

EXECUTIVE SUMMARY – CHAPTER - VI

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| Stagnant tax collection and wide variation from budget estimates | The revenue collection during 2011-12 was 62.69 <i>per cent</i> less than the budget estimate. |
| Internal audit | The Internal Audit Wing (IAW) audits about 23 out of 120 units every year and at this rate it may not be able to cover all the units completely even in five years. |
| Very low recovery by the Department | During the period 2007-08 to 2010-11 underassessment of building tax, short levy of lease rent etc. with revenue implication of ₹ 365.48 crore were pointed out in 346 cases. Of these, the Department/Government accepted audit observations in 245 cases involving ₹ 16.56 crore but only ₹ 2.81 crore was recovered in 161 cases. |
| Results of audit | <p>In 2011-12 the records of 61 units relating to land revenue and building tax were test checked and detected under assessment of tax and other irregularities involving ₹ 91.34 crore in 117 cases.</p> <p>The Department accepted underassessment and other deficiencies of ₹ 18.41 crore in 225 cases of which 17 cases involving 0.55 crore were pointed out in audit during the year 2011-12. The Department realised an amount of ₹ 4.49 crore in 225 cases of which 17 cases involving ₹ 0.14 crore were pointed out in audit during the year 2011-12.</p> |
| What is highlighted in this Chapter | <p>The Chapter includes illustrative cases of ₹ 1.48 crore selected from observations noticed during test check of records relating to assessment and collection of building tax and land revenue in <i>taluk</i> offices where Audit found that the provisions of the Acts /Rules were not complied with.</p> <p>It is a matter of concern that similar non compliances were pointed out by us repeatedly in the Audit Reports for the past several years, but the irregularities still persist and remain undetected till an audit is conducted.</p> |
| Conclusion | It is recommended that the IAW be strengthened on a priority basis so that all the units are covered over a 2-3 year cycle. Further, an action plan may be drawn up to settle the high number of outstanding internal audit observations and to recover underassessments pointed out. |

CHAPTER - VI : LAND REVENUE AND BUILDING TAX

6.1 Tax administration

The Revenue Department is under the control of the Additional Chief Secretary at the Government level and the Land Revenue Commissioner is the head of the Department. The revenue collection of the Department includes collection of basic tax, plantation tax, lease rent and building tax. The Department realises arrears of public revenue under the Kerala Revenue Recovery Act with interest and cost of process prescribed.

6.2 Trend of receipts

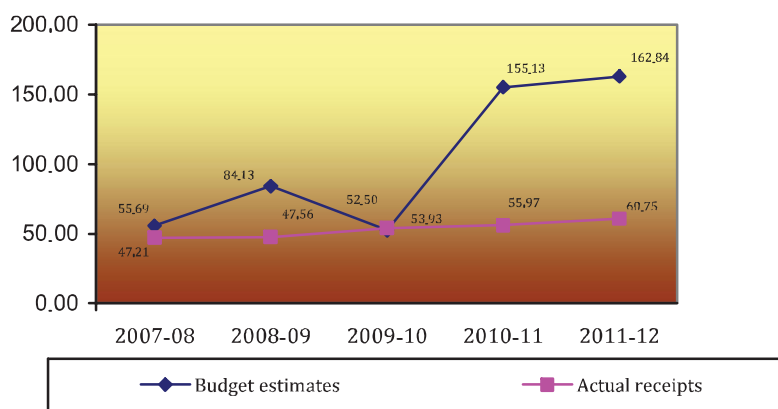
Actual receipts from land revenue during the last five years (2007-08 to 2011-12) along with the budget estimates during the same period is exhibited in the following table and graph.

(₹ in crore)

| Year | Budget estimates | Actual Receipts | Variation | Percentage of variation | Total tax receipts of the State | Percentage of actual receipts vis-à-vis total tax receipts | Percentage of growth |
|---------|------------------|-----------------|------------|-------------------------|---------------------------------|--|----------------------|
| 2007-08 | 55.69 | 47.21 | (-) 8.48 | (-) 15.23 | 13,668.95 | 0.35 | 0.45 |
| 2008-09 | 84.13 | 47.56 | (-) 36.57 | (-) 43.47 | 15,990.18 | 0.30 | 0.74 |
| 2009-10 | 52.50 | 53.93 | (+) 1.43 | (+) 2.72 | 17,625.02 | 0.31 | 13.39 |
| 2010-11 | 155.13 | 55.97 | (-) 99.16 | (-) 63.92 | 21,721.69 | 0.26 | 3.78 |
| 2011-12 | 162.84 | 60.75 | (-) 102.09 | (-) 62.69 | 25,718.60 | 0.24 | 8.54 |

Source : Finance Account of relevant year

Budget estimates and actual receipts - MH 0029



The actual receipts were less than the budget estimates during the last five years except 2009-10.

