

CHAPTER-VII
OTHER TAX AND NON
TAX RECEIPTS

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7.1 Results of Audit

Test check of the records of 144 offices of the Revenue Department conducted during the year 2013-14, revealed preliminary audit findings of under-assessments of tax and other irregularities involving ₹ 4.63 crore in 60 cases, which fall under the following categories:

(₹ in crore)

Sl. No.	Nature of irregularity	No. of cases	Amount
I	REVENUE DEPARTMENT		
	A. Water Tax		
1.	Levy and collection of water tax and road cess	1	1.69
	B. Professions tax		
1.	Non-levy of professions tax	51	0.96
	C. Entertainment and Betting tax		
1.	Short collection of Entertainment tax	8	1.98
	Total	60	4.63

In respect of receipts on account of water supplied during the course of the year 2013-14, the departments accepted under-assessments and other deficiencies of ₹ 0.90 crore.

7.2 Levy and collection of Water tax and road cess

7.2.1 Introduction

Receipts on account of water supplied by the State Government consist of water tax and road cess receipts. Land receiving water for irrigation from any Government source of irrigation notified under the Act for each *fasli*²¹³ 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 clarification²¹⁴ issued in August 1989 by Chief Commissioner of Land Administration, road cess is to be levied on all *ayacutdars*²¹⁵ irrespective of the formation of roads and supply of water in the command areas of the above projects.

²¹³ Period of 12 months from July to June.

²¹⁴ Z2/486/88 dated 28 August, 1989.

²¹⁵ Owners of the "land in Command areas of Irrigation Projects" (Ayacut).

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 Department 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 purpose) 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 land records, collection of water tax and 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 Mandal²¹⁶. In accordance with instructions contained in BSO 12 (5) the final accounts called *Jamabandi*²¹⁷ are to be completed before the end of *fasli* and Mandal demand statements must be closed within 15 days after end of the *fasli* year, so as to finalise the settled demands in respect of water tax and road cess.

7.2.2 Objectives, Scope and Methodology of audit

Audit of levy and collection of Water Tax and Road Cess was conducted to

- examine whether the *Jamabandi* was completed within the stipulated timeframe;
- ascertain that correct water tax rates were applied and interest was levied/realised on arrear collections; and
- verify whether road cess was levied and collected on the entire localised *ayacut* in the command areas of the three irrigation projects;

Out of 221 mandals of the command area of Nagarjunasagar, Sriramsagar and Tungabhadra projects, 61 mandals were selected for audit based on extent of localised *ayacut* under each project. Audit of 35 mandals was conducted during the year 2012-13 and audit observations were included in the Report of the Comptroller and Auditor General of India (Revenue Sector) Report No.4 of 2014 for the year ended 31 March 2013. This year audit of remaining 26 mandals²¹⁸ was conducted during the period from December 2013 to March

²¹⁶ Mandals are the jurisdictional area of each Tahsildar.

²¹⁷ Finalisation of village accounts and demand.

²¹⁸ Addanki, Bonakal, C.Belagal, Chimakurthy, Dharmapur, Gollapalli, Gudur, Inkollu, J.Pangaluru, Kallur, Kamanpur, Karamchedu, Kodumuru, Kosigi, Mallapur, Manthani, Martur, Nandavaram, Ongole, Penubally, Raikal, Santhanuthalapadu, Sultanabad, Tallada, Tripuranthakam and Veenavanka.

2014 covering the period from 2008-09 to 2011-12²¹⁹. Detailed check of records relating to village selected for audit under each Mandal and test check of remaining villages in the mandals were conducted with reference to observations on water tax and road cess. Audit observations on non/short levy of road cess noticed in three mandals²²⁰ between February and May 2012 have also been included.

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.

Audit findings

7.2.3 Failure to complete *Jamabandi* within stipulated time

As per the instructions issued in B.S.O. 12(5), *Jamabandi* is to be completed before the end of *fasli* and Mandal demand statements must be closed within 15 days, so as to finalise the settled demand in respect of water tax, road cess and other revenue.

Audit scrutinised *jamabandi* records pertaining to five *fasli* years from 1418 to 1422 (1 July 2008 to 30 June 2013) of the selected mandals. Scrutiny revealed that out of the 26 sampled mandals, details of *jamabandi* pertaining to last five years were available only in respect of 22 mandals²²¹. Age analysis of completion of *jamabandi* is as given in the following table:

²¹⁹ 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*.

²²⁰ Garladinne, Konijerla and Kamalapur.

²²¹ Addanki, Bonakal, C.Belagal, Chimakurthy, Dharmapuri, Gollapalli, Gudur, Inkollu, J.Pangaluru, Kallur, Kamanpur, Karamchedu, Kosigi, Mallapur, Manthani, Martur, Nandavaram, Ongole, Santhanuthalapadu, Sultanabad, Tallada and Tripuranthakam.

