

923

House Building Advance-
Calculation of interest thereon.

GOVERNMENT OF MAHARASHTRA
Finance Department.

Circular No. HBA-1077/36/93/GEN-5. CR1979040901
Mantralaya, Bombay-400 032, Dated 9th April 1979.

- READ:-** (1) Government Resolution, Finance Department,
No. MCA-1074/1027/F-1., dated 16th September 1973.
- (2) Government Resolution, Finance Department,
No. MCA-1075/112/(143)/GEN-5, dated 16th February 1976.

CIRCULAR:- Prior to the year 1975-76, interest rate on House Building Advances used to be fixed at a uniform flat rate on the entire amount of advance sanctioned. However, from the year 1975-76 onwards slab system was introduced under which differential rates of interest are being charged depending upon the amount of house building advance taken. It was clarified that the costlier portion of the advance should be allowed to be refunded first.

2. References are being received by Government seeking clarification about the procedure to be followed for calculation of interest at differential rates under slab system. Government is pleased to clarify that for the purposes of calculation of interest, the house building advance sanctioned and drawn should be split up into the existing different slabs i.e. upto Rs.25,000 upto Rs.50,000 but exceeding Rs.25,000 and upto Rs.90,000 but exceeding Rs.50,000 and then the interest should be calculated taking into account the interest rate in respect of each of the slabs. An illustration indicating the procedure for calculation of interest is appended to this Circular, for guidance.

3. As the slab system was introduced from the year 1975-76 onwards, the mode of calculation of interest on the House Building Advances sanctioned has effect from the year 1975-76.

4. This issues with the concurrence of Law and Judiciary Department vide un-official reference No.21936/A/1336/D, dated 22nd December 1978, and in consultation with Accountant General, Bombay, vide un-official reference No. DC/HBA/AIS/CKM/6, dated 5th April 1979.

10

By order and in the name of the Governor of Maharashtra,

V.S. DHARURKAR,
Under Secretary to Government,
Finance Department.

To

The Accountant General, Maharashtra I, Bombay (160 copies),
The Accountant General, Maharashtra II, Nagpur (40 copies),
The Resident Audit Officer, Bombay,
The Pay and Accounts Officer, Bombay (40 copies),

GCP.ROTA/F.D.-H-139(7,200+5-4-79)-1.

P.T.O.

GCP.ROTA/F.D.-H-138(7,200+5-4-79)

K.W. 22
AS 25/10
for P.egd & P.45

The Chief Auditor, Local Fund Accounts, Bombay,
 *The Secretary, Maharashtra Public Service Commission, Bombay,
 *The Secretary, Maharashtra Legislature Secretariat, Bombay,
 *The Prothonotary and Senior Master, High Court, Bombay,
 *The Registrar, Office of the Lokayukta and Upa-Lokayukta, Bombay,
 *The Registrar, High Court of Judicature, Appellate Side, Bombay,
 The Secretary to the Chief Minister,
 The Personal Assistants to all Ministers, Ministers for State,
 All Departments of the Mantralaya,
 The Divisional Commissioners, Bombay, Pune, Nagpur and Aurangabad,
 All Heads of Departments and Heads of Offices under the several
 Departments of the Mantralaya,
 The Chief Executive Officers of all Zilla Parishads,
 All Desks in Finance Department (5 spare copies to Librarian),
 The Liaison Officer, Mantralaya, Bombay,
 The Select file (GEN-5).

*By letter.

No.

of 1979.

Copy forwarded for information and guidance to -

284
lised
etiremen

78.

1979.

n,
u
of
ant
en
s

the
alary
t

d

AS 11/10

for S. egd. 11/10

984

ACCOMPANIMENT TO GOVERNMENT CIRCULAR, FINANCE DEPARTMENT,
NO. HBA-1077/36/93/GEN-5, DATED 9TH APRIL 1979.

Illustration regarding calculation of interest on H.B.A. under slab system.