6.3 Arrears in assessment

Building tax assessment

The Department furnished the position of arrears under building tax assessment which is as shown below :

| | |
|--|-----------------|
| Opening balance | 8,298 |
| Addition during 2011-12 including remanded cases | 1,04,272 |
| Total | 1,12,570 |
| No. of assessments completed | 1,04,391 |
| Arrear cases – 5,737 | |
| Current cases – 98,408 | |
| Remanded cases – 246 | |
| Closing balance | 8,179 |

The above table shows that the Department completed 1,04,391 assessments (69 *per cent* of arrear cases and 94 *per cent* of current cases) during 2011-12 which was more than the addition during the years. Efforts taken by the Department to complete assessments in a large number of current arrear cases was appreciable. However, efforts may be taken to complete assessment of the remaining arrears cases on priority.

Plantation tax assessment

The Department furnished the position of arrears under plantation tax assessment which is as shown below:

| | |
|--|--------------|
| Opening balance | 3,573 |
| Addition during 2011-12 including remanded cases | 1,355 |
| Total | 4,928 |
| No. of assessments completed | 1,592 |
| Arrear cases – 1,097 | |
| Current cases – 492 | |
| Remanded cases – 3 | |
| Closing balance | 3,336 |

The Department completed 1,592 assessments during 2011-12 which was only 32.31 *per cent* of the assessments due for disposal. It may strive to complete assessment of the remaining cases at the earliest.

6.4 Impact of audit

Revenue impact

During the last four years, audit observations relating to underassessment of building tax, short levy of lease rent, short realisation of collection charges, non-levy of luxury tax etc. with revenue implication of ₹ 365.48 crore were pointed out in 346 paragraphs. Of these, the Department/Government accepted audit observations involving ₹ 16.56 crore and had since recovered ₹ 2.81 crore. The details are shown in the following table:

(₹ in lakh)

| Year | Paragraphs included in the LAR | | Paragraphs accepted during the year | | Amount recovered during the year | |
|--------------|--------------------------------|------------------|-------------------------------------|-----------------|----------------------------------|---------------|
| | No. | Amount | No. | Amount | No. | Amount |
| 2007-08 | 113 | 330.00 | 83 | 607.05 | 50 | 102.00 |
| 2008-09 | 91 | 32,562.00 | 16 | 222.05 | 16 | 35.04 |
| 2009-10 | 104 | 1,722.00 | 34 | 86.55 | 33 | 59.34 |
| 2010-11 | 38 | 1,934.00 | 112 | 739.90 | 62 | 84.27 |
| Total | 346 | 36,548.00 | 245 | 1,655.55 | 161 | 280.65 |

6.5 Working of Internal Audit Wing

The Internal Audit Wing (IAW) of the Land Revenue Commissionerate is supervised by the Senior Finance Officer under the control of the Commissioner of Land Revenue. The audit of *Taluk* offices, Revenue Divisional Offices and Revenue Recovery Offices are conducted in a period of two to three years. The IAW is manned by one senior superintendent, three junior superintendents and six clerks. Every year about 23 units were taken up for audit which is not sufficient to cover 120 units even in five years. The Department stated that due to shortage of staff and ceiling on TA, the sub-units could not be audited in a year or two. During 2011-12 the Department had cleared only 438 paragraphs out of 20,882 paragraphs which is only 2.1 *per cent* of the outstanding objections. During the previous years also the clearance was marginal. Thus, the functioning of IAW was not effective.

It is recommended that the functioning of the IAW may be strengthened by deploying more staff if necessary so that all units could be audited over a reasonable period and targets fixed for timely clearance of outstanding paragraphs.

