

CHAPTER IV

STAMP DUTY AND REGISTRATION FEE

4.1 Tax Administration

Receipts from stamp duty and registration fee are regulated under the Indian Stamp Act, 1899 (IS Act), the Registration Act, 1908 and the rules framed thereunder as applicable in Andhra Pradesh State and are administered at the Government level by the Principal Secretary (Revenue). The Commissioner and Inspector General of Registration and Stamps (CIGR) is the head of the Revenue Department who is empowered with the task of superintendence and administration of registration work in the State. He is assisted by the zone-wise Deputy Inspectors General (DIG). The District Registrar (DR) is in charge of the district. He supervises and controls the Sub-Registrars (SRs) in the district concerned.

4.2 Internal Audit

There is a separate Internal Audit Wing in the Department. The team is headed by DR (Market Value and Audit) to conduct Audit of SR offices periodically. Audit programs are drawn up by DR every month and Audit is taken up accordingly. DIG concerned supervises the progress of Audit. Audit reports are reviewed by the DIG, DR and SR zone-wise / sub-zone-wise.

4.3 Results of Audit

Test-check of records of 198 offices of Registration and Stamps Department conducted during 2015-16 showed non-levy / short levy of stamp duty and registration fee etc. and other irregularities involving ₹ 22.64 crore in 696 cases, which broadly fell under the categories as given in Table 4.1.

Table 4.1: Results of Audit

Sl. No.	Category	(₹ in crore)	
		No. of cases	Amount
1.	Performance Audit on Revision and Implementation of Market Value Guidelines	1	2.95
2.	Short levy of Stamp Duty and Registration Fee due to conversion of agricultural lands to non-agricultural purposes/non-implementation of revised rates etc.	527	13.24
3.	Short levy of duties due to under-valuation of properties	88	2.75
4.	Short levy of duties due to misclassification of documents	35	0.45
5.	Short levy of duties due to adoption of incorrect rates	09	0.24
6.	Other irregularities	36	3.01
Total		696	22.64

During the year 2015-16, the Department accepted under-assessment and other deficiencies of ₹ 3.93 crore in 121 cases of which 42 cases, involving ₹ 3.46 crore were pointed out during the year 2015-16 and the rest in earlier years. An amount of ₹ 0.38 crore was realised in these cases during the year 2015-16.

A few illustrative cases of non-levy / short levy of duties and fees involving ₹ 6.83 crore including a Performance Audit on “Revision and Implementation of Market Value Guidelines”, are discussed in the succeeding paragraphs.

4.4 Performance Audit on “Revision and Implementation of Market Value Guidelines”

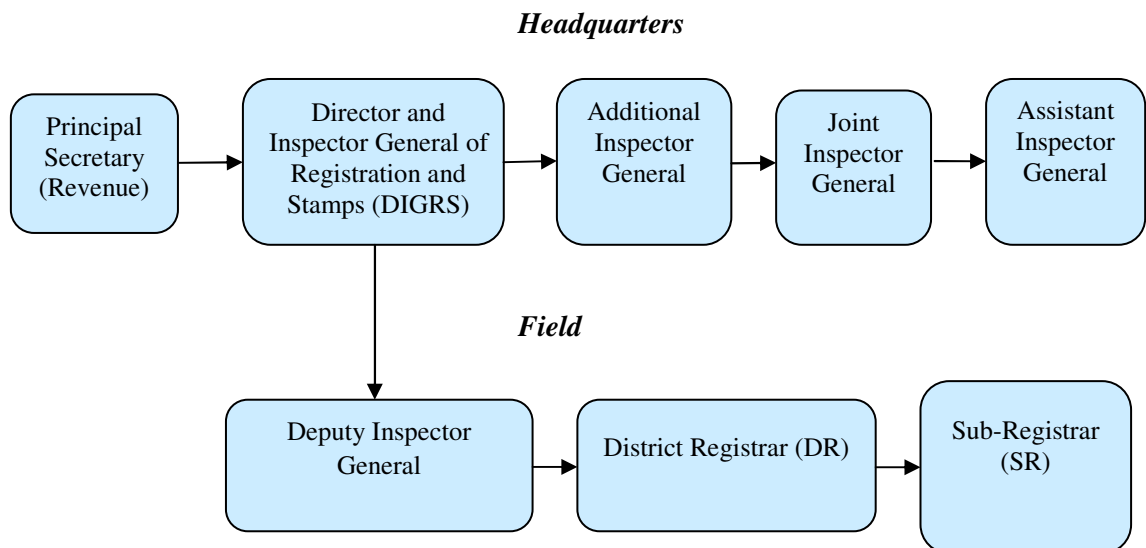
4.4.1 Introduction

Registration and Stamps Department of Andhra Pradesh is responsible for registration of transactions relating to immovable properties, marriages, firms, societies, chits etc. The core functions of the Department are carried out through an Information Technology (IT) system named Computer-Aided Administration in Registration Department (CARD). The Department after, admitting the documents for registration, generates an acknowledgement slip, determines the market value and duties to be levied thereon as per classification of the document through CARD and after registration, the documents are scanned and stored in the system.

Section 47-A of Indian Stamp (IS) Act, 1899 (Central Act II of 1899) defines Market Value (MV) as the minimum price on which stamp duty and registration fee are to be levied. Section 75 of IS Act empowers the State Government to make Rules to carry out the Act. Andhra Pradesh Stamp (Prevention of Under-valuation of Instruments) Rules, 1975 and Andhra Pradesh Revision of Market Value Guidelines (APRMVG) Rules, 1998 were framed under the IS Act. These Rules prescribe the procedure and periodicity to be followed by the registering authorities for revising the market value of the property. Registration and Stamps Department has to revise market values periodically as prescribed in APRMVG Rules so as to assign correct values to the properties.

