

CHAPTER-VII

***OTHER TAX
RECEIPTS***

CHAPTER VII OTHER TAX RECEIPTS

EXECUTIVE SUMMARY

Tax administration	Other tax receipts include receipts from taxes and duties on electricity, professions tax, water tax, taxes and duties on commodities and services etc. The collection of other tax receipts for the year 2012-13 amounted to ₹ 1497.35 crore.
Results of audits conducted in 2012-13	<p>Test check of records of related offices indicated under assessments of tax and other irregularities involving ₹ 7.49 crore.</p> <p>Department accepted non-levy/short levies and other deficiencies of ₹ 2.23 crore in 40 cases of which three cases involving ₹ 0.38 crore was pointed out in audit during the year 2012-13 and the rest in earlier years.</p>
What audit has highlighted in this chapter	<p>This chapter highlights irregularities relating to levy and collection of water tax and road cess.</p> <p>Significant findings are given below:</p> <ul style="list-style-type: none">• <i>Jamabandi</i> which was to be completed before the <i>fasli</i> (1st July to 30 June) was completed after two years in most of the cases analysed in 24 mandals.• Of 35 mandals audited village wise Demand, Collection and Balance (DCB) registers were not maintained in 22 mandals for the period from 1 July 2007 to 30 June 2011.• Water tax was short levied due to raising of demand on lesser extent of area than communicated by Department of Irrigation.• Though Government alone is competent to remit water tax, remission was granted by <i>jamabandi</i> officers.
Conclusions	<p>Government may take necessary steps to:</p> <ul style="list-style-type: none">• Implement provisions in the Acts/Rules/notifications for timely completion of <i>jamabandi</i> (village accounts).• Levy of water tax on correct extent of land irrigated if necessary by conducting of joint inspection of by officials of Irrigation, Revenue and Agriculture Departments.

Levy and collection of water tax and road cess

7.1 Introduction

Receipts on account of water supplied by the State Government consist of Water tax and Road cess. Every land receiving water for the purpose of irrigation from any Government source of irrigation notified under the Act for each *fasli*¹⁸² year is subject to levy of Water tax at rates specified in the schedule to the Andhra Pradesh Water Tax Act (Act) 1988 as amended in 1997, which governs assessment and collection of Water tax. Similarly, under the Andhra Pradesh Irrigation, Utilization and Command Area Development Act, 1984, read with the notification issued thereunder, road cess at the rate of ₹ 12.35 per hectare per annum is to be levied for construction and maintenance of roads in the command areas of Nagarjunasagar, Sriramsagar and Tungabhadra Projects. According to a clarification issued in August 1989¹⁸³ by Chief Commissioner of Land Administration, Road cess is to be levied on all *ayacutdars*¹⁸⁴ irrespective of the formation of roads and supply of water in the command areas of the above projects.

The Revenue Department is headed by the Principal Secretary to Government. The Chief Commissioner of Land Administration (CCLA) is the administrative head for Land Revenue and is responsible for administration of the Revenue Board's Standing Orders (BSO), AP Irrigation Utilisation and Command Area Development Act 1984 and Rules 1985, AP Water Tax Act, 1988 and Rules 1988, AP Agricultural Land (Conversion for non-agricultural purposes) Act, 2006, and orders issued thereunder. He is assisted by District Collectors at district level. Each district is divided into revenue divisions headed by Revenue Divisional Officers (RDOs) and further sub-divided into mandals, which are under administrative charge of Tahsildars. Each village in a mandal is administered by a Village Revenue Officer (VRO) under the supervision of the Tahsildar. VROs/Revenue Inspectors are entrusted with the work of maintaining the land records, collection of water tax, road cess, field inspection duties etc.

The basic record for computation of Water tax and Road cess is the village account, which contains survey number, extent of land, pattadar, nature of crop, source of irrigation etc. The Village Revenue Officer (VRO) prepares the demand for both Water tax and Road cess in respect of the villages under his jurisdiction and Tahsildars consolidate the demand for each mandal¹⁸⁵. The final accounts called *Jamabandi*¹⁸⁶ are to be completed before the end of *fasli* and mandal demand statements must be closed within fifteen days after end of the *fasli* year, so as to finalise the settled demands in respect of Water tax and Road cess.

