

EXECUTIVE SUMMARY

Marginal decrease in collection of revenue

In 2010-11, the collection of revenue from stamps & registration decreased by 2.4 *per cent* over the previous year.

Negligible recovery by the Department of observations pointed out by us in earlier years.

During the last five years (including the current year's report), we have pointed out non/short levy, non/short realisation, underassessment/loss of revenue, incorrect exemption, concealment/suppression of turnover, application of incorrect rate of tax, incorrect computation etc., with revenue implication of ₹ 8.38 crore in 11 paragraphs. Not a single reply was furnished by the Government in respect of any of the paragraphs and no recovery was intimated.

Result of audits conducted by us in 2010-11

During the year 2010-11, we had test checked the records of three units relating to Stamps & Registration Department and pointed out non / short realisation of duties, amounting to ₹ 1.74 crore in 5 cases. The Department, has neither replied nor recovered the amount in any of the cases.

What we have highlighted in this chapter

In this Chapter, we present illustrative cases of ₹ 5.48 crore selected from observations noticed during our test check of records relating to levy and collection of stamp duty in the office of the District Registrar, Nongpoh and District Sub-Registrar, Khliehriat.

It is matter of concern that similar omissions have been pointed out by us repeatedly in the Audit Reports for the past several years, but the Department has not taken corrective action to prevent recurring loss of revenue. We are also concerned that though some of these omissions were apparent from the records made available to us, the Department was unable to detect these mistakes.

CHAPTER-V: STAMP DUTY AND REGISTRATION FEES

5.1 Tax administration

The levy and collection of tax is administered by the Stamps & Registration Department headed by the Inspector General of Stamps (IGR) at the Directorate level. At the Department level, the Principal Secretary is the chief revenue controlling authority. Further, there are District Registrars/Sub-Registrars at the district level for levy and collection of stamp duty and registration fee.

5.1.1 Trend of receipts

Actual receipts from Stamps & Registration Department during the years 2006-07 to 2010-11 along with the tax receipts during the same period is exhibited in the following table.

(₹ 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 non tax receipts
2006-07	5.50	6.49	(+) 0.99	15	304.74	2.13
2007-08	7.92	5.99	(-) 1.93	32	319.10	1.88
2008-09	9.50	5.54	(-) 3.96	71	369.44	1.50
2009-10	8.11	11.02	(+) 2.91	26	444.29	2.48
2010-11	8.60	10.76	(+) 2.16	20	571.45	1.88

The wide variation between budget estimates and actual collection in the last five years shows that the budget is not being realistically framed.

Stamps & Registration receipts formed about 2 per cent of the total non-tax receipts of the State during the last five years.

5.2 Impact of audit reports

During the last five years (including the current year's report), we have pointed out non/short levy, non/short realisation, underassessment/loss of revenue, incorrect exemption, concealment/suppression of turnover, application of incorrect rate of tax, incorrect computation etc., with revenue implication of ₹ 8.38 crore in 11 paragraphs. Not a single reply was furnished by the Government in respect of any of the paragraphs and no recovery was intimated.

(₹ in crore)

Year of Audit Report	Paragraphs included		Paragraphs accepted		Amount recovered	
	No	Amount	No	Amount	No	Amount
2006-07	2	0.76	-	-	-	--
2007-08	3	0.22	-	-	-	--
2008-09	1	1.21	-	-	-	--
2009-10	2	0.71	-	-	-	--
2010-11	3	5.48	-	-	-	-
Total	11	8.38	-	-	-	-

We recommend that the Department revamp its revenue recovery mechanism in order to effect recovery in the cases pointed out.

5.2.1 Results of audit

Test check of the records of three units¹ relating to Stamps & Registration Department during the year 2010-11 revealed non / short realisation of duties, amounting to ₹ 1.74 crore in 5 cases which can be categorised as under:

(₹ in crore)

Sl. No.	Category	Number of cases	Amount
1.	Non-realisation of stamp duty	01	0.81
2.	Short realisation of stamp duty	04	0.93
Total		5	1.74

During the year, the Department did not reply to a single case pointed out by audit and no recovery was intimated in respect of any of the cases.

5.2.2 Non-compliance of the provisions of the Acts/Rules

The provisions of the Indian Stamp Act, 1899 and Rules made thereunder require levy and payment of:

- Stamp duty on document of lease at prescribed rate
- Stamp duty for registration of conveyance deed for transfer of land at full rates when purchased by companies
- Stamp duty on market value of immovable property

Non-compliance of the provisions of the Acts/Rules in some cases as mentioned in succeeding paragraphs resulted in non/short realisation of ₹ 1.89 crore.