4.4.2 Organisational Set-up

The Principal Secretary, Revenue (Registration and Stamps) is in charge of the overall administration of the Registration and Stamps Department. The Director and Inspector General of Registration and Stamps (DIGRS) is the Head of the Department⁶⁶. The DIGRS also functions as the Chief Controlling Revenue Authority (CCRA) under the IS Act. He is assisted by staff at Headquarters and field as shown below:



4.4.2.1 Market Value (MV) Committee

As per Rule 4(1) of APRMVG Rules, the Central Valuation Advisory Committee (CVAC) is the apex body to evolve general or specific guidelines for revision of market value for use of the separate committees constituted to prepare market values in urban and rural areas under Rule 4(2). It is headed by DIGRS as chairman with six other members from five⁶⁷ departments. Joint Inspector General of the office of the DIGRS is the convenor of the Committee. The Committee issues guidelines for fixation of

⁶⁶ During January 2015, Director and Inspector General of Registration and Stamps (DIGRS) was made Head of the Department. Prior to January 2015, the Commissioner and Inspector General of Registration and Stamps (CIGRS) was Head of the Department.

⁶⁷ Land Revenue; Agriculture; Horticulture; Roads and Buildings and Municipal Administration and Urban Development.

market value in respect of different categories of land like agricultural land, urban land, industrial area, mining, plantation, commercial and non-agricultural land etc., after collecting relevant information and undertaking tours, as required. The CVAC is to meet in the month of May every year for giving advice for revision of market value pertaining to urban areas and during the month of December every alternate year pertaining to rural areas.

As per Rule 4(2) of APRMVG Rules separate committees for preparation of market values in urban and rural areas are to be formed. The details of constitution of the committees are as shown below:

Name of the Committee	Constitution of the Committee		
	Chairman	Members	Convenor
Committee competent to prepare Market Value Guidelines in urban areas formed under Rule 4(2)	Joint Collector of the District	<ol style="list-style-type: none"> 1. Commissioner of Municipal Corporation 2. Vice-Chairman of Urban Development Authorities 3. Chief Executive Officer of the Zilla Praja Parishad (Chief Planning Officer in respect of Hyderabad District) 4. Commissioner of Municipality 	Sub-Registrar concerned
Committee competent to prepare Market Value Guidelines in rural areas formed under Rule 4(2)	Revenue Divisional Officer concerned	<ol style="list-style-type: none"> 1. Mandal Revenue Officer concerned 2. Mandal Development Officer concerned 3. District Registrar/Sub-Registrar (MV and Audit) concerned 	Sub-Registrar concerned

The market values are to be revised on 1 August every year for urban areas and on 1 August every alternate year for rural areas as per Rule 5 of APRMVG Rules.

4.4.3 Audit Objectives

The Performance Audit (PA) was conducted with a view to assess whether

- revision of market value guidelines were carried out in the prescribed manner taking into consideration the prevailing market rates and inputs collected from various departments;
- the market value guidelines and instructions were correctly followed by the registering officers in respect of instruments executed/registered between April 2012 and March 2015; and
- internal control mechanism of the Department was effective to ensure proper implementation of market value guidelines for levy and collection of stamp duty and registration fee.

4.4.4 Audit Scope and Methodology

The Performance Audit (PA) was conducted between November 2015 and June 2016 involving scrutiny of records of three years from 1 April 2012 to 31 March 2015. Office of the Director and Inspector General of Registration and Stamps (DIGRS), 9 offices⁶⁸ of District Registrars (out of 26) and 28 offices⁶⁹ of Sub-Registrars (out of 265) were covered in audit. Offices were selected using random sampling technique. The PA was conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

An entry conference was held with the Special Chief Secretary to Government (Registration and Stamps), Andhra Pradesh on 4 December 2015 wherein Audit objectives, Audit Criteria, Scope and methodology were explained. The exit conference was held with the Special Chief Secretary to Government (Registration and Stamps), Andhra Pradesh on 19 October 2016 wherein Audit observations and recommendations were discussed and response of the Government obtained and incorporated in the relevant paragraphs.

4.4.5 Audit Criteria

The Audit Criteria were derived from the following sources:

- Indian Stamp Act, 1899;
- Registration Act, 1908;
- The Andhra Pradesh Agricultural Land (Conversion for Non-Agricultural Purpose) Act, 2006;
- Andhra Pradesh Registration Rules made under Section 69 of the Registration Act, 1908;
- The Andhra Pradesh Stamp (Prevention of Under-valuation of Instruments) Rules, 1975;
- Andhra Pradesh Revision of Market Value Guidelines (APRMVG) Rules, 1998;
- Government Orders and Memos/Circulars/Proceedings issued by CIGRS/DIGRS from time to time.

⁶⁸ Gunadala, Guntur, Kakinada, Kurnool, Nellore, Ongole, Rajahmundry, Visakhapatnam and Vijayawada.

⁶⁹ Allagadda, Amalapuram, Bheemunipatnam, Chirala, Gannavaram, Kadapa Rural, Kadiyam, Kankipadu, Kavali, Lankelapalem, Madanapalle, Madhurawada, Mangalagiri, Nallapadu, Palakol, Patamata, Pulivendula, Rajampet, Rajanagaram, Ranasthalam, Rayadurg, Renigunta, Samalkota, Sarpavaram, Srikalahasti, Stonehousepet, Tadepalligudem and Tadipatri.

4.4.6 Acknowledgement

Audit acknowledges the co-operation extended by the Registration and Stamps Department in conducting the audit.

Audit Findings

The Performance Audit showed deficiencies in revision of MV guidelines and their implementation, which are discussed in the subsequent paragraphs.

4.4.7 Revision of Market Value Guidelines

4.4.7.1 Not-conducting CVAC meetings

As per Rule 4(1)(iv) of APRMVG Rules, the Central Valuation Advisory Committee (CVAC) was required to meet for evolving guidelines every year in May for urban areas and in December every alternate year for rural areas. Audit observed that no CVAC meetings were held for rural areas during 2012-15. Further, no CVAC meeting was held during the year 2013 for urban areas, as required.

In response, the Government stated (October 2016) that the date of periodicity was revised⁷⁰ to 1 August for both rural and urban areas and as such CVAC met in May at a time. However, Rules specify that separate meetings be conducted for both urban and rural areas as two different aspects need to be looked into. Government also stated that CVAC meeting was conducted in May 2012 prior to Market Value Revision in 2013. However, the reply is not tenable as separate meeting should have been conducted for the revision in August 2012.