¹⁸² Period of 12 months from July to June.

¹⁸³ Z2/486/88 dated 28 August, 1989.

¹⁸⁴ Owners of the "land in Command areas of Irrigation Projects" (Ayacut).

¹⁸⁵ Mandals are the jurisdictional area of each Tahsildar.

¹⁸⁶ Finalisation of village accounts and demand.

7.1.1 Objectives, Scope and Methodology of audit

Audit on Levy and Collection of Water Tax and Road Cess was conducted to

- examine whether the *Jamabandi* was completed within the stipulated time frame;
- ascertain that the correct water tax rates were applied and interest on the arrears collected was levied and collected;
- verify whether the Road cess was levied and collected on the entire localised *ayacut* in the command areas of the three irrigation Projects; and
- examine whether remissions of water tax granted were in order.

Out of the 221 mandals of the command area of Nagarjunasagar, Sriramsagar and Thungabadhra projects, audit of thirty five mandals¹⁸⁷ was conducted during the period from June 2012 to April 2013. The sample was selected on the basis of highest irrigated area under these projects for the years from 2008-09 to 2011-12¹⁸⁸. Detailed check of records relating to two villages under each mandal and test check of remaining villages in the mandal were conducted with reference to observations on water tax and road cess.

The audit objectives were benchmarked against the following sources of audit criteria.

- Board's Standing Orders (BSO);
- AP Irrigation Utilisation and Command Area Development Act, 1984 and Rules 1985;
- AP Water tax Act, 1988 and Rules 1988;
- AP Revenue Recovery Act, 1864;
- AP Financial Code (APFC);
- AP Budget Manual; and
- Orders / notifications issued by the Government / Department from time to time.

¹⁸⁷ Chandarlapadu, Chintakani, Chityal, Damaracherla, Garidepalli, Holagunda, Huzurnagar, Jagtial, Jammikunta, Julapally, Kalluru, Kanchikacherla, Karimnagar, Kodada, Kowthalam, Madhira, Mattampalli, Mellacharuvu, Miryalaguda, Morthad, Nandigama, Narsaraopet, Nelakondapalli, Nereducherla, Nidmanoor, Odela, Parkal, Pedakadubur, Peddapally, Ramagundam, Rompicherla, Sattenapalli, Velgatoor, Veerulapadu and Yemmiganur.

¹⁸⁸ No period limit was considered for non/short levy of water tax/road cess, i.e. observations were taken in respect of all pending cases from the earliest year from which water tax/road cess was not levied upto the year of completion of *jamabandi*.

Audit findings

General

7.1.2 Failure to complete *Jamabandi* within stipulated time

As per the instructions issued in B.S.O. 12(5), *Jamabandi* is required to be completed before the end of *fasli* and mandal demand statements must be closed within fifteen days, so as to finalise the settled demand in respect of Water tax, Road cess and other revenue.

Audit scrutinized *jamabandi* records pertaining to five *fasli* years from 1417 to 1421 (1 July 2007 to 30 June 2012) of the selected mandals. Scrutiny revealed that details of *jamabandi* finalisation were available only in 24 mandals. Details regarding completion of *jamabandi* are tabulated below.

Fasli year	Completed within six months	Completed after six months to one year	Completed after one year to two years	Completed after two or more years	Not completed at all	Total
1417	Nil	Nil	12	11	1	24
1418	3	9	8	3	1	24
1419	2	4	8	9	1	24
1420	Nil	5	4	14	1	24
1421 ¹⁸⁹	Nil	2	Nil	19	1	22
Total	5	20	32	56	5	118
	4.24%	16.95%	27.12%	47.46%	4.24%	

Analysis of above data on the 24 mandals¹⁹⁰ revealed that only in 4.24 per cent mandals *Jamabandi* was completed within six months. The delay in completing *Jamabandi* varied from five months to over five years (Chityal and Peddapalli). In the office of Tahsildar Jammikunta *jamabandi* had not been completed for any of the *fasli* years. In 47 per cent of cases, the delay was more than two years.

In nine offices, it was replied that the completion of records was still under process. In four offices, it was replied that records of two *fasli* years were completed and were kept ready for submitting to the *jamabandi* officer. The remaining offices did not mention any relevant reason for non-completion in their replies.

