
(1990) 09 SC CK 0055

In the Supreme Court Of India

Case No : Civil Appeal No. 2228 of 1982

Miss. Liza Arulanandam

APPELLANT

Vs

Smt. A.S. Sulochana

RESPONDENT

Date of Decision : 11-09-1990

Acts Referred:

Tamil Nadu Buildings (Lease and Rent Control) (Amendment) Act, 1973 — Section 25, 4, 5

Citation : AIR 1990 SC 2289 : (1991) 5 JT 228 : (1991) 1 LW 94 : (1990) 2 SCALE 512 : (1990) 4 SCC 701 : (1990) 1 SCR 394 Supp

Hon'ble Judges : K. Ramaswamy, J;K. N. Saikia, J;M.H. Kania, J

Bench : Full Bench

Advocate : A. Subba, for the Appellant; V. Balachandran and K. Vijay Kumar, for the Respondent

Final Decision : allowed

Judgement

K. Ramaswamy, J.—The appellant/tenant is in occupation of a double storeyed building bearing No. 100, Aiya Mudali Street, Chintadripet, Mount Road, Madras on a monthly rent of Rs. 170. The respondent landlady filed an application u/s 4 of the Tamil Nadu Buildings (Lease and Rent Control) Act, 18 of 1960 as amended by Act, 23 of 1973, for short 'the Act'. The Rent Controller fixed the fair rent at Rs. 1,000 per month. On appeal, the Court of Small Causes, Madras and on further Revision u/s 25, the Madras High Court confirmed the order. This appeal by special leave has been at the behest of the tenant. The admitted facts are that 1/3rd portion of the building is being used for residential and the rest for non-residential purpose namely, for running a school. It is of 50 years' old. Section 4 of the Act provides the procedure for fixation of the fair rent, which reads thus:

Fixation of Fair Rent (1) The Controller shall on application made by the tenant or the landlord of a building and after holding such enquiry as he thinks fit, fix the fair rent for such building in accordance with the principles set out in the

following Sub-sections.

(2) The fair rent for any residential building shall be nine per cent gross return per annum on the total cost of such building.

(3) The fair rent for any non-residential building shall be twelve per cent gross return per annum on the total cost of such building.

(4) The total cost referred to in Sub-section (2) and Sub-section (3) shall consist of the market value of the site in which the building is constructed, the cost of construction of the building and the cost of provision of any one or more of the amenities specified in Schedule I as on the date of application for fixation of fair rent;

Provided further that the cost of provision of amenities specified in Schedule I shall not exceed-

(i) in the case of any residential building, fifteen per cent; and

(ii) in the case of non-residential building, twentyfive per cent, of the cost of site in which the building is constructed and the cost of construction of the building as determined under this Section.

5.(a) The cost of construction of the building including cost of internal water-supply, sanitary and electrical installations shall be determined with due regard to the rates adopted for the purpose of estimation by the Public Works Department of the Government for the area concerned. The Controller may, in appropriate cases, allow or disallow an amount not exceeding thirty per cent of construction having regard to the nature of the building.

(b) The Controller shall deduct from the cost of construction determined in the manner specified in Clause (a) depreciation, calculated at the rates specified in Schedule II.

2. A bird's eye view of Section 4 indicates that the Controller shall hold an enquiry before fixing the fair rent preceded by an application made in that behalf either by the tenant or the landlord, in accordance with the principles set out in Sub-sections 2 to 5 of Section 4. In case of a residential building the fair rent shall be 9 per cent and for non-residential building 12 per cent gross return per annum on the total cost of the building in question. The total cost shall consist of (a) market value of the site on which the building is constructed; (b) the cost of the construction of the building; and (c) the cost of provision of any one or more of the amenities specified in Schedule I which shall not exceed: (1) in the case of residential building 15 per cent; and (2) in case of any non-residential building 25 per cent of the cost of the site in which the building was constructed as determined u/s 4 of the Act. The cost of the construction of the building would also include internal water supply, sanitary and electrical installations. The estimation of its ratio thereof shall be as is done by the Public Works Department of the Government for the area concerned. In addition to the above, having

regard to the nature of the building, the Controller may, in appropriate cases, allow or disallow an amount not exceeding 30% of construction. The Controller shall also deduct from the cost of construction determined in the manner specified in Clause (a) of Sub-section 5 of Section (4) the depreciation calculated at the rates specified in Schedule II. The determination of the fair rent of the building shall be fixed as on the date of the application filed for fixation of the fair rent.

3. Section 5 of the Act provides the right for refixation of the fair rent under the Act for the reasons adumbrated therein with which we are presently not concerned. An Engineer was appointed as a Commissioner to evaluate the total cost of the building, who adopted the rates of the Public Works Department and submitted his report which is Exhibit P-2. He was also examined as a witness. The rates of the construction for terraced building were (a) for the ground floor at Rs. 345 per sq. metre and (b) for first floor at Rs. 320 per sq. metre. As regards the tiled portion, the cost of construction is Rs. 300 per sq. metre. The parties also adduced oral evidence. The Rent Controller after consideration thereof fixed the rates as afore-stated and he worked out the fair rent on that basis.