4.4.7.2 Non-adherence to the specified periodicity in Market Value revision

As per Rule 5(1) of the APRMVG Rules, the market value guidelines are to be revised in the State on 1 August every year for urban areas and on 1 August every alternate year for rural areas. There is no provision in the Rules for relaxation in this regard. Duties are to be levied on the consideration as declared by the executant in the document or market value as adopted by the Department, whichever is higher.

The last revision before the period covered under Performance Audit (2012-15) was made on 1 August 2010 for both urban and rural areas. Hence, revision was due on 1 August 2011 in respect of urban areas and on 1 August 2012 in respect of urban and rural areas. However, no revisions were made on these dates as required. The revision was made with effect from 1 April 2013 instead of 1 August, against the Rule provisions, for both rural and urban areas, through a Government Order⁷¹ dated 30 March, 2013.

⁷⁰ G.O.Ms.No.643, Revenue (Registration-I) Department, dated 1 July 2009.

⁷¹ G.O.Ms.No.157, Revenue (Registration-I) Department, dated 30 March 2013.

It was also observed that the said Government Order was set aside by the Andhra Pradesh High Court in September 2013 on the ground that Government had no power to relax the Rules (i.e., revising market values in April instead of August). Despite this, the Department, continued to adopt the values revised on the basis of guidelines, which were set aside by the Court, as market values for properties.

In response, the Government replied (October 2016) that while revising the market values in August 2010 elaborate exercise was done for formulation of market values by rationalising the classification of lands, reducing the volume of MV data in the new formats prescribed in the APRMVG Rules and the decision was left to the MV fixation committees to fix the values in the new system keeping the open market values in mind. Hence, revision of market values during the years 2011 and 2012 was not taken up.

The reply was not tenable as the APRMVG Rules do not allow the Government to hold up the revision process on such grounds.

4.4.7.3 Necessity of revision

To study the impact of non-adherence to the periodical revision of market values, Audit analysed 2,220 documents⁷². On analysis of these documents, Audit observed variation between the approved market values and the consideration mentioned in the documents. Analysis of Audit is summarised below:

Year	No. of documents verified	Number of documents					
		Less than MV	Equal to MV	1 to 20 per cent	21 to 100 per cent	101 to 500 per cent	More than 500 per cent
2012-13	740	104	389	82	64	78	23
2013-14	740	106	408	71	88	57	10
2014-15	740	91	369	75	85	103	17
Total:	2,220	301	1,166	228	237	238	50

It would be seen from above that out of 2,220 documents analysed, the consideration in 753 documents (33.92 per cent) was higher than the market value and ranged from 1 to 3,433 per cent over and above the market value. Thus, the decision of the Department not to revise the market values annually, as envisaged in APRMVG Rules, was erroneous and irregular.

It is also evident from the above that the market value determined as per the MV guidelines did not reflect the true and fair market value of the properties in many cases and entailed significant loss of revenue to the Government.

In response, the Government accepted (October 2016) the observation and assured of taking steps to watch the trend where considerations were more than the market values.

⁷² 60 documents in each of 37 offices (20 high value documents for each of three years).

4.4.7.4 Preparation of Market Value Guidelines without considering valuation principles

As per Rule 6 of APRMVG Rules, the MV committees, while working out values of lands and buildings or preparing the Market Value Guidelines Registers, have to take into account, factors like the condition of real estate market, interest rates, inflation rate, prices of building materials etc., apart from established principles of valuation enunciated in Rule 5 of AP Stamp (Prevention of Under-valuation of Instruments) Rules, 1975 like classification of land, rate of revenue assessment, value of adjacent land, nearness to road etc.

Audit called for the data collected by the Market Value Committees in all the 37 sampled offices for preparing market value guidelines. Officers in all the offices stated that the prevailing values were ascertained orally. No discussion was carried out by any of the Committees regarding real estate market, interest rates, inflation rate, prices of building material etc.

Audit observed that though the APRMVG Rules were framed as far back as in 1998, no methodology was evolved for collecting the data required for revision of market values so far. No procedure has also been prescribed for deriving the market values applicable to urban and rural areas.

In response, the Government stated (October 2016) that though there was no documentation, elaborate exercise was done by the members of MV revision committees before the revision of market values. It was further stated that necessary instructions would be issued to document the process, in ensuing revisions.

4.4.7.5 Absence of system to monitor information being provided to the Committees from the Department

Rule 10 of APRMVG Rules required the Registering Officers to furnish a monthly extract of instruments in which consideration was more than the market value to the Convenor of the Market Value Revision Committees, by 30th of the following month.

Audit observed in all the 37 offices that none of the registering officers had furnished such extracts to the Convenors, thereby defeating the purpose of their use during revision.

The duties of DRs/SRs (Market Value and Audit) include maintenance of MV Intelligence and Information Register containing all the information regarding higher values in specific areas and the latest developments in the areas for use during revision of MV guidelines. The Sub-Registrar of the respective offices also had to maintain a copy of the Register and update the same whenever any developmental activities were noticed. District/Sub-Registrar (Market Value and Audit) was to utilise the above information at the time of MV revision. District/Sub-Registrar (Market Value and Audit) at the end of every internal audit has to discuss with the local SR whether any developmental activities

and change of land use etc., had been noticed and note such information in the register maintained by him.

Audit observed that neither the DRs/SRs (Market Value and Audit) nor the SRs were maintaining the above register. The officials stated that maintenance of the register was discontinued through Commissioner's proceedings⁷³ dated 3 December, 2013. As seen from the proceedings, there was a simultaneous request to National Informatics Centre (NIC) to make necessary provisions in CARD (a software used in registering the documents by the Department) to generate statement of documents where consideration was higher than the market value. However, no such provision was made in the CARD so far. Further, as the register was also to contain the details of developmental activities, change of land use etc., dispensing with the register was irregular.

As seen from the minutes of MV revision committees, the committees did not insist on extracts of such documents. In the absence of such crucial information for revision, the Department failed to analyse the trend of open market values in a transparent manner.

Also, the Rules do not prescribe the mechanism or the details of the data to be provided by the Department and other agencies to CVAC nor does CVAC have independent staff for collection of required information.

The above, showed that the Department was unable to supply even the information available with itself to the Committees for making suitable recommendations/taking action.

