

EXECUTIVE SUMMARY

Tax collection	In 2010-11, the revenue collection from Land revenue was ` 177.53 crore. The revenue collection increased by 39 <i>per cent</i> over 2009-10.
Insignificant recovery by the Department of observations pointed out by us in earlier years	During the years 2006-07 to 2010-11, we had, through our Audit Reports, pointed out non/short levy, non/short realisation of revenue amounting to ` 223.64 crore in 11 paragraphs. Of these, the Government/Department had accepted audit observations contained in eight paragraphs involving ` 110.45 crore and had since then recovered, only ` 20 lakh related to observation in three paragraphs. The recovery made by the Department is negligible when compared with the amount involved in the total accepted cases.
Results of audit conducted by us in 2010-11	In 2010-11, we test checked the records of 55 offices of the Tahsildars and 10 offices each of the Assistant Commissioners/Deputy Commissioners and found non/short levy of conversion fine and compounding amount, short levy of fee for pre-mutation sketch and other irregularities amounting to ` 32.53 crore in 164 cases. The Department accepted underassessments of ` 9.09 crore in 49 cases pointed out during the year 2010-11 and recovered ` 96.19 lakh in 58 cases pointed out in earlier years.
What we have highlighted in this Chapter	In this chapter, we present illustrative cases of ` 54.37 lakh selected from observations noticed during our test check of the offices of the Department where we found that provisions of the Act/Rules were not observed.
Our conclusion	The Department needs to strengthen the internal control mechanism so that weaknesses in the system are addressed and omissions of the nature detected by us are avoided in future. It also needs to initiate immediate action to recover the non/short levy of revenue pointed out by us, more so in those cases where it has accepted our contention.

CHAPTER-VI: LAND REVENUE

6.1 Tax administration

The levy of Land revenue is administered by the Revenue Department at the Government level. The State is divided into four revenue zones viz. Bangalore, Mysore, Belgaum and Gulbarga, each headed by a Regional Commissioner (RC). At the field level, the levy and collection of Land revenue is administered by the Deputy Commissioner (DC)/Special Deputy Commissioner at district level, Assistant Commissioner (AC) at sub-division level, Tahsildar including Special Tahsildar at taluk level, Revenue Inspector/ Village Accountant at the village level. The provisions of the Karnataka Land Revenue (KLR) Act, 1964 and the KLR Rules, 1966 framed thereunder govern the levy and collection of Land revenue.

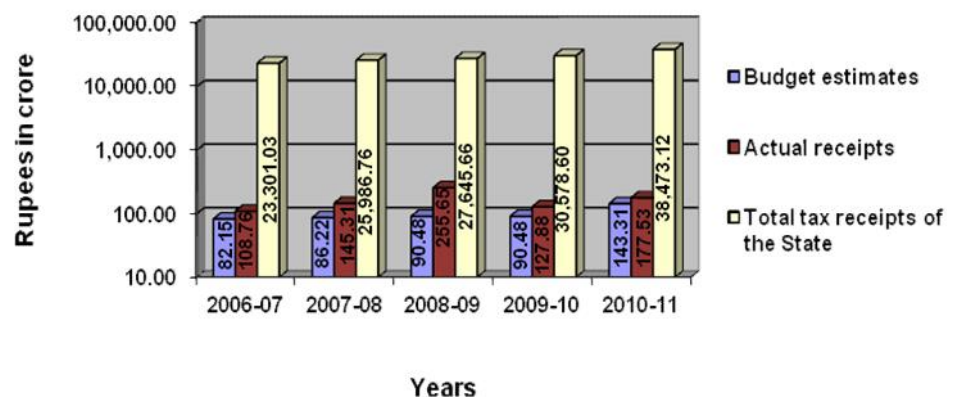
6.2 Trend of receipts

Budget Estimates (BEs) and actual receipts from land revenue during the years 2006-07 to 2010-11 along with the total tax receipts during the same period is exhibited in the following table and graphs:

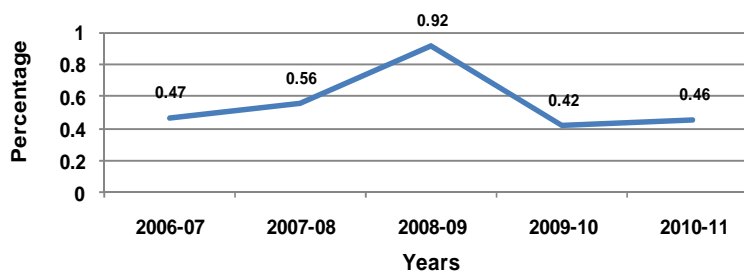
(` in crore)