6.6 Results of audit

The records of 61 units relating to land revenue and building tax were test checked and underassessment of tax and other irregularities involving ₹ 91.34 crore were detected in 117 cases which fall under the following categories:

(₹ in crore)

| Sl. No. | Categories | No. of cases | Amount |
|---------|---|--------------|--------------|
| 1. | Underassessment and loss under building tax | 74 | 3.61 |
| 2. | Underassessment and loss under other items | 43 | 87.73 |
| | Total | 117 | 91.34 |

The Department accepted underassessment and other deficiencies of ₹ 18.41 crore in 225 cases of which 17 cases involving ₹ 0.55 crore were pointed out in audit during the year 2011-12. The Department realised an amount of ₹ 4.49 crore in 225 cases of which 17 cases involving ₹ 0.14 crore were pointed out in audit during the year 2011-12.

A few illustrative audit observations involving ₹ 1.48 crore are mentioned in the following paragraphs.

6.7 Audit observations

The records of 61 offices relating to land revenue and building tax were scrutinised and several cases of non-compliance of the provisions of the Rules for Assignment of Land within Municipal and Corporation Areas 1995 (RALMCO) and Kerala Revenue Recovery Rules 1968, (KRR Rules) and Kerala Building Tax Rules (KBT) and other cases were found as mentioned in the succeeding paragraphs in this chapter. These cases are illustrative and are based on a test check carried out in audit. Such omissions on the part of the Tahsildars are pointed out in audit each year, but not only do the irregularities persist but also these remain undetected till an audit is conducted. There is need for the Government to improve the internal control system including strengthening of internal audit so that such cases can be avoided, detected and corrected.

6.8 Non-compliance of provisions of Acts/Rules

The provisions of the KBT Act/Rules, RALMCO and KRR Rules require:-

- i) levy of lease rent on land assigned to various persons at the prescribed rates;*
- ii) levy of collection charges on the amount recovered under RR Act and*
- iii) assessment of building tax and luxury tax at prescribed rates.*

It was noticed that the Tahsildars did not observe some of the above provisions at the time of levying tax. This resulted in short levy of lease rent/building tax/collection charges of ₹ 1.48 crore as mentioned in the paragraphs 6.8.1 to 6.8.7.

6.8.1 Non/short realisation of collection charges

(Three Taluk offices¹ and one Dy. Collector (RR) Office)

Under Rule 4 of the Kerala Revenue Recovery Rules 1968, collection charges are leviable on arrears collected at the rate of five *per cent* when the arrears do not exceed ₹ 5 lakh and at the rate of 7.5 *per cent* when the arrears exceed ₹ 5 lakh. In terms of Rule 5 of the said Rules collection charges leviable in respect of arrears recoverable on behalf of any institution shall be deducted from the amount recovered and the balance alone shall be payable to the institution. Further, institutions except Government departments accepting defaulted payments directly from the defaulter after initiating RR proceedings, shall be liable to pay one *per cent* of the amount so collected towards service charge for initiation of RR proceedings against the defaulter.

It was noticed between February and July 2011 that in three taluk offices and one Dy. Collector's office collection/ service charges amounting to ₹ 18.74 lakh were not realised/short realised from the defaulters by the RR authority or not remitted to Government account after collecting it from the defaulters as given below.

| Description | No. of cases | Amount ₹ |
|--------------------------------------|--------------|------------------|
| Non-collection/ Short collection | 7 | 12,95,441 |
| Non-collection of service charge | 9 | 37,502 |
| Non-remittance to Government account | 1 | 5,40,750 |
| | 17 | 18,73,693 |

Though the recovery could have been monitored easily through the RR register, this was not done. It is essential that the RR register is reviewed periodically by higher authorities/IAW to ensure that collection/service charge is being collected in all cases of recovery.

After the matter was pointed out to the Department, the Department stated (June 2012) that an amount of ₹ 0.42 lakh has been realised and earnest efforts are being taken to realise the balance amount. Further reply has not been received (December 2012).

The matter was reported to the Government in March 2012; their reply has not been received (December 2012).

¹ Taluk Offices: Kozhikode (RR), Kunnathunadu, Thalappally and Dy. Collector (RR), KFC, Trivandrum

6.8.2 Non-levy of lease rent

(*Taluk* office, Thiruvananthapuram)

Under notification² issued in May 2004 the Government fixed the lease rent of land leased out to public sector institutions for commercial purposes at five *per cent* of the market value of the land with effect from 1 April 2004.