In response, the Government stated (October 2016) that there was a provision in CARD to generate a report on documents where the considerations were higher than the market value through Management Information System. However, no such reports were generated and submitted to MV revision committees. Further, the Government assured of issuing necessary instructions to the Registering Officers and DR/SR (Market value and Audit) with regard to maintenance of MV intelligence and information registers.

4.4.7.6 Lack of coordination with Land Revenue Department

- **Not-obtaining Land Acquisition Awards**

As per Rule 11 of APRMVG Rules, the Land Acquisition Officers (LAOs) are to furnish copies of awards passed to the Convenors of the Committees within 30 days from the date of payment of compensation where the amount of compensation awarded was higher than market value. District Collectors were also requested⁷⁴ to instruct the officials concerned to send copies of land acquisition awards and conversion orders to convenors of MV revision committees.

Audit observed that copies of compensation awards were not received in any of the 37 offices test checked. The Registration Department also did

⁷³ No.MV1/14671/2013, dated 3 December 2013.

⁷⁴ Letter No.MV1/2365/2014, dated 6 February 2014.

not pursue the matter. The committees also did not consider such cases where land acquisition compensation was paid to the land owners in excess of market values.

- **Incorrect classification of land used for non-agricultural purposes**

As per Section 5 of AP Agricultural Land (Conversion for Non-agricultural Purposes) Act, 2006, agricultural land can be converted to non-agricultural use by Revenue Divisional Officers (RDOs). Commissioner had issued instructions⁷⁵ to the DRs/SRs to collect copies of conversion orders issued by RDOs. Also, agricultural land converted for non-agricultural purposes was to be classified as 'agricultural land fit for house sites'. Lands, in respect of which layouts have already been approved, were to be classified as 'house sites'. As per Rule 7 of APRMVG Rules, different values have to be fixed for house sites and agricultural land fit for house sites.

Audit observed that copies of conversion orders were not received in any of the 37 offices test checked. The Registration Department also did not pursue with the RDOs to obtain the same. The committees also did not consider such cases of conversion of land use.

Rule 4(1)(ii) *ibid* provides for valuation of agricultural land and non-agricultural land for levy of stamp duty. For agricultural land, acreage rates and for non-agricultural land, square yard rates have to be adopted for levy of stamp duty.

In nine offices⁷⁶ of DR/SRs, 16 documents (Sale/AGPA/GPA/Release deeds) were registered between March 2013 and March 2015. Cross verification with the Land Revenue Department / Panchayat Raj and Rural Development / Municipal Administration and Urban Development Department showed that the properties in these documents had already been converted into non-agricultural lands / layouts before the market values were due for revision (1 August every year for urban areas and every alternate year for rural areas). Audit observed that due to non-revision of market values, these properties continued to be wrongly classified as agricultural lands at the time of registration also. Therefore, the properties were valued at ₹ 2.60 crore instead of ₹ 7.67 crore and this resulted in under-valuation of properties and consequent short levy of duties of ₹ 29.59 lakh.

In response, the Government accepted (October 2016) the observation and stated that the matter was being pursued through District Collectors for issuing instructions to the land revenue authorities to furnish the land acquisition awards and land conversion orders to the registering officers to propose the appropriate values to the properties. It was also stated that

⁷⁵ Memo Nos.MV1/8794/2011, dated 10 June 2011 and 22 July 2011.

⁷⁶ DRs - Kurnool and Rajahmundry; SRs - Kankipadu, Mangalagiri, Nallapadu, Samalkot, Sarpavaram, Stonehousepet and Tadepalligudem.

registering officers were directed to verify the documents pointed out by Audit and to collect the deficit duties.

4.4.8 Incorrect fixation of market value

As per MV guidelines, values are fixed for general classification of 'house sites' in rural areas on acreage basis (Form-III). For urban areas values for 'house sites' with door/ward numbers are fixed on square yard basis (Form-I). The rates in Form-I are higher than Form-III rates as areas listed in Form-I have greater access to amenities like roads, electricity, water and drainage etc. Form-I rates are also specific and can be identified by door / ward numbers whereas Form-III gives the general guideline value to be adopted if door/ward numbers are not available. Valuation committee needs to take into account these factors and ensure that Form-III rates are lower than Form-I rates on a per unit area basis.

Audit observed in two offices⁷⁷ that values fixed in Form-III for four villages, ranging from ₹ 1,500 to ₹ 10,000 per square yard, for house sites, was more than the values fixed in Form-I ranging from ₹ 1000 to ₹ 6,500 per square yard. In 74 documents registered between April 2013 and March 2015, in these villages, the registering parties declared lower rates of Form-I, declaring the near door number or ward number, though the properties were actually located in rural areas. As such the house site rate of rural areas fixed was applicable to these properties. This was not detected by the Registry. Due to this the properties in the above documents were valued at ₹ 23.35 crore instead of ₹ 40.29 crore. Thus, incorrect fixation of lower rate in Form-I than Form-III resulted in loss of revenue to the tune of ₹ 1.04 crore.

While fixing market values, land abutting National Highway/State Highway/Zilla Praja Parishad/Mandal Praja Parishad (NH/SH/ZPP/MPP) has to be separately classified. The Committee has to ensure that survey numbers alongside such roads are classified properly. In Tadepalle village under the jurisdiction of SR, Mangalagiri, though the property with survey number 76/A,B,C was abutting ZPP road, it was not classified as 'land abutting NH/SH/ZPP/MPP road' but as 'house sites' with lower value. While it should have been valued at ₹ 6.63 crore at the rate of ₹ 5,000 per square yard, it was valued at ₹ 3.32 crore at the rate of ₹ 2,500 per square yard. This had resulted in short levy of duties of ₹ 2.20 lakh.

Thus, due care was not taken by the MV committees while revising market values.

In response, the Government stated (October 2016) that the Registering officers were instructed to take steps for rectification of the inconsistency in fixing values and to collect differential duties.

⁷⁷ DR, Vijayawada and SR, Madanapalle.