Year	Budget estimates	Actual receipts	Variation excess(+)/shortfall(-)	Percentage of variation	Total tax receipts of the State	Percentage of actual receipts vis-à-vis total tax receipts
2006-07	82.15	108.76	(+) 26.61	(+) 32.39	23,301.03	0.47
2007-08	86.22	145.31	(+) 59.09	(+) 68.53	25,986.76	0.56
2008-09	90.48	255.65	(+) 165.17	(+) 182.55	27,645.66	0.92
2009-10	90.48	127.88	(+) 37.40	(+) 41.34	30,578.60	0.42
2010-11	143.31	177.53	(+) 34.22	(+) 23.88	38,473.12	0.46

Graph 1 : Budget estimates, Actual receipts and Total tax receipts



Graph 2: Percentage of Actual receipts vis-à-vis Total tax receipts



It is seen from the table that the variation between the BEs and Actual receipts ranged between (+) 23.88 and (+) 182.55 *per cent*. Further, revenue increased by 39 *per cent* in 2010-11 as compared to 2009-10 under all minor heads under the Head of account '0029-Land Revenue'. The Department did not furnish reasons for increase in revenue though called for (July 2011). The percentage of actual receipts in total tax receipts ranged between 0.42 and 0.92 *per cent* during the five year period 2006-07 to 2010-11.

6.3 Impact of Audit Reports

During the last five years, through our Audit Reports, we had pointed out non/short levy of tax with revenue implication of ` 223.64 crore in 11 paragraphs. Of these, the Government/Department had accepted audit observations involving ` 110.45 crore in eight paragraphs and had since recovered ` 20 lakh. The details are shown in the following table:

(` in crore)

Year of Audit Report	Paragraphs included		Paragraphs accepted		Amount recovered	
	Number	Amount	Number	Amount ¹	Number	Amount ¹
2006-07	01	1.08	-	-	-	-
2007-08	02	209.09	01	106.02	-	-
2008-09	02	1.38	02	0.20	-	-
2009-10	03	11.55	02	4.09	01	0.11
2010-11	03	0.54	03	0.14	02	0.09
Total	11	223.64	08	110.45	03	0.20

As can be seen from the above table, the recovery made by the Department is negligible when compared to the amount involved in the total accepted cases.

We recommend that the Government issue directions to the Department to intensify its measures for expeditious recovery of the amount involved in the accepted cases.

6.4 Results of audit

We conducted a test check of the records of 55 offices of the Tahsildars and 10 offices each of the ACs and DCs during the year 2010-11. This revealed non/short levy of conversion fine and compounding amount, short levy of fees for pre-mutation sketch and other irregularities amounting to ` 32.53 crore in 164 cases. The observations broadly fall under the following categories:

¹ Indicates the amount of acceptance and recovery in respect of individual cases included in the respective paragraphs.

(` in crore)

Sl. No.	Category	No. of cases	Amount
1.	Non/short levy of conversion fine/compounding amount	36	1.26
2.	Short levy of pre-mutation sketch and <i>phodi</i> fee	49	0.41
3.	Other irregularities	79	30.86
	Total	164	32.53

During the course of the year 2010-11, the Department accepted underassessments of ` 9.09 crore in 49 cases pointed out during the year. The Department also recovered ` 96.19 lakh in 58 observations pointed out in earlier years.

A few illustrative audit observations involving ` 54.37 lakh are mentioned in the succeeding paragraphs.

6.5 Non-observance of provisions of the Act/Rules

The KLR Act, 1964 and the KLR Rules, 1966 provide as under:

- Section 128 of the KLR Act for preparation of a pre-mutation sketch prepared by a licensed surveyor while reporting mutation of land.
- Section 95 of the KLR Act for permission for diversion of agricultural land for non-agricultural purposes on payment of conversion fine prescribed under the KLR Rules.
- Section 96 of the KLR Act for compounding of the diversion of the agricultural land for non-agricultural purposes without permission of DC by levy of the compounding amount.
- Rule 131(3) of the KLR Rules for issue of copies of Record of rights (RTC²) on payment of fees prescribed by Government using software specified under sub-rule (3) of Rule 62 of KLR Rules. As per Government circular No.RD 28 MRR 2002 dated 1 July 2006, fees collected has to be remitted to Personal Deposit account of the DC. All Government receipts should be remitted to the Government account in accordance with the provision of the Karnataka Financial Code, 1958.

