

**Chapter V**  
**Land Revenue and Building Tax**

## EXECUTIVE SUMMARY – CHAPTER - V

<b>Tax collection and budget estimates</b>	The Department collected ₹ 121.58 crore during the year, which showed an increase of 100.13 <i>per cent</i> over preceding year.
<b>Very low recovery by the Department</b>	During the last four years, the Department accepted 387 cases involving ₹ 28.90 crore of which ₹ 6.28 crore in 336 cases was recovered.
<b>Internal audit</b>	The Internal Audit Wing (IAW) has to be strengthened by deploying more staff to audit to cover all the units over a reasonable period of time.
<b>Results of audit</b>	<p>In 2012-13, 51 units relating to Land revenue and building tax were test checked and underassessments of tax and other irregularities of ₹ 45.95 crore in 120 cases were noticed.</p> <p>The Department accepted ₹ 7.49 crore in 129 cases and recovered ₹ 1.98 crore in 151 cases of which one case involving ₹ 0.28 lakh was pointed out in audit during 2012-13.</p>
<b>What is highlighted in this Chapter</b>	<p>The Chapter includes illustrative cases of ₹ 2.48 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 Audit repeatedly in the Audit Reports for the past several years, but the irregularities still persist and remain undetected till an audit is conducted.</p>
<b>Conclusion</b>	Audit recommends that the IAW be strengthened to cover all the units over a two to three year cycle. An action plan may be drawn up to clear the outstanding audit observations and to recover underassessments pointed out.

## CHAPTER - V : LAND REVENUE AND BUILDING TAX

### 5.1 Tax administration

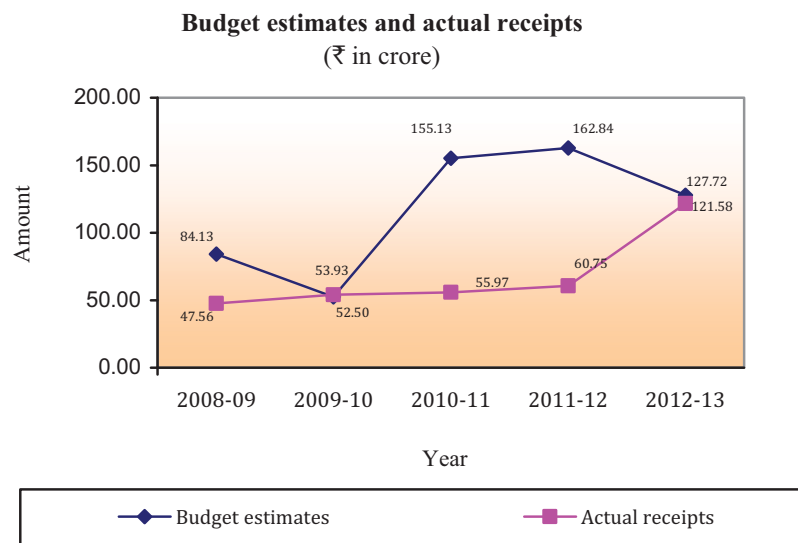
The Revenue Department is under the control of the Secretary at the Government level and the Land Revenue Commissioner is the head of the Department. The revenue collection of the Department includes collection of basic tax, plantation tax, lease rent and building tax. The Department realises arrears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

### 5.2 Trend of receipts

Actual Receipts from land revenue during the last five years (2008-09 to 2012-13) 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 to total tax receipts	Percentage of growth over previous year
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
2012-13	127.72	121.58	(-) 6.14	(-) 4.81	30,076.61	0.40	100.13

Source : Finance Accounts of the relevant years



Variation of (-) 6.14 *per cent* was noticed between budget estimates and actual receipts for the year 2012-13. The Department stated that the variation was due to non-realisation of tax on account of stays issued by Court/Government, etc. Audit noticed that growth rate of Department was 100.13 *per cent* during the year, which was the highest for the last five years.

### **5.3 Arrears in assessment**

#### **Building tax and plantation tax assessment**

The details though called for (July 2013) was not furnished by the Department (February 2014).

### **5.4 Impact of audit**

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 ₹ 453.52 crore were pointed out in 350 paragraphs. Of these, the Department/Government accepted audit observations involving ₹ 28.90 crore and had since recovered ₹ 6.28 crore. The details are shown in the following table:

(₹ in lakh)

Year	Paragraphs included in the LARs		Paragraphs accepted during the year		Recovery during the year	
	No.	Amount	No.	Amount	No.	Amount
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
2011-12	117	9,134.00	225	1,841.00	225	449.00
<b>Total</b>	<b>350</b>	<b>45,352.00</b>	<b>387</b>	<b>2,889.50</b>	<b>336</b>	<b>627.65</b>

Out of 387 cases involving ₹ 28.90 crore accepted, the Department recovered ₹ 6.28 crore in 336 cases which was only 21.72 *per cent* of the accepted cases.