4.4.9 Implementation of MV guidelines

Once the market values are revised, these are to be uploaded into CARD to act as basis for valuation. APRMVG Rules prescribe the formats in which market value guidelines registers are to be maintained. The properties in residential localities are listed (ward and block wise) in Form-I of MV Guidelines Register and door numbers of commercial properties or properties with higher values than common values are listed in Form-II. Properties enlisted in Form-I and Form-II are valued on square yard basis. Agricultural lands are listed as per their classification such as dry land, wet land, land fit for house site, house sites and lands abutting NH/SH/ZPP/MPP roads etc., in Form-III and as per survey number in Form-IV. Agricultural lands are valued on acreage basis. To find out the rate of a particular agricultural land, Form-IV is to be checked first. Only if the details are not available in Form-IV, Form-III is to be used for arriving at market value. All Forms have been built into CARD. The SRs concerned upload the revised market values in the CARD system and after verification by the DR concerned, the revised market values have to be adopted.

As per Rule 227 of AP Registration Rules, the details of the registration check slip⁷⁸ and receipt are to be verified by the registering officer with reference to the original document to satisfy himself as to the compliance with the Act, Rules and the adequacy of stamp duty paid.

4.4.9.1 Audit observed in six offices⁷⁹ of DR/SRs that (out of 37 sampled offices), in 12 documents registered (between May 2012 and January 2015), the market values were entered incorrectly in to the master data of CARD system. This led to incorrect adoption of market value of ₹ 2.04 crore instead of ₹ 3.25 crore while registering the above documents. This resulted in short levy of duties of ₹ 7.72 lakh.

In response, Government stated (October 2016) that all the registering officers would be instructed to collect deficit stamp duties in all the cases pointed out by Audit.

4.4.9.2 CARD also provides for manual entry of market value in exceptional circumstances⁸⁰. Audit observed that in 154 documents registered in 11 offices⁸¹ of DRs/SRs (registered between November 2012 and March 2015), market values were incorrectly entered into the CARD system manually. Based on this, the Department adopted the market value of ₹ 18.62 crore

⁷⁸ Check slip contains the details of the executants, claimants, nature of the document, description of the property together with its boundaries and generated through the computer.

⁷⁹ DR Kakinada, SRs - Kadapa (Rural), Lankelapalem, Madanapalle, Samalkot and Sarpavaram.

⁸⁰ Rule 233 of AP Rules under the Registration Act 1908 provides for registration of documents manually for (1) categories of documents not notified by the Government; (2) when the CARD system is out of order and (3) document which in the opinion of the registering officer cannot be registered under CARD.

⁸¹ DRs - Kakinada, Kurnool, Nellore, Ongole, Vijayawada and Visakhapatnam; SRs - Kadiam, Madanapalle, Mangalagiri, Nallapadu and Ranasthalam.

instead of ₹ 33.26 crore. This resulted in under-valuation of properties by ₹ 14.64 crore and consequential short levy of duties of ₹ 46.82 lakh.

In response, Government stated (October 2016) that all the registering officers would be instructed to collect deficit stamp duties in all the cases pointed out by Audit. DR, Ongole collected (March 2016) an amount of ₹ 1.34 lakh and remitted the same to Government account.

4.4.9.3 Audit observed in two SR offices⁸² that in four documents (registered between January and December 2014) though the properties were abutting NH/SH/ZPP/MPP roads, the Registry did not adopt higher rate fixed in Form-III. In these cases, market value of ₹ 1.71 crore was adopted instead of ₹ 4.06 crore. This resulted in short collection of duties of ₹ 14.08 lakh due to adoption of incorrect market value.

Similarly, in one document registered in SR, Bheemunipatam, though specific market value of ₹ 4,000 per square yard for a layout was fixed in Form-I in ward number 16, wherein the layout was located, the Registry adopted rate of ₹ 3,500 per square yard resulting in short levy of duties of ₹ 1.84 lakh.

In response, Government stated (October 2016) that all the registering officers would be instructed to collect deficit stamp duties in all the cases pointed out by Audit.

4.4.9.4 As per Rule 4(2) of APRMVG Rules, the MV Revision Committee has to fix composite values on square foot basis for Apartments/portion of multi-storeyed buildings. In case of finished apartments/multi-storeyed buildings, for CARD to calculate the values, the Registering Officer has to confirm in CARD that the construction was complete.

Audit observed that in seven documents registered (between April 2014 and February 2015) in five offices⁸³ of DRs/SRs, as per recitals of the documents, the construction of multi-storeyed buildings/apartments was complete. However, the Registering Officers did not confirm the fact of completion in the CARD system. As such, the CARD system did not adopt composite values for these properties. Therefore, the CARD system generated check slip for the market value of ₹ 11.30 crore instead of ₹ 13.63 crore resulting in short levy of duties of ₹ 10.65 lakh.

In response, the Government stated (October 2016) that the matter was being pursued with the DRs concerned for collection of deficit stamp duties. SR, Kavali collected (November 2016) an amount of ₹ 0.27 lakh and remitted the same to Government account.

4.4.9.5 Other than errors in the master data, incorrect market values were adopted and details of the property incorrectly entered in the system while registering the documents. In 2,220 documents test checked by Audit, as mentioned at para 4.4.7.3, in all the cases boundaries were vaguely described

⁸² SRs Gannavaram and Kadapa (Rural).

⁸³ DRs - Guntur, Kakinada and Nellore; SRs - Kavali and Mangalagiri.

and in 458 cases, addresses were not mentioned. In the absence of complete data, Audit was not in a position to verify that applicable market rates were actually adopted.

In response, the Government stated (October 2016) that instructions would be issued to all the registering officers to ensure correct noting of address and description of boundaries for the properties while registering the documents.

4.4.9.6 Properties also get undervalued if amenities available, parking space etc., are omitted while entering the data in CARD. According to Section 2(6) of Registration Act, immovable property includes land, buildings, rights to ways etc. CIGRS had instructed⁸⁴ that value of open terrace be computed at 70 per cent of site value while revising the rates of structures for various types of buildings.

Audit observed in eight offices⁸⁵ of DRs / SRs that in 23 documents (Sale/Development Agreement cum General Power of Attorney registered between December 2013 and March 2015), the registering officers had accepted the value declared by the parties excluding terrace area (17,909 sft), parking / stilt area (40,481 sft) and area left for roads and amenities (18,369 square yards). The registering officers had failed to verify the above areas mentioned in the documents. Due to this, the properties in the above documents were valued at ₹ 57.03 crore instead of ₹ 87.65 crore. Thus, under-valuation of properties resulted in short levy of duties amounting to ₹ 18 lakh.