¹ District Registrar, Shillong & Nongpoh, Sub-Registrar, Khliehriat

5.3 Short realisation of stamp duty on Mining Lease Deed

Under Section 26 of the Indian Stamp Act, 1899 for the lease of a mine in which royalty is received, stamp duty shall be collected on anticipated royalty. Clause 35(a)(v) of the Indian Stamp (Meghalaya Amendment) Act, 1993 lays down that, stamp duty on lease where lease is executed for a term exceeding 10 years but not exceeding 20 years and exceeding 20 years but not exceeding 30 years, shall be calculated at the rate of ₹ 99 per thousand for a consideration equal to two times and three times respectively the value of the average annual rent received.

5.3.1 We noticed in Sub-Registrar office, Khliehriat in December 2010 that the Government of Meghalaya executed a lease agreement on 22 June 2009 with M/s JUD Cement Private Limited for a period of 30 years for extraction of limestone. As per the agreement, the anticipated royalty on limestone from the lease land was ₹ 1.84 crore per year against which, stamp duty² of ₹ 54.53 lakh was realisable. However, only ₹ 780 was collected in this case resulting in short

realisation of stamp duty of ₹ 54.52 lakh.

5.3.2 We also noticed in Khliehriat that the State Government executed two lease agreements with two lessees³ on 08 March 2007 and 25 September 2009 for a period of 20 years for extraction of limestone. As per the agreements, the anticipated royalty in limestone from the leased land was ₹ 4.31 crore per year, against which, stamp duty of ₹ 85.34 lakh⁴ was realisable. However, the Sub-Registrar levied and realised only ₹ 49.33 lakh resulting in short realisation of stamp duty of ₹ 36.01 lakh.

We reported the cases to the Excise, Registration, Taxation & Stamps Department, GOM in December 2010; reply was awaited (September 2011)

² ₹ 1,83,60,000 X 3 X 99/1000=₹ 54,52,920

³ M/S Adhunik Cement and M/S Meghalaya Cement Ltd

⁴ ₹ 65,25,000 + 3,65,76,000 = ₹ 4,31,01,000

₹ 4,31,01,000 X 2 X 99/1000 = ₹ 85,33,998

5.4 Short levy of stamp duty

Under Section 23.3 of the Indian Stamp Act, 1899 stamp duty is leviable on the sum actually due on the date of the execution of the instrument. Further, under Rule 3 of the Meghalaya (Prevention of Under-Valuation of Property) Rules, 1983 when an instrument is presented for registration before any registering authority, the person or persons executing the same shall state the full market value of the property. To prevent undervaluation, the Deputy Commissioner (DC) Ribhoi, Nongpoh, on 14 March 2006 fixed the minimum value of land per sq. ft for different localities within the district. The stamp duty on sale/lease deeds shall be calculated at the rate of ₹ 99 per ₹ 1000 on the valuation worked out as specific under Section 23 of the Indian Stamp (Meghalaya Amendment) Act, 1993.

We noticed during test check of records of the District Registrar, Nongpoh in August 2010 that a sale deed⁵ was executed for sale of 3,68,745.2 sq. ft of land at Upper and Lower Balian on 16 November 2009 for a consideration of ₹ 4.75 lakh. The District Registrar, at the time of registration, fixed the value of the aforesaid land at ₹ 18.44 lakh for the purpose of stamp duty and accordingly levied ₹ 1.83 lakh as stamp duty. However, as per rate fixed (March 2006) by the DC, the minimum value of land in Upper Balian is ₹ 20 per sq. ft. Therefore, the minimum value of land would be ₹ 73.75 lakh on which stamp duty⁶ of ₹ 7.30 lakh was

leviable. This resulted in short levy of stamp duty of ₹5.48 lakh.

We reported the case to the Excise, Registration, Taxation & Stamps Department, GOM in August 2010; reply was awaited (September 2011).

⁵ Shri Pittorsing Marak (Seller) and M/s Pioneer Bar and Tubes (Pvt) Ltd (purchaser).

⁶

Location	Area (sq ft)	Value (area X ₹ 20)	Duty leviable	Value assessed	Duty levied	Short levy
Upper Balian	368745.2	₹ 73,74,904	₹ 7,30,115	₹ 18,44,411	₹ 1,82,600	₹ 5,47,515