As per order³ issued in November 2008, Government leased out 73 cents of land at Kowdiyar village, Thiruvananthapuram to Kerala Financial Corporation for 30 years, after levying 50 *per cent* of the outstanding lease rent arrears upto 31 March 2008. We noticed (March 2012) from the records of *Taluk* office, Thiruvananthapuram that while computing the arrears of lease rent for the period from 1 April 2004 to 31 March 2008, the District Collector applied the incorrect rate of two *per cent* instead of five *per cent*. This resulted in short levy of lease rent of ₹ 22.45 lakh.

When this was pointed out in audit (March 2012), the *Tahsildar*, Thiruvananthapuram replied (March 2012) that the amount would be collected from KFC by issuing revised demand notice. Further report has not been received (December 2012).

The matter was reported to the Government (May 2012); their reply has not been received (December 2012).

6.8.3 Non-realisation of luxury tax

(14 *Taluk* offices⁴)

As per Section 5A of the Kerala Building Tax Act 1975, luxury tax at the rate of ₹ 2,000 is leviable each year on all residential buildings having a plinth area of 278.7 square metres or more and completed on or after 1 April 1999. The Act further stipulates that luxury tax is to be paid in advance on or before the 31 March every year.

It was noticed from the luxury tax assessment register that luxury tax was not demanded/realised on 974 residential buildings having plinth area exceeding 278.7 square metres which were completed after 1 April 1999. This resulted in non-realisation of luxury tax amounting to ₹ 36.24 lakh in 974 cases for the period from April 2000 to March 2011.

² GO(P) No. 126/2004/RD dt: 14 May 2004

³ GO(MS) No. 401/2008/RD dt: 25.11.2008

⁴ *Taluk* Offices: Kunnathunadu, Vaikom, Changanassery, North Paravur, Kochi, Peermade, Ranni, Kunnathur, Karthikappally, Mavelikkara, Kuttanad, Mallappally, Neyyattinkara and Vadakara

After the matter was pointed out to the Department between May and November 2011 it was stated (May 2012) that an amount of ₹ 20.64 lakh has been realised in 708 cases and steps have been taken to realise the balance amount. Further report has not been received (December 2012).

The matter was reported to the Government in February 2012; their reply has not been received (December 2012).

6.8.4 Building tax escaped assessment

- (Taluk office, Hosdurg)

Under the Kerala Building Tax Act and the Kerala Building Tax (Plinth Area) Rules, 1992 made thereunder, every village officer shall transmit to the assessing authority, within 5 days of the expiry of each month, a monthly list of buildings liable to assessment, together with extracts from building application register of the local authority within whose area the buildings included in the list are situated.

The records of *taluk* office, Hosdurg were cross verified with the records of the Kanhangad Municipality and found that 34 buildings completed between June 2008 and December 2010 were not assessed to building tax. This resulted in non-assessment of building tax of ₹ 29.51 lakh. This was due to the lapse on the part of Village Officer in transmitting the details of buildings completed with respect

to the details available with the local authority to the assessing officer.

After the matter was pointed out to the Department in January 2012, the Department stated (June 2012) that 10 buildings have been assessed and an amount of ₹ 14.75 lakh has been realised and steps have been taken to assess the remaining buildings. Further report has not been received (December 2012).

The matter was reported to the Government in March 2012; their reply has not been received (December 2012).

- (Taluk offices, Pathanapuram and Peermade)

The building tax assessments of *taluk* offices, Pathanapuram and Peermade were cross verified with the registers containing building numbers maintained by the Village Office/Punalur Municipality for property tax and found that 92 buildings completed between May 2009 and March 2011 were not assessed to building tax. This resulted in non assessment of building tax of ₹ 16.35 lakh.

After the matter was pointed out to the Department between November 2011 and April 2012, the Department stated (June 2012) that out of the 92 buildings, 60 buildings have since been assessed to tax and steps have been taken to assess the remaining buildings. Further report has not been received (December 2012).

The matter was reported to the Government in May 2012; their reply has not been received (December 2012).