Reasons for non-finalisation were not submitted to Audit. It was brought to the notice of CCLA (June 2013) and a reminder was sent (November 2013). Reply has not been received. (March 2014).

¹⁸⁹ Two offices of Karimnagar and Nereducherla were audited in the month of June 2012 by when *jamabandi* for *fasli* year 1421 was not due for completion. Hence number of offices has been correspondingly reduced for *fasli* year 1421.

¹⁹⁰ Chandarlapadu, Chityal, Damaracherla, Garidepalli, Jammikunta, Kanchikacherla, Karimnagar, Kowthalam, Madhira, Miryalaguda, Morthad, Nandigama, Narsaraopet, Nelakondapalli, Nereducherla, Nidmanoor, Odela, Parkal, Pedakadubur, Peddapally, Ramagundam, Rompicherla, Sattenapalli and Veerulapadu.

The delay in completion of *jamabandi* has resulted in non-finalisation of demands. Though provisional demands are being raised, there is no assurance that they accurately reflect the revenue to be recovered.

7.1.3 Non-maintenance of village wise Demand, Collection and Balance Registers

In order to integrate the village accounts of both Telangana and Andhra regions, Government of AP introduced integrated village accounts in the order¹⁹¹ dated 10 March 1992 and prescribed Demand Collection and Balance (DCB) register to be maintained by Village Revenue Officer as Village Account No. 5. As per Government Order¹⁹² dated 5 January 1990, village accounts are to be scrutinized and approved by the Mandal Revenue Officer (MRO)/ Tahsildar.

Articles 8 and 9 of APFC also prescribe that every departmental controlling officer should closely watch the progress of the realisation of the revenue under his control and obtain regular returns from his subordinates for the amount received by them.

Of 35 mandals audited, Village wise DCB registers were not maintained in 22 mandals¹⁹³ for the period from 1 July 2007 to 30 June 2011 (*Fasli* years 1417 to 1420). In the absence of Village wise DCB registers, action taken if any, to recover the arrears could not be properly monitored.

Tahsildar, Julapally replied that information was not readily traceable and that DCB registers would be produced to Audit. Other Tahsildars replied that DCB Registers would be updated and submitted to audit in due course.

The matter was brought to the notice of CCLA and the Government (June 2013) and a reminder was sent (November 2013). Their reply has not been received (March 2014).

7.1.4 Non-reconciliation of remittance figures with those of treasury

As per Para 19.6 of the AP Budget manual read with Government instructions issued from time to time, the departmental receipts were to be reconciled regularly every month with those booked by the treasury in order to detect in time, the misclassifications, accounting errors, fraudulent and spurious challans etc. if any.

Audit noticed in 11 Tahsildar offices¹⁹⁴ that accounts of revenue realised and remitted towards water tax were not reconciled for the *fasli* years from 1414 to 1421 (1 July 2004 to 30 June 2012) with the treasury accounts. As a result,

¹⁹¹ G.O.Ms.No.265 Revenue department dated 10 March 1992.

¹⁹² G.O.Ms.No.3 of Revenue Department dated 5 January 1990.

¹⁹³ Chityal, Damaracherla, Garidepalli, Holagunda, Jagtial, Jammikunta, Julapally, Kowthalam, Madhira, Miryalaguda, Morthad, Nandigama, Nelakondapalli, Nereducherla, Nidmanoor, Odela, Parkal, Pedakadabur, Peddapally, Ramagundam, Velgatoor and Yemmiganur.

¹⁹⁴ Chityal, Garidepally, Holagunda, Jagtial, Karimnagar, Madhira, Morthad, Narasaraopet Peddapally, Velgatoor and Yemmiganur.

the department did not have a system in place for detecting misclassifications, accounting errors, fraudulent and spurious challans etc.

In response, Mandal Offices replied that reconciliation would be completed and audit intimated.

The matter was brought to the notice of CCLA and the Government (June 2013) and a reminder was sent (November 2013). Their reply has not been received (March 2014).

Water tax

7.1.5 Short levy of water tax due to adoption of incorrect procedure

Government in their orders¹⁹⁵ dated 13 February 2001 and 8 June 2007 laid down the procedure for raising water tax demand. As per this procedure, Executive Engineers of Project areas/irrigated sources are required to communicate the extent of area irrigated for fixation of water tax demand by Tahsildar. In case of variation between actual area irrigated as indicated by Irrigation Department and that of Revenue Department, Joint *Azmoish*¹⁹⁶ should be done and the actual figures of area irrigated should be arrived at.