An amount of Rs.27,000 was sanctioned, on 1st April 1975 to a Government servant towards House Building Advance. The sanctioned advance was released in three instalments as under:-

(1) 1-4-1975	Rs. 8,100
(2) 1-3-1976	Rs.10,800
(3) 1-12-1976	Rs. 8,100

TOTAL:- Rs.27,000

The principal amount is to be repaid at the rate of Rs.200/-p.m. The date of the commencement of the repayment of advance is 1-9-1976. The rate of interest in force during 1975-76 is as under:- (This rate of interest in force on the date of sanction of the advance continues to apply till the entire principal amount is repaid).

- 1) On the amount of House Building Advance and other advances upto Rs.25,000/- ... 7% per annum
- 2) On the amount of House Building Advance between Rs.25,001 to Rs.50,000/- ... 8% per annum
- 3) On the amount of House Building Advance between Rs.50,001 to Rs.90,000/- ... 10% per annum

The interest schedule will be as follows.

<u>Month-wise calculations</u>					<u>Year-wise calculations</u>	
Month	Amount repaid during the month.	Balance of advance at the end of the month.	The rate of interest @ Rs.	Amount of interest accrued.	Progressive total of month-wise balances	X Rate of interest p.a. 12
1st April 1975 to 28th February, 1976	-	8,100 (each month)	7% p.a.	519.75	$\frac{89100}{12}$	$\times \frac{7}{100} = \frac{2079}{4}$ = Rs.519.75
1st March, 1976 to 31st August, 1976.	-	18,900 (each month)	7% p.a.	661.50	$\frac{113400}{12}$	$\times \frac{7}{100} = \frac{7938}{12}$ = Rs.661.50
<u>TOTAL:-</u>	-	27,000	7% p.a.	1181.25	1181.25	

H-139(7,200+5-4-79)-2.

K.W. PC
AS 10
for Regd. & P. 40

1	2	3	4	5	6	7
(B)						
September 1976	200	18,700	7% p.a.	109.09		
October 1976	200	18,500	7% p.a.	107.92		
November 1976	200	18,300	7% p.a.	106.75		
December 1976	200	25,000	7% p.a.	145.83	Progressive total of month-wise diminishing balances.	Rate of interest p.a.
		1,200	8% p.a.	8.00		
January 1977	200	25,000	7% p.a.	145.83		
		1,000	8% p.a.	6.67		
February 1977	200	25,000	7% p.a.	145.83	(i) $\frac{155,500}{12} \times \frac{7}{100}$	
		800	8% p.a.	5.33		
March 1977	200	25,000	7% p.a.	145.83	(ii) $\frac{3600}{12} \times \frac{8}{100}$	
		600	8% p.a.	4.00		
						= 24.00
TOTAL:-	1400	$\frac{1,55,500}{3,600}$	7% p.a. + 8% p.a.	$\frac{907.08}{24.00}$	907.08	24.00

(C)						
April 1977	200	25,000	7% p.a.	145.83	$\frac{99800}{12} \times \frac{7}{100} =$	$= 582.16$
		400	8% p.a.	2.67		
May 1977	200	25,000	7% p.a.	145.83	$\frac{600}{12} \times \frac{8}{100} =$	$= 4.00$
		200	8% p.a.	1.33		
June 1977	200	25,000	7% p.a.	145.83		
July 1977	200	24,800	7% p.a.	144.67		
TOTAL:-	800	$\frac{99,800}{600}$	7% p.a. + 8% p.a.	$\frac{582.16}{4.00}$	582.16	4.00
Grand totals of interest occurred.		A @	7% p.a.	1181.25	1181.25	
		B @	7% p.a.	907.08	907.08	
			8% p.a.	24.00	24.00	
		C @	7% p.a.	582.16	582.16	
			8% p.a.	4.00	4.00	

The amount of interest will continue to be calculated on the diminishing balances as shown above till the entire amount of advance is recovered and thereafter the amount of interest accrued will be recovered in the prescribed monthly instalments in terms of the agreement.