In response, the Government stated (October 2016) that the matter was being pursued with the DRs concerned to collect the deficit duties in the cases pointed by Audit. SR, Kavali collected (November 2016) an amount of ₹ 0.32 lakh and remitted the same to Government account.

4.4.9.7 As per CIGRS instructions⁸⁶, when a building/structure not bearing house number or whose house number was not found in Form-II but when house numbers were mentioned in the boundaries, the maximum land rate of house numbers mentioned in the boundaries would have to be adopted. It was also clarified that when such rate could not be found with survey numbers mentioned in schedule of property, rate of Form-IV for the survey numbers mentioned in boundaries would have to be adopted. However, CARD has no inbuilt mechanism to automatically calculate higher values in such cases.

Audit observed in four offices⁸⁷ of DRs that in respect of seven sale deeds (registered between May 2013 and November 2014) the registering officers had adopted market values ranging from ₹ 1,260 to ₹ 30,000, as declared by the parties. However, as per the above instructions, the value fixed for the bounded properties ranged from ₹ 3,100 to ₹ 40,000. Therefore, the properties in the above documents were valued at ₹ 3.69 crore instead of ₹ 6.62 crore.

⁸⁴ Proceedings No.MV/30324/2000, dated 2 November 2001.

⁸⁵ DRs - Gunadala, Kurnool, Ongole and Vijayawada; SRs - Kavali, Mangalagiri, Patamata and Samalkot.

⁸⁶ Circular No.MV1/8483/2013-2, dated 10 October 2013.

⁸⁷ DRs - Guntur, Kakinada, Rajahmundry and Visakhapatnam.

Thus, due to non-adherence to the instructions, the properties were undervalued and thereby the duties amounting to ₹ 18.07 lakh were not levied.

In response, the Government stated (October 2016) that instructions were issued to the registering officers for collection of deficit duties. It was also stated that instructions were issued to the CARD section to develop the software in view of the Audit observations.

4.4.10 Internal control mechanism

Internal control mechanism is important for ensuring proper and effective functioning of a system for detection and prevention of control weaknesses. It also provides a reasonable assurance on enforcement of laws, rules and departmental instructions. The internal control mechanism of the Department has not been effective, as discussed in the succeeding paragraphs.

4.4.10.1 Absence of alerting mechanism leading to loss of revenue

As per CIGRS instructions⁸⁸, the registering officer has to adopt higher value fetched earlier as market value for that particular property in all future transactions.

Audit observed, on cross verification with link documents, cases of under-valuation of properties due to non-compliance with these instructions, as discussed below:

- In five DRs/SR offices⁸⁹, Audit observed that in five sale/gift documents (registered between October 2013 and November 2014), the Registering Officers had not adopted higher values fetched in previous transactions (registered between April 2008 and March 2014) for the same properties. There was no mechanism available in the Department to alert the registering officer about higher values adopted earlier for the properties. Contrary to these instructions, the properties were valued at ₹ 6.62 crore instead of ₹ 8.54 crore resulting in short levy of duties of ₹ 8.85 lakh.

In response, Government stated (October 2016) that apart from usage of Management Information System, a provision would be made in CARD to alert the registering officers to watch the higher values fetched in the previous documents while registering such properties. It was also stated that instructions were issued to the registering officers to collect the deficit duties in the cases pointed by Audit. SR, Kankipadu collected (June 2016) an amount of ₹ 2.18 lakh and remitted the same to Government account.

- It was also observed in seven offices⁹⁰ of DR/SRs that in 15 sale deeds (registered between December 2012 and February 2015) the registering

⁸⁸ Circular No.MV1/20363-A/90, dated 10 August 1990.

⁸⁹ DR - Kurnool and SRs - Kankipadu, Madhurawada, Renigunta and Tadepalligudem.

⁹⁰ DRs - Gunadala, Ongole and Visakhapatnam and SRs - Kavali, Madhurawada, Nallapadu and Srikalahasti.

parties, while mortgaging their properties with financial institutions, had declared higher value for the properties mortgaged which were registered (between March 2012 and October 2014) as Deposit of Title Deeds. However, the Registering Officers did not consider this higher value declared by the parties in the subsequent sale deeds for the same properties. The Registering Officers had adopted ₹ 4.34 crore instead of ₹ 9.03 crore which resulted in short levy of duties of ₹ 32.45 lakh.

In response, Government stated (October 2016) that steps would be taken to avoid the recurrence of under-valuation of properties in future and that the registering officers were already instructed to collect the deficit duties in the cases pointed by Audit.

4.4.11 Conclusion

The Department did not adhere to the MV Guidelines Rules, 1998, on periodicity of revision of market values and did not maintain any documents for the surveys conducted and collection of inputs/requisite data to ascertain the prevailing market values from time to time for use at the time of revision. The Department also did not insist upon furnishing address and boundaries of the properties in the documents. Lack of coordination with other Departments like Revenue, Panchayat Raj and Rural Development, Municipal Administration and Urban Development resulted in short levy/non levy of duties due to misclassifications and under-valuation of properties. In none of the 37 offices audited requisite monthly extract of instruments with considerations higher than the market values were furnished by registering officers to the convenors. Market value information and intelligence registers containing information regarding higher values and developments in the areas were not maintained. No mechanism was in place to monitor maintenance of such reports/registers. Adoption of incorrect market values, under-valuation of properties and non-adherence to instructions on valuation of properties resulted in significant short levy of duties.

4.4.12 Recommendations

Government should consider taking steps to

- ensure that the MV revision committees obtain required data from Revenue and other departments;
- derive a formal mechanism with specific procedures to be adopted for revision of market values for valuation of properties considering various developmental factors with proper documentation;
- make a provision in CARD for generation of reports that are to be considered while revising the market values like statements of documents registered with higher values and to alert the registering officers and to facilitate trend analysis during revision;
- analyse the reasons for variation between the approved market values and the price realised in open market and initiate steps to minimise the gaps;
- make modifications in CARD to enter details like complete description of boundaries with door numbers/survey numbers for more accurate calculation of market values and also to reduce the scope for manual entries;
- ensure greater scrutiny of documents where manual entries were made to prevent wrong entries.