Audit noticed from *Jamabandi* records of nine mandals¹⁹⁷ that water tax demand raised for the *fasli* years from 1415 to 1419 (1 July 2005 to 30 June 2010) were finalised by *Jamabandi* Officers¹⁹⁸ in respect of areas which were less than the actual extent of irrigated areas furnished by the Irrigation department. As a result, water tax amounting to ₹ 99.12 lakh was short levied on an extent of 1,31,727.33 acres.

In response, two Tahsildars¹⁹⁹ stated that action would be taken to levy the tax. Six Tahsildars²⁰⁰ stated that the matter would be examined. Tahsildar, Huzurnagar replied that joint *azmoish* statements would be produced to audit.

The matter was brought to the notice of CCLA and the Government (June 2013) and a reminder was sent (November 2013). Their reply has not been received (March 2014).

7.1.6 Adoption of incorrect rate of water tax

As per Water tax Act, 1988, all major and medium irrigation projects are regarded as Category I, while other Government sources that supply of water for not less than four months are regarded as Category II. The rates of water

¹⁹⁵ G.O.Ms.No.115 (LR-III) Department dated 13 February 2001.

G.O.Ms.No.96 Irrigation & CAD (General) IV.2 Department dated 8 June 2007

¹⁹⁶ Joint *azmoish* means joint inspection of irrigated land conducted by Irrigation, Agriculture and Revenue departments.

¹⁹⁷ Chandarlapadu, Chityal, Huzurnagar, Julapally, Madhira, Mattampally, Nereducherla, Parkal and Velgatoor.

¹⁹⁸ Officer not below the rank of Revenue Divisional officer authorised to finalise village accounts.

¹⁹⁹ Chityal and Nereducherla.

²⁰⁰ Chandarlapadu, Julapally, Madhira, Mattampalli, Parkal and Velgatoor.

tax for Category I source (First or Single wet crop) is ₹ 200 per acre whereas for second wet crop the water tax is leviable at ₹ 150 per acre.

Scrutiny of the *Jamabandi* records revealed that in two mandals²⁰¹ water tax was short levied during the *fasli* years from 1413 to 1418 by applying incorrect rate of second wet crop rate (₹ 150 per acre) instead of applying single wet crop rate of ₹ 200 per acre on an irrigated extent of 29,218 acres. This resulted in short levy of Water tax amounting to ₹ 14.71 lakh.

In response, Mandal Offices replied that matter would be examined and detailed reply furnished to audit.

The matter was brought to the notice of CCLA and the Government (June 2013) and a reminder was sent (November 2013). Their reply has not been received (March 2014).

7.1.7 Non-levy of interest

As per Section 8 of AP Water tax Act, 1988, water tax payable by a land owner in respect of any land shall be deemed to be public revenue due and the provisions of the Andhra Pradesh Revenue Recovery (APRR) Act, 1864, shall apply. Further, under Section 7 of APRR Act, arrears of revenue shall bear interest at the rate of six *per cent* per annum.

During scrutiny of Demand Collection and Balance records and receipt books of 10 Tahsildar offices²⁰², audit noticed that during *fasli* years from 1411 to 1421 (1 July 2001 to 30 June 2012), arrears of land revenue towards Water tax amounting to ₹ 4.88 crore was collected. However, interest leviable under Section 7 of APRR Act was not levied. Interest of ₹ 29.26 lakh was computed by audit on a conservative estimate (calculated at the rate of six *per cent* for minimum period of one year) as the period of delay could not be checked on account of non/improper maintenance of DCB registers at village level.

In response, eight Tahsildars²⁰³ stated that interest on arrears would be collected while two Tahsildars²⁰⁴ replied that the matter would be examined. The issue was brought to the notice of CCLA (June 2013) and a reminder issued (November 2013) seeking reasons for non-levy of interest. Reply has not been received (March 2014).

7.1.8 Irregular grant of remission of water tax

As per provisions of Section 3 of AP Water tax Act 1988, water tax is to be levied on all types of lands receiving water from Government sources. Any exemption from the application of these provisions can only be granted by the Government. Hence, only Government is competent to remit Water tax.