### **5.5 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, Offices of Vigilance Deputy Collectors and Central Stamp Depot 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 the shortage of staff and ceiling on TA, the sub units could not be audited in a year or two. The Department also stated that there is no regular training programme for the staff of

IAW. During 2012-13, the IAW planned 32 units for internal audit which was covered during the year. During 2012-13, the Department had cleared only 567 paragraphs out of 23,422 paragraphs which is only 2.42 *per cent* of the outstanding objections as against 2.1 *per cent* of the previous year. Thus, the functioning of IAW was not effective.

**Audit recommends 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 paras.**

### **5.6 Results of audit**

The records of 51 units relating to land revenue and building tax were test checked during 2012-13 and underassessment of tax and other irregularities involving ₹ 45.95 crore were detected in 120 cases which fall under the following categories:

(₹ in crore)			
Sl. No.	Categories	No. of cases	Amount
1	Underassessment and loss under building tax	79	4.48
2	Underassessment and loss under other items	41	41.47
	<b>Total</b>	<b>120</b>	<b>45.95</b>

The Department accepted underassessments and other deficiencies of ₹ 7.49 crore in 129 cases including one case involving ₹ 0.28 lakh pointed out in audit during the year 2012-13. The Department realised an amount of ₹ 1.98 crore in 151 cases inclusive of the case involving ₹ 0.28 lakh pointed out in audit during the year 2012-13.

A few illustrative audit observations involving ₹ 2.48 crore are discussed in the following paragraphs.

### **5.7 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 ₹ 2.48 crore as mentioned in the paragraphs 5.7.1 to 5.7.3.*

### 5.7.1 Non-levy of building tax due to escape of buildings from assessment

***Buildings were not assessed by the assessing authority though reported by Village Officers for assessment***

(Taluk offices, Hosdurg, Kanayannur, Thiruvalla and Thiruvananthapuram)

Under the Kerala Building Tax Act, 1975 building tax shall be charged on every building the construction of which is completed on or after 10 February 1992 based on the plinth area of the buildings at the rates prescribed. As per the Kerala Building Tax (Plinth Area) Rules, 1992 every village officer shall transmit to the assessing authority, within five days of the expiry of each month, a monthly list of buildings liable for assessment, together with extracts from building application register of the local authority within whose area the buildings included in the list are situated.

The assessment records namely, building tax assessment register of four taluk offices, were cross verified (between May 2012 and January 2013) with the booking registers and collection registers of eleven<sup>1</sup> village offices and found that 169 buildings completed between October 2007 and March 2012 reported by Village Officers to the assessing authority for assessment were not assessed to building tax. This

resulted in non-assessment of building tax of ₹ 1.23 crore.

After Audit pointed out the matter to the Department (between May 2012 and January 2013), the Department stated (August 2013) that ₹ 19.40 lakh had been realised in 19 cases. Further report has not been received (February 2014).

The matter was reported to Government in May 2013; their reply has not been received (February 2014).

- (Taluk office, Chittur)

The assessment records of taluk office, Chittur were cross verified (February 2012) with the booking registers and collection registers of 19<sup>2</sup> village offices and found that 57 buildings completed in 2009-10 and 2010-11 reported by Village Officer to the assessing authority for assessment were not assessed to building tax. Out of these, files relating to 39 cases were missing or misplaced in the taluk office. Non-assessment of building tax amounts to ₹ 8.02 lakh.

<sup>1</sup> Bella, Edapally North, Hosdurg, Kanhangad, Kavumbhagam, Kowdiar, Kuttapuzha Sasthamangalam, Thiruvalla, Thycaud and Vanchiyur.

<sup>2</sup> Chittur, Elavanchery, Kairady, Koduvayur, Kollangode, Kozhinjampara, Kozhipathy, Muthalamada, Nalleppilly, Nelliampathy, Nenmmara, Ozalapathy, Pallasana, Pattancherry, Perumatty, Thattamangalam, Vadavannur, Vallanghi and Vandithavalam.

After Audit pointed out the matter to the Department in February 2012, the Department stated (March 2013) that early action would be taken in pending cases and in the cases where files were missing Village Officers were directed to report the cases afresh. Further, the Department stated that the matter was investigated and bogus TR5 were noticed. Further report has not been received (February 2014).

The matter was reported to Government in May 2013; their reply has not been received (February 2014).