The Government accepted (October 2016) all the recommendations and agreed to implement the same in ensuing revisions.

4.5 Short levy of Stamp Duty and Registration Fee on Agricultural Lands converted to Non-agricultural use

Section 27 of IS Act, requires that an instrument contains details like consideration, market value of the property and all other facts and circumstances affecting the levy of duty on it without any suppression. The registering officer or any other officer appointed under the Registration Act, 1908 may inspect the related property, make necessary local enquiries, call for and examine all the connected records and satisfy that the provisions of this Section are complied with. As per Rule 7 of AP Revision of Market Value Guidelines Rules, 1998, different values have been fixed for agricultural lands fit for house sites/ residential localities. Acreage rate for agricultural land and square yard rate for non-agricultural land have to be adopted for levy of stamp duty.

4.5.1 During test-check of records of offices of 5 DRs⁹¹ and 30 SRs⁹², Audit observed (between April 2015 and March 2016) that in 78 documents (involving 69 sale deeds, two General Powers of Attorney (GPA), four settlement deeds, one Agreement cum GPA (AGPA), one sale agreement cum GPA and one partition deed) executed between November 2010 and March 2015, the registering officers, while registering the documents, had adopted agricultural rate for the land, which had already been converted to non-agricultural use by revenue authorities. Due to non-verification of facts by registering authorities, the properties were undervalued, resulting in short levy of stamp duty and registration fee of ₹ 2.68 crore.

After Audit pointed out these cases, the Government contested (January 2017) that the fact of conversion of lands to non-agricultural purpose under NALA Act was not intimated to them by the revenue authorities and so the values would be revised in the ensuing revision considering the fact of conversion of land.

The reply was not acceptable as the properties commented upon by Audit had already been converted to non-agricultural purposes through conversion orders issued by revenue authorities and the registering authorities did not verify the facts before registration as provided under Section 27 of the IS Act. This indicated lack of coordination between the two wings of Revenue Department which resulted in short collection of revenue. Action needs to be taken by the registering authorities for collection of deficit duties.

4.5.2 During scrutiny of records of SR, Pedakakani, Audit observed (February 2016) that in three sale deeds registered in February and March 2013, the registering authority, had adopted the agricultural rate for the land which had already been converted to non-agricultural purpose by revenue authorities. This was evident from the gift settlement deed wherein the scheduled property was part of an approved layout. Thus, suppression of facts by the executants and the non-verification of facts by the registering authorities resulted in the properties being undervalued and consequent short levy of stamp duty and registration fee by ₹ 3.53 lakh.

After Audit pointed out the cases, the Government accepted (January 2017) the audit observation and intimated that instructions were being issued to collect the Stamp Duty.

⁹¹ Eluru, Kakinada, Ongole, Proddatur and Rajahmundry.

⁹² Addanki, Achanta, Akividu, Alluru, Amaravathi, Anantapur (Rural), Anaparthi, Bhimadolu, Bhogapuram, Cherukupally, Chilamathur, Chodavaram, Kakumanu, Kamalapuram, Kollipara, Kothavalasa, Mangalagiri, Nallapadu, Nuzvid, Orvakal, Parvathipuram, Pentapadu, Penugonda, Penukonda, Pidimgoyya, Pithapuram, Renigunta, Sarpavaram, Tenali West and Undi.

4.6 Short levy of Stamp Duty and Registration Fee due to delay in implementation of revised rates from the effective date

As per Section 3 read with Article 47-A of Schedule I-A to IS Act, instruments of sale are chargeable to stamp duty at the rates notified from time to time on the amount set forth in the instrument or market value of the property, whichever is higher. In addition, transfer duty is also to be levied⁹³ on sale deeds at the rates applicable under provisions of various Acts of local bodies, besides levy of registration fee.

Government orders⁹⁴ dated 26 November 2014, specified that registration fee was enhanced to one *per cent* (from 0.5 *per cent*) and stamp duty was enhanced to five *per cent* (from four *per cent*) on sale deeds. Stamp duty on settlement and gift deeds (in favour of family members) was enhanced to two *per cent* of the MV (earlier one *per cent*). Stamp duty leviable on settlement deeds/gift deeds in favour of other than family members was enhanced by one *per cent* (now leviable at three *per cent* and five *per cent* respectively). While stamp duty on partition deeds in favour of family members and others had been enhanced to one *per cent* and two *per cent* respectively.

During scrutiny of records of offices of six DRs⁹⁵ and 31 SRs⁹⁶, Audit observed (between April 2015 and March 2016) that in 561 cases involving sale deeds, settlements deeds and gift deeds registered on 26 November 2014, the registering officers, while registering the documents, had not implemented the enhanced rates of stamp duty and registration fee as applicable on that date. Non-implementation of the revised rates from the effective date by registering authorities resulted in short levy of stamp duty and registration fee on properties by ₹ 72.05 lakh.

After Audit pointed out these cases, the DIGRS contested (December 2016) that the registering authorities could not implement the revised rates due to the delay in communication of the Government order. Hence, the proposals were being sent to the Government for waiving the same. Government endorsed (January 2017) DIGRS's views. As the duty and fee have not been waived by the Government, the revised rates of duty and fee stand recoverable.

⁹³ G.O.Ms.No.239, PR & RD (PTSI) Department, dated 30 June 2005.

G.O.Ms.No.226, PR & RD (PTSI) Department, dated 6 April 2013.

⁹⁴ G.O.Ms.Nos.393 to 395, Revenue (Registration-I) Department, dated 26 November 2014.

⁹⁵ Anantapur, Chittoor, Guntur, Sri Balaji Tirupati, Vijayawada East and Ongole.

⁹⁶ Ananthapally, Anantapur (Rural), Bhimadolu, Bhogapuram, Chebrole, Chinthalapudi, Giddalur, Gopalapatnam, Gunipudi, Guntakal, Jangareddigudem, Kanchikacherla, Kavali, Koretipadu, Kotarautla, Kothavalasa, Nallapadu, Parvathipuram, Pedakakani, Pendurthi, Pithapuram, Podili, Ponduru, Rajampet, Ramachandrapuram, Rayachoti, Tallarevu, Tirupati, Tuni, Vinukonda and Yellamanchili.