We noticed during test check of the records of one AC office, two DC offices and 25 Tahsildars' offices that the above provisions were not followed by the concerned offices. This resulted in a number of discrepancies with non/short realisation of the Government revenue amounting to ` 54.37 lakh. Of these, the Department furnished replies and accepted audit observations in 1,699 cases involving ` 13.87 lakh and of that, recovered ` 9.08 lakh in 742 cases.

6.5.1 Short levy of fees for pre-mutation sketch

23 Tahsildar offices³

The fee for each pre-mutation sketch upto 11 August 2008 was ` 403 of which ` 300 was payable to the licensed surveyor and balance was Government revenue. The Government, vide order dated 12 August 2008, enhanced the fee for pre-mutation sketch to ` 600 with no enhancement in payment to the

² licensed surveyor.

² Record of Title, Tenancy and Crop Inspection Certificate

³ Alur, Arkalgud, Bellary, Belur, Bhadravathi, Channarayapatna, Chintamani, Dodaballapura, Gowribidanur, Harihara, Hassan, Hiriur, Hosadurga, K.R.Pet, Kanakapura, Kolar, Madhugiri, Mandya, Pandavapura, Sagar, Shimoga, Srirangapatna and Tiptur.

⁴ Sketch prepared by licensed surveyor for the purpose of sub-division of parcels of land.

After we pointed out the short levy, 11 Tahsildars⁵ stated that the order revising the fee was received in December 2008/January 2009 and hence fee had been levied at pre-revised rates during the above period. Delay on the part of the DCs to communicate the revised rates to Tahsildars resulted in short levy of fee of ` 25.06 lakh. Further, the Government/Department reported (June/July 2011) raising of demand of ` 3.34 lakh in 1,695 cases and of that, recovered ` 1.46 lakh in 741 cases in four Tahsildar offices⁶.

6.5.2 Non/short levy of conversion fine and compounding amount

Three Tahsildar offices, One AC office and Two DC offices

Under the KLR Act 1964 and the Rules framed thereunder, when any land assessed or held for the purpose of agriculture is permitted to be diverted for purposes other than agriculture, conversion fine is leviable. The rate of fine leviable depends on the place where the land is situated and the purpose for which the land is put to use. The table of conversion fine in the KLR Rules categorises the rates for specific taluks mentioned in the table and lands situated within 18 kms from their municipal limits, for 'all other taluks' and lands falling within 8 kms from their municipal limits and for 'other places'. The rate of conversion fine for 'all other taluks' was ` 5.38 per square meter and ` 8.07 per square meter for residential and non-residential purposes respectively. The rates of conversion fine for all 'other places' was ` 2.18 per square meter and

6.5.2.1 We noticed from the records of Tahsildar, Maddur and AC, Davanagere in July 2010 and August 2010 respectively that 11 orders permitting diversion of agricultural land measuring 12 acres 29.62 guntas (51,577.68 square meters) for non-agricultural purposes (residential-30,273.37 square meters and non-residential-21,307.31 square meters) were issued between April 2007 and January 2010. In these cases, conversion fine of ` 1.87 lakh was levied at the rates specified for 'other places' in the KLR Rules. We noticed from the spot inspection reports prepared in connection with conversion of lands that the lands were situated within the prescribed distances from the municipal limits of the taluks concerned and hence conversion fine applicable to 'all

other taluks' was to be levied. The conversion fine leviable at the correct rates amounted to ` 3.35 lakh. Adoption of incorrect rates of conversion fine resulted in short levy of conversion fine of ` 1.48 lakh.

After we pointed out the cases to the concerned, AC, Davanagere contended (August 2010) that the lands were situated in taluks governed by Town

⁵ Bellary, Bhadravathi, Channarayapatna, Chintamani, Gowribidanur, Harihara, K.R.Pet, Kanakapura, Kolar, Madhugiri and Shimoga.