- (Taluk office, Hosdurg)

Records of taluk office, Hosdurg were cross verified with the records of the Hosdurg Village Office and Bella Village Office and found that 12 buildings completed between April 2008 and August 2009 were not assessed to building tax by the assessing officer though they were identified as newly constructed and reported by the Village Officer. This resulted in non assessment of building tax of ₹ 8.42 lakh.

After the matter was pointed out to the Department in January 2012 the Department stated that an amount of ₹ 4.35 lakh has been realised in 6 cases and action has been taken to realise the balance amount. Further reply has not been received (December 2012).

The matter was reported to the Government in March 2012; their reply has not been received (December 2012).

6.8.5 Short levy due to incorrect assessment

(Taluk offices, Kozhikode and Neyyattinkara)

The Kerala Building Tax Act, 1975 provides for levy of building tax at the rate specified in the schedule to the Act on every building the construction of which is completed on or after 10 February 1992 and the plinth area of which exceeds 100 sq.m in case of residential buildings and 50 sq.m in case of non-residential buildings. In case of buildings situated in special grade panchayat where the plinth area exceeds 250 sq.m, the rate of building tax fixed is ₹ 18,000 plus ₹ 1,800 for every additional 10 sq.m and for buildings in corporation area, the tax fixed is ₹ 27,000 plus ₹ 2,250 for every additional 10 sq.m.

It was noticed from the assessment files in Taluk offices, Neyyattinkara and Kozhikode that while finalising (between February 2008 and May 2011) the building tax assessment of three non-residential buildings in special grade panchayat/ corporation, the assessing authorities have not considered full plinth area of buildings. This resulted in short levy of building tax of ₹ 9.22 lakh.

The matter was pointed out to the Department between February and June 2011. The Department stated (June 2012)

that two buildings had been reassessed and an additional demand of ₹ 8.69 lakh had been created. It also stated that an amount of ₹ 4.83 lakh has been realised and that collection process is going on for the balance amount. Further report has not been received (December 2012).

6.8.6 Non-levy of interest on belated payment of land assignment dues

(Revenue Divisional Office, Kochi)

Rule 9(7) of Kerala Land Assignment Rules 1964 envisages that where the assignee does not remit land value, tree value and arrears of tax due from him and other charges within three months from the date of sanctioning the registry, the registry shall be cancelled, the occupants evicted, the land resumed and reassigned to other eligible families. The patta for the land shall be issued only after the entire amount is paid within three months. It further stipulates that arrears of assignment dues shall bear interest at six *per cent per annum*.

It was noticed from the records of RDO Kochi that *Tahsildar*, Fort Kochi assigned 5.92 ares of land in November 2007 for an amount of ₹ 21.94 lakh. Though the assignee remitted the amount only in January 2011, the *Tahsildar* did not levy interest for the belated payment of assignment dues. This resulted in non-levy of interest of ₹ 3.95 lakh.

The case was pointed out to the Department in October 2011, the Department stated (May 2012) that an amount of ₹ 3.84 lakh has been realised. Further reply has not been received (December 2012).

The matter was reported to the Government (April 2012), their reply has not been received (December 2012).

6.8.7 Non-collection of interest on belated payment of luxury tax

(Seven *Taluk* offices⁵)

The Kerala Building Tax Act, 1975 as amended by the Finance Act, 1999 stipulates that luxury tax at the rate of ₹ 2,000 is leviable each year on all residential buildings having a plinth area of 278.7 square metres or more and completed on or after 1 April 1999. The Act further stipulates that the luxury tax is to be collected in advance on or before the 31 March every year. Section 19 of the Act provides that when luxury tax is not paid on the due date, the arrear of tax shall bear interest at the rate of six *per cent per annum* from the date of default.

It was noticed from the luxury tax register that the Department did not levy interest on belated payment of luxury tax in 943 cases in 7 *taluk* offices. This resulted in non-levy of interest of ₹ 3.49 lakh.

After the matter was pointed out to the Department between March and October 2011, the Department stated that an amount of ₹0.68 lakh had been realised in 193 cases

and that earnest efforts were taken to realise the balance amount. Further report has not been received (December 2012).

The matter was reported to the Government in March 2012; their reply has not been received (December 2012).

⁵ *Taluk* Offices: Pathanapuram, Kozhikode, North Paravoor, Changanassery, Ranny, Karthikapally and Pala.