²⁰¹ Nelakondapalli and Peddapally.

²⁰² Holagunda, Jagtial, Jammikunta, Kalluru, Narasaraopet, Odela, Peddapally, Ramagundam, Rompicherla and Yemmiganur.

²⁰³ Holagunda, Jagtial, Kalluru, Narasaraopet, Odela, Peddapally, Ramagundam and Rompicherla

²⁰⁴ Jammikunta and Yemmiganur

CCLA also clarified²⁰⁵ and directed that Collectors are required to obtain necessary orders whenever such cases of remission arise. Remission granted by the Government has to be noted in village accounts (Account 4B).

During scrutiny of Statement of Remissions (Village Account 4B) and *Jamabandi* records audit noticed in four Tahsildar offices²⁰⁶ that remission of water tax amounting to ₹ 5.65 crore was granted by the *Jamabandi* officers for the *fasli* years from 1415 to 1420 without any sanction from the Government. Unauthorised remissions resulted in short realisation of Government revenue to that extent.

In response, two Tahsildars²⁰⁷ replied that matter would be examined and reply furnished to audit in due course. Tahsildars, Miryalaguda and Chityal stated that remissions were granted by *jamabandi* officer.

The replies are not tenable since Government alone is competent to remit water tax as per provisions of water tax Act. *Jamabandi* officers themselves granting remission is irregular and violates the internal control mechanism.

The matter was brought to the notice of CCLA and the Government (June 2013) and a reminder was sent (November 2013). Their reply has not been received (March 2014).

Road cess

7.1.9 Non/Short levy of Road cess in command areas of the Irrigation Projects

During the test check of *jamabandi* records i.e., Village Account 8 relating to extent of ayacuts, Village Account 4 relating to amount of road cess levied and Taluk Account 12 containing road cess demand pertaining to the mandal, of 15 Tahsildar offices²⁰⁸, audit noticed that road cess of ₹ 27.04 lakh was short levied in 12 offices for the *fasli* years from 1411 to 1421 (1 July 2001 to 30 June 2012) as only the irrigated extent of the land was taken into account instead of entire *ayacut* of the command area. In three offices²⁰⁹, road cess of ₹ 13.57 lakh was not levied on ayacutdars in the command areas of the irrigation projects. The reasons for non-levy were not found on records. This resulted in non/short levy of road cess of ₹ 40.61 lakh.

In response, four Tahsildars²¹⁰ replied that road cess would be levied and audit intimated. Remaining Tahsildars replied that matter would be examined and reply furnished in due course.

²⁰⁵ CCLA Ref.No. AP1/1260/2009 dated 24 February 2010.

²⁰⁶ Chityal, Damaracherla, Garidepalli and Miryalaguda.

²⁰⁷ Damaracherla and Garidepalli.

²⁰⁸ Chandarlapadu, Chintakani, Chityal, Damaracherla, Holagunda, Julapally, Karimnagar, Morthad, Odela, Peddapally, Ramagundam, Rompicherla, Veerulapadu, Velgatoor and Yemmiganur.

²⁰⁹ Chintakani, Julapally and Peddapally

²¹⁰ Holagunda, Karimnagar, Rompicherla and Yemmiganur.

Matter was referred to Department (June 2013) and to the Government (June 2013). Their reply has not been received (March 2014).

7.1.10 Conclusion

In none of the offices audited, *jamabandi* was completed on time. In most of the cases there were delays in each year. DCB registers at village level were not properly maintained resulting in weak monitoring system for arrears of revenue and leakage of revenue due to factors like non-levy of interest. The procedure for arriving at water tax demand was not adhered to. Interest on arrears was not levied by the department under AP Revenue Recovery Act. Remission of water tax was granted by authorities who were not authorized to do so. Road cess was levied on only irrigated extent of land instead of on the entire *ayacut* in accordance with the provisions.

7.1.11 Recommendations

It is recommended that Government may consider taking steps to ensure that the provisions contained in the Acts/Rules and orders/notifications are properly complied with for

- timely completion of *Jamabandi*; and
- levy of Water Tax and Road Cess at correct rate and on correct extent of land in accordance with the statutory provisions.