### **5.7.2 Non-realisation of luxury tax**

*Luxury tax was not assessed and not demanded though building tax was assessed*

(14 *Taluk* offices<sup>3</sup>)

Under Section 5A of the KBT Act, 1975 luxury tax at the rate of ₹ 2,000 is leviable each year on all residential buildings completed on or after 1 April 1999, having a plinth area of 278.7 square metres or more. The Act further stipulates that luxury tax is to be paid in advance on or before 31 March every year. Under Section 19 of the Act, in case of default such amount shall be recoverable under the law relating to the recovery of arrears of public revenue due on land. Further, the arrears of tax shall attract interest at six *per cent per annum* from the date of default.

Audit scrutiny (between March 2012 and October 2012) of the luxury tax assessment register of 13 *taluk* offices, revealed that in 1,515 cases, though the assessing authority levied luxury tax during a year, the assessee did not remit luxury tax during subsequent years as

stipulated in the Act. In one office (*Taluk* Office, Mukundapuram), in 20 cases, luxury tax was not assessed. The assessing authority also did not take any action to realise the tax dues. Luxury tax not demanded in 1,535 cases resulted in non-realisation of luxury tax and interest of ₹ 94.81 lakh from 1999-2000 to 2012-13.

After Audit pointed out the matter to the Department (between March 2012 and October 2012), the Department stated (August 2013) that ₹ 36.84 lakh had been realised in 906 cases. Further report has not been received (February 2014).

The matter was reported to Government in March 2013; their reply has not been received (February 2014).

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<sup>3</sup> Ambalapuzha, Cherthala, Ernad, Kanayannur, Kodungallur, Kottarakkara, Kottayam, Kozhencherry, Mukundapuram, Nedumangad, Perinthalmanna, Thalassery, Tirurangadi and Thiruvalla.



• (Taluk office, Thrissur)

On a scrutiny (May 2012) of the luxury tax assessment records of taluk office, Thrissur it was found that in 124 cases, the assessees defaulted payment of luxury tax from 1999-2000 to 2010-11. Failure to take action under Section 19 in 124 cases resulted in non-realisation of luxury tax and interest of ₹ 17.87 lakh.

After Audit pointed out the matter to the Department in May 2012, the Department stated (August 2013) that ₹ 4.53 lakh had been realised in 53 cases. It was also stated that on reassessment, 28 cases were exempted from payment of luxury tax. Further report has not been received (February 2014).

The matter was reported to Government in May 2013; their reply has not been received (February 2014).

**5.7.3 Non-realisation of fine and royalty**

*Fine and royalty were not demanded by the Department while booking cases for unauthorised removal of articles of value*

(Taluk office: Thodupuzha)

Under the Kerala Land Conservancy Act 1957, whoever unauthorisedly destroys, removes or appropriates metal, laterite, lime shell or other notified articles of value from any land which is the property of Government, shall pay fine not exceeding fifty rupees and also compensation for damages at the rates prescribed by Government from time to time. Government as per Notification<sup>4</sup> issued in August 1977 prescribed compensation payable for damages as ₹ 2.50 per metric tonne. Collector shall be the authority for imposing fine and realising the compensation prescribed under the Act. Rule 4 of the Kerala Minor Mineral Concession Rules, 1967 stipulates that while applying for quarrying permit the applicant shall pay royalty in advance for removal of mineral by him from the land from which he is permitted to quarry at the rate of ₹ 16 per metric tonne as specified in Schedule 1 of the Rules.

The Department of Mining and Geology grants quarrying permit to extract and remove from any specified land, any minor mineral not exceeding 10,000 tonnes in quantity under one permit on payment of royalties in advance at the rates specified in Schedule 1 to the Kerala Minor

Mineral Concession Rules, 1967. The royalty shall be remitted in the treasuries to the credit of the Department of Mining and Geology. Taluk Tahsildars are authorised under the Kerala Land Conservancy Act 1957, to exercise the powers of Collector to impose fine and to realise payment towards compensation to damages on unauthorised destruction, removal, appropriation of metal, laterite,

<sup>4</sup> SRO 868/77

lime shell or other notified articles of value from any land which is the property of Government.

Cases are registered under the Land Conservancy Act/Rules in *Taluk* offices on detection of illegal mining during inspection by officers of Land Revenue Department. A scrutiny (January 2011) of records of land conservancy cases registered between 1992 and 2006 in *Taluk* office, Thodupuzha revealed that in eight cases fine and royalty were not demanded by the Department while booking cases for unauthorised removal of articles of value. This resulted in non-realisation of fine and royalty of ₹ 4.43 lakh.

After the matter was pointed out to the Department (January 2011), the Department stated (October 2013) that ₹ 29,024 had been remitted in three cases. Further report has not been received (February 2014).

The matter was reported to Government in May 2013; their reply has not been received (February 2014).