4. The entire ground floor consists of 2927.25 sq. ft. the area of two shops wherein consists of 238.00 sq. ft. The built up area of the first floor is 3330.75 sq. ft., the tiled portion consists of 237 sq. ft. The cost of construction was estimated at Rs. 1,99,300. The depreciation @ 1 per cent, as is first class building, was given. He added the market value of the open site at Rs. 20,000 and also annuity on the vacant portion @ 1 per cent was added. Accordingly the Rent Controller worked out the cost at Rs. 1,51,820. The fair rent as non-residential premises, at 12 per cent gross return, was fixed at Rs. 1518 per month. Since the respondent, landlady confined to the enhancement of the fair rent at Rs. 1,000, it was accordingly fixed. On appeal it was affirmed. In the revision, the High Court while agreeing with the valuation adopted, determined fair rent on the basis that 1/3rd as being used for residential purpose and 2/3rd for non-residential purpose. On that basis the learned Judge worked out at the rate of 9 per cent and 12% as adumbrated in Section 4(2) and (3) and fixed the fair rent. While upholding the depreciation at 1 per cent it fixed the fair rent Rs. 1391.67 per month, but affirmed the fair rent at Rs. 1,000 per month as was confined to, by the landlady. From this material matrix the question at issue is whether the fixation of the fair rent by the Rent Controller, ultimately affirmed by the High Court, is illegal. The contention of the learned counsel for the appellant/tenant that the cost of the building and its market value are illegal, is fallacious and untenable. Section 4 not only provides the procedure but also the principles and method on the basis of which the fair rent is to be determined. The fixation of fair rent, therefore, is in consonance with Section 4. We accordingly affirm its legality. Realising this stark reality the counsel laid emphasis that the valuation of the cost of construction should be as on the date of the construction of the building and placed strong reliance on Dr. K.C. Nambiar Vs. Rent Controller,

Madras and Others, . Therein this Court held that the expression 'cost of construction' means the cost of construction of the building as originally erected with such additions as may be required to be made for subsequent improvements. Rule 12 which prescribes the rate at which the cost of construction is to be computed plainly goes beyond the terms of the section. Accordingly this Court allowed the appeal and determined the fair rent as on the basis of the cost of construction. On that premise the learned counsel for the appellant contended that calculation of the cost of construction to the residential as well as non-residential building should be with reference to the date of application. We find no substance in the contention. It is already seen that Sub-section 4 of Section 4 of the Act, clearly indicates that the total cost of construction referred to in Sub-section 2 and Sub-section 3 shall consist of the market value as on the date of application for fixation of the fair rent. It is obvious that at the time when this court rendered the decision in Nambiar's case there was no provision in Section 4 as to the date on which the cost of construction was to be determined, and Rule 12 provided in the manner in which the fixation of the fair rent has to be made. But subsequently it was amended by Amending Act 23 of 1973 incorporating in Sub-section (4) of Section 4 of the Act as the date of making an application. This is also apparent when we see Section 5 of the Act. Sub-section (3) of Section 5 clearly mentions that:

Where the fair rent of any building has been fixed before the date of the commencement of the Tamil Nadu Building (Lease and Rent Control) Amendment Act, 1973 the Landlord or the tenant may apply to the Controller to refix the fair rent in accordance with the provisions of Section 4 and on such application, the Controller may refix the fair rent.

5. Thus we are clearly of the view that the ratio in Nambiar's case no longer would apply. The subsequent amendment brought on the statute in 1973, amplified the date of application as the starting point to fix market value. On the basis of the valuation of the building estimated by the commissioner as per P.W.D. rates prevailing in the area and evidence produced by the parties, the Rent controller as modified by the High Court rightly determined the fair rent.

6. It is next contended that the method adopted by the Controller and ultimately upheld by the High Court in fixing the fair rent is not correct. It is contended that the value of the building has been changing from time to time as is reflected from the evidence on record and the courts below committed the gravest error in not considering the evidence in proper perspective. It is already seen that Section 4 prescribed the principles on the basis of which the fair rent is to be fixed. In the light of those principles the evidence adduced by the parties was considered by the Controller, the appellate court and the High Court, found that the fixation of the fair rent is much in excess to the claim made by the landlady. Since the landlady confined the claim for Rs. 1,000 per month, the courts below have fixed the fair rent at Rs. 1,000. Therefore, on the findings of facts based on consideration of the evidence, this Court cannot interfere and come to its

conclusion. Thereby the finding is not vitiated nor illegal warranting interference.

7. The appeal is accordingly dismissed with costs, fixed at Rs. 5,000.