenue to the state exchequer. Further the undervaluation leads to the generation of black money which is already a menace in the real estate. To achieve the desired reforms, just reducing the stamp duties would not be of much help. There is a dire need for an effective policy pertaining to the difference between the circle rates and market rates and containing the black money already existing in real estate.