⁶ Arkalgud, Belur, Channarayapatna and Harihara

Panchayats and hence the rates levied were correct. The reply is not tenable since Honnali is a taluk and the lands were within 5 kms from municipal limits of the taluk, conversion fine had to be levied at the rates applicable to 'other taluks'. Replies in respect of Maddur have not been received (January 2012).

The provisions relating to levy of conversion fine apply mutatis mutandis in respect of diversion of non-agricultural lands held for specific purposes for other non-agricultural purposes.

6.5.2.2 We noticed from the records of the Tahsildars, Hollalkere, K.R.Pet and DC, Mandya, between May 2010 and June 2010, that gomal/tank bed land measuring 79 acres 12 guntas (3,21,538.58 square meters) were leased in nine cases to windmill power units, road to wind mill, hydel power unit and Karnataka Power Transmission Corporation Limited (KPTCL) between December 2005 and January 2010. Scrutiny of the lease orders revealed that though the land was permitted to be used for non-agricultural purposes, conversion fine amounting to ` 17.30 lakh as per the prescribed rates was not levied.

After we pointed out the cases, DC, Mandya contended (June 2010) that conversion fine in respect of lands leased to KPTCL was exempted as lands were granted for public purposes in accordance with the Government circular dated 13 November 2006. The reply was not tenable since the circular clarified that no conversion fine shall be levied in respect of land granted for public purposes to the institutions specified in Rule 108(2) of the KLR Rules and KPTCL was not specified under Rule 108(2) for exemption of conversion fine. Replies in respect of the remaining cases have not been received (January 2012).

As per the KLR Act, the DC may compound diversion of agricultural land for non-agricultural purposes without permission on payment of the compounding amount at prescribed rate.

6.5.2.3 We noticed from the records of the DC, Bangalore (Urban) in October 2010 that three orders were issued between July 2009 and March 2010 for conversion of 3 acres 28.08 guntas of agricultural land for non-agricultural purposes (residential/non-residential). We noticed from the spot inspection reports prepared prior to issue of orders for conversion that the Department had recorded unauthorised constructions to an extent of 16,989.12 square feet in these three cases. However, we noticed that the compounding amount of ` 2.35 lakh leviable was not levied. This resulted in non-levy of compounding amount of ` 2.35 lakh as given below:

Purpose for which diverted	Extent in square feet	Rate of compounding amount/square feet	Amount of compounding amount not levied (in `)
Residential	16,117.56	11.50	1,85,352
Non-residential	871.56	57.50	50,115
Total	16,989.12		2,35,467

After we pointed out the cases, DC, Bangalore (Urban) reported issue of demand notice in all the three cases. Report of recovery has not been received (January 2012).

Thus, conversion fine and compounding amount of ` 21.13 lakh was either not levied or levied short.

We reported all the above cases to the Government in May 2011; we have not received their reply (January 2012).

6.5.3 Misappropriation of Government revenue

Tahsildar, Shimoga

As per the KFC, all monetary transactions should be entered in the cash book as soon as they occur. As per article 329(v), when Government moneys are paid into the treasury or the bank, the head of the office should compare the receipt on the challan or pass book with the entry in the cash book before attesting it and satisfy himself that the amounts have been actually credited in to the treasury or bank. After the end of the month, he should obtain from the Treasury a consolidated receipt for all remittances made during the month which should be compared with the postings in the Cash Book.

We found (between November 2010 and February 2011) that the Tahsildar, Shimoga was maintaining a register called "Remittance Register" which contained the details of the funds remitted by his office into the treasury. The amounts due to the Government were collected by issue of receipts to the payees. We found from the challans available in the office that they had collected fees of `8,00,179 on account of RECORD OF RIGHTS and mutation in Bhoomi kiosks and ` 18,286 for copying

application remitted between August 2009 and November 2010. The fees were shown to have been deposited under the Heads of account under '8443 PD Account of Deputy Commissioner' and '1475 Other General Economic Services' respectively in the 'Remittance Register'. Our cross verifications of the "Challans" and "remittance Register" with the treasury records revealed that the amounts mentioned above were not remitted into the treasury resulting in misappropriation of ` 8.18 lakh. We found that the office had not reconciled the Remittance register with the treasury records as such the misappropriation got unnoticed.

After this being pointed out by us, the Treasury Officer in February 2011 confirmed non-remittance of the fees. Further, the Government reported (August 2011) that ` 7.62 lakh has been recovered from the concerned persons. It was further stated that action had been initiated for recovery of the balance amount.