Fasli year	Completed in one year	Completed in the second year	Completed in the third year	Completed after three years	Total completed	Not completed at all	Total
1418	2	7	2	3	14	8	22
1419	7	3	3	1	14	8	22
1420	1	6	3	-	10	12	22
1421	4	-	-	-	4	18	22
1422	-	-	-	-	0	22	22
Total	14	16	8	4	42	68	110*
	12.73%	14.55%	7.27%	3.64%	38.19%	61.81%	

* Total *Jamabandis* to be completed in 22 mandals during last five *fasli* years.

Analysis of above data revealed that out of 110 *jamabandis* due in 22 mandals during the last five *fasli* years only 42 *jamabandis* (38.19 per cent) were completed till the time of audit, with delays ranging from one year to more than three years. No *jamabandi* was completed in respect of remaining 68 (61.81 per cent) cases. In eight mandals²²² *jamabandi* for the five *fasli* years from 1418 to 1422 was not completed (**Annexure-IV**).

After audit pointed out the cases, four Tahsildars²²³ replied that *jamabandi* for *fasli* years 1421 and 1422 were under preparation/approval. Remaining Tahsildars stated that the matter would be referred to higher authorities for timely completion of *jamabandi*.

Delay in completion of *jamabandi* has resulted in non-finalisation of demands and consequently non-realisation of revenue. Though provisional demands are being raised, there is no assurance that it truly reflects the revenue to be recovered.

7.2.4 Non-maintenance of Demand, Collection and Balance Registers

As per Government Order²²⁴ dated 5 January 1990, village accounts are to be scrutinized and approved by the Mandal Revenue Officer (MRO)/Tahsildar. In order to integrate the village accounts of both Telangana and Andhra regions, Government of AP have introduced integrated village accounts in their order²²⁵ dated 10 March 1992, and prescribed Demand Collection and Balance register (DCB) to be maintained by Village Revenue Officer as Village Account No.5.

Articles 8 and 9 of Andhra Pradesh Financial Code (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 amounts received by them.

²²² Chimakurthy, Inkollu, Kamanpur, Karamchedu, Manthani, Martur, Ongole and Tripuranthakam.

²²³ Manthani, Martur, Kosigi and Nandavaram.

²²⁴ GO Ms No. 3 of Revenue Department dated 5 January 1990.

²²⁵ 265 Revenue.LR-II Department dated 10 March, 1992.

Audit noticed that out of the 26 test checked mandals DCB registers were maintained only in one mandal (Ongole) for the period from 1 July 2008 to 30 June 2013 (*Fasli* years 1418 to 1422), and not in other 24 mandals²²⁶. In Kallur mandal, DCB register was stated to be untraceable. In the absence of village-wise DCB registers, action taken if any, to recover arrears could not be properly monitored.

Tahsildars replied that DCB Registers would be prepared and maintained.

7.2.5 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, departmental receipts are to be reconciled every month with those booked by the treasury in order to detect in time, misclassifications, accounting errors, fraudulent and spurious challans etc., if any.

Audit noticed in 15 mandals²²⁷ that accounts of revenue realised and remitted towards water tax were not reconciled with treasury accounts during the *fasli* years from 1418 to 1422 (1 July 2008 to 30 June 2013). As a result the department did not have a system in place for detecting misclassification, accounting errors, fraudulent and spurious challans etc.

In response, all the Tahsildars replied that reconciliation would be completed and audit intimated.

7.2.6 Short levy of water tax due to incorrect finalisation of demand

Government vide orders 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 to Tahsildar 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*²²⁸ should be done and the actual figures of area irrigated should be arrived at.

Audit noticed from *Jamabandi* records of six mandals²²⁹ that as per the joint *Azmoish* statements, water tax amounting to ₹ 182.10 lakh was leviable on an extent of 98,515.80 acres for the *fasli* years from 1411 to 1420 (1 July 2001 to 30 June 2011). But demand of only ₹ 85.24 lakh was finalised by *Jamabandi*

²²⁶ Addanki, Bonakal, C.Belagal, Chimakurthy, Dharmapuri, Gollapalli, Gudur, Inkollu, J.Panguluru, Kamanpur, Karamchedu, Kodumuru, Kosigi, Mallapur, Manthani, Martur, Nandavaram, Penubally, Raikal, Santhanuthalapadu, Sultanabad, Tallada, Tripuranthakam and Veenavanka.

²²⁷ Gollapalli, Gudur, Inkollu, Kamanpur, Karamchedu, Kodumuru, Kosigi, Manthani, Marturu, Nandavaram, Penubally, Raikal, Santhanuthalapadu, Sultanabad and Tallada.

²²⁸ Joint *azmoish* means joint inspection of irrigated land conducted by Irrigation, Agriculture and Revenue Departments.

²²⁹ Addanki, Gollapalli, J.Pangaluru, Karamchedu, Manthani and Sultanabad.

Officers²³⁰ (**Annexure-V**). This resulted in short levy of water tax amounting to ₹ 96.86 lakh.

In response, four Tahsildars²³¹ stated that action would be taken to levy the tax during subsequent *fasli* years under intimation to audit. Addanki and Manthani Tahsildars stated that the matter would be examined.

7.2.7 Short levy of water tax due to adoption of incorrect rate/area

As per Water tax Act, 1988, all major and medium irrigation projects are regarded as Category I. As per Schedule to Section 3 of the Act, the rates of water tax for Category I source is ₹ 200 per acre for first or single wet crop in a *fasli*, whereas for second wet crop of that *fasli* water tax is leviable at ₹ 150 per acre and for dry crop water tax is leviable at ₹ 100 per acre.

In Tallada Mandal, scrutiny of village account no.4 revealed that water tax was short levied for the *fasli* year 1419 by applying incorrect rate applicable for second wet crop (₹ 150 per acre) instead of applying single wet crop rate (₹ 200 per acre) on an irrigated extent of 6,359 acres resulting in short levy of water tax of ₹ 3.18 lakh. It was also noticed in two other Mandals²³² that water tax was levied on an extent of 268.65 acres of dry land instead of levying on an extent of 5019.13 acres thereby resulting in short levy of tax of ₹ 4.75 lakh on an extent of 4750.48 acres (**Annexure-VI**). Thus there was short-levy of water tax of ₹ 7.93 lakh in these three mandals.

In response, Tahsildar, Tallada replied that the dry crops were irrigated during Rabi season and hence ₹ 150 per acre was levied. The reply is not relevant as the records indicated that single wet crop was irrigated during the second half (Rabi) of the *fasli* and water tax was leviable as per the rates applicable to first/single crop. The remaining Tahsildars replied that action would be taken to levy the tax during subsequent *fasli* years under intimation to audit.

7.2.8 Non-levy of interest on collected arrears of water tax

As per Section 8 of AP Water tax Act, 1988, water tax payable by a landowner in respect of any land, shall be deemed to be public revenue due and provisions of 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.

²³⁰ Officer not below the rank of Revenue Divisional officer is authorized to finalise village accounts.

²³¹ Gollapalli, J.Panguluru, Karamchedu and Sultanabad.

²³² Inkollu and Santhanuthalapadu.

During scrutiny of consolidated statements of demand and collection and receipt books of nine Tahsildar offices²³³, audit noticed that during *fasli* years from 1414 to 1421 (1 July 2004 to 30 June 2012), arrears of land revenue towards water tax amounting to ₹ 1.51 crore was collected²³⁴. However, interest leviable under Section 7 of APRR Act was not levied. Interest of ₹ 9.09 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 (**Annexure-VII**).

In response, all Tahsildars stated that interest on arrears would be collected.

7.2.9 Non/Short-levy of road cess in command areas of the Irrigation Projects

During the test check of *jamabandi* record i.e. village Accounts 4 and 8 of 20 Tahsildar offices²³⁵, audit noticed that road cess of ₹ 30.77 lakh was short levied in nine offices²³⁶ for the *fasli* years from 1410 to 1422 (1 July 2000 to 30 June 2013) as only the irrigated extent of the land was taken into account instead of entire *ayacut* of the command area. In the remaining 11 offices²³⁷ road cess of ₹ 24.60 lakh was not levied from *ayacutdars* in command areas of the irrigation projects. The reasons for not levy were not found on record. This resulted in non/short levy of road cess of ₹ 55.37 lakh (**Annexure-VIII**).

In response, Garladinne and Nandavaram Tahsildars replied that matter would be examined and reply furnished in due course. Remaining Tahsildars replied that road cess would be levied during subsequent *fasli* years and audit intimated.

²³³ Bonakal, Dharmapuri, Gollapalli, Karamchedu, Kosigi, Mallapur, Raikal, Santhanuthalapadu and Veenavanka.

²³⁴ In the absence of DCB registers total amount of arrears could not be ascertained, only details of amount collected were available.

²³⁵ Addanki, Bonakal, C.Belagal, Garladinne, Gudur, J.Pangaluru, Kallur, Kamalapur, Kodumur, Konijerla, Kosigi, Manthani, Martur, Nandavaram, Ongole, Penubally, Sulthanabad, Tallada, Tripuranthakam and Veenavanka.

²³⁶ Bonakal, Garladinne, Konijerla, Nandavaram, Ongole, Sultanabad, Tallada, Tripuranthakam and Veenavanka.

²³⁷ Addanki, C.Belagal, Gudur, J.Pangaluru, Kallur, Kamalapur, Kodumuru, Kosigi, Manthani, Martur and Penubally.

7.2.10 Conclusion

In several cases there were delays in completion of *jamabandi* each year. Non-maintenance of DCB registers and non-reconciliation of revenue receipts with treasury were indicative of weak monitoring by the department. Water tax demands were finalised without verifying the correct extent of the irrigated land and incorrect rates were applied. Interest under AP Revenue Recovery Act on collected arrears was not levied by the Department. In contravention to the extant provisions in the relevant Act, road cess was levied only on the irrigated area instead of on the entire *ayacut*.

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