4.7 Short levy of Stamp Duty due to misclassification of documents

4.7.1 As per Article 6(B) of Schedule I-A to IS Act read with Government order⁹⁷ dated 30 November 2013, Development Agreements cum General Power of Attorney (DGPAs) are to be charged with stamp duty at one *per cent* on the amount of market value of property or sale consideration shown in document or estimated market value for land and complete construction made or to be made in accordance with the schedule of rates approved by the CIGR, whichever is higher.

During scrutiny of records in DR, Narasaraopet and two offices of SRs⁹⁸, Audit observed (between April 2015 and March 2016) that in three documents titled as Development Agreements, the land owners had authorised the developers to gift, sell, enter into agreement of sale with third parties, to lease or sub-lease the share of the property of the developer and to sign the sale deeds on behalf of them. Thus, the documents were to be treated as DGPAs and stamp duty of one *per cent* levied on the market value of the properties. However, the registering authorities treated the documents as Development Agreements and levied duties accordingly. This misclassification of documents resulted in short levy of stamp duty amounting to ₹ 3.77 lakh.

After Audit pointed out the cases, the Government accepted (January 2017) the Audit observation in respect of SR, Tirupati. In respect of the cases pertaining to DR, Narasaraopet and SR, Chodavaram, it was contested (January 2017) that there was no GPA clause in respect of the share of the landlord. The reply was not acceptable as the recitals in the document clearly stated that the developer was authorised to gift, sell, enter into agreement of sale, to lease or sub-lease the share of the property etc., which were the requisites for enforcing power of attorney on the developer by the landowner.

4.7.2 As per clause (d) of Article 47-A of Schedule I-A to IS Act, if the sale of property relates to multi-unit house or unit of apartment, etc. then provisions of Andhra Pradesh Apartment (Promotion of Construction and Ownership) Act, 1987, becomes applicable on such structures.

Government order⁹⁹ dated 13 June 2005 effective from 1 July 2005 specifies stamp duty to be levied at five *per cent* on sale of flats/apartments including semi-finished structures. Besides, transfer duty is to be levied as per the rates notified by the Government from time to time.

During scrutiny of records of the office of DR, Kadapa (October 2014), Audit observed that the vendor/developers had got approval (June 2011 and February 2012) for construction of apartments / residential complex and had subsequently executed (May and June 2012) sale of the undivided land along with construction agreement in a single document, in favour of purchasers.

⁹⁷ G.O.Ms.No.581, Revenue (Registration-I) Department, dated 30 November 2013.

⁹⁸ Chodavaram and Tirupati.

⁹⁹ G.O.Ms.No.1127, Revenue (Registration-I) Department, dated 13 June 2005.

As the developer had the approval for construction of apartment, it cannot be treated as sale of undivided share of land and construction agreement. However, the developer / vendor had executed a single deed with two distinct issues i.e., sale of land followed by construction agreement.

As the developer had constructed the structure as per the approved plan (and not the plan of purchaser), it is clear that the Developer/vendor was selling the flats. Hence, the amount paid by the purchaser had to be treated as cost of flats and stamp duty and registration fee levied accordingly. The sale of flats had been disguised as sale of undivided land followed by construction agreement resulting in short levy of duties amounting to ₹ 4.30 lakh.

After Audit pointed out the case, the Government accepted (January 2017) the Audit observation.

4.8 Short levy of Stamp Duty and Registration Fee on Leases

Article 31 of Schedule I-A to IS Act, prescribes the rates of stamp duty¹⁰⁰ to be levied on leases. As per Explanation to the Article *ibid*, if the lessee undertakes to pay any recurring charge on behalf of the lessor including taxes/fees due to the Government, it shall be taken to be part of the rent and duties levied accordingly.

Besides stamp duty, registration fee is also to be levied at applicable rates¹⁰¹ on the value of Average Annual Rent (AAR) as per the provisions of Registration Act, 1908.

During scrutiny of records of the offices of DR Visakhapatnam and three SRs¹⁰², Audit observed (between November 2015 and March 2016) that in six lease deeds (registered between June 2014 and March 2015), specific clauses stipulated that service tax was to be paid by the lessees on behalf of the lessors. The registering authorities did not take into account the service tax payable by the lessee on behalf of the lessor for computation of total rent payable which resulted in short levy of stamp duty and registration fee of ₹ 7.04 lakh.

After Audit pointed out the cases, the Government accepted (January 2017) the audit observation and directed all the DRs to collect the deficit Stamp Duty.

¹⁰⁰ G.O.Ms.No.588, Revenue (Registration-I) Department, dated 4 December 2013.

¹⁰¹ G.O.Ms.No.463, Revenue (Registration-I) Department, dated 17 August 2013.

¹⁰² Bheemunipatnam, Chandragiri and Kankipadu.

4.9 Non-levy / Short levy of Duties and Fees due to under-valuation of properties

4.9.1 As per Section 3 read with Article 47-A of Schedule I-A to IS Act, instruments of sale are chargeable to stamp duty at the rates notified¹⁰³ from time to time on the amount set forth in the instrument or market value of the property, whichever is higher. In addition, transfer duty is also to be levied¹⁰⁴ on sale deeds at applicable rates under provisions of various Acts of local bodies, besides levy of registration fee.

As per Rule 7 of AP Revision of MV Guidelines Rules, 1998, read with Government order¹⁰⁵ dated 30 July 2010, formats for the registers of market value guidelines pertaining to rural properties are maintained in Form-III (habitation and classification wise value) and Form-IV (survey number and classification wise value). Acreage rate for agricultural land and square yard rate for non-agricultural land have to be adopted for levy of stamp duty. Commissioner, in a circular¹⁰⁶ dated 10 October 2013 had instructed that when the rates for sub-division of any main survey number was not available in Form IV, the rate available for that specific main survey number had to be adopted.

During scrutiny of records of the offices of two DRs¹⁰⁷ and six SRs¹⁰⁸, Audit observed (between May 2015 and March 2016) that in 8 out of 11 sale deeds registered between May 2011 and October 2014, the registering authorities had adopted lesser values for levying stamp duty, transfer duty and registration fee although specific rates for the relevant survey numbers and sub-division of main survey number were available in Forms III and IV. In two cases¹⁰⁹, where rates for sub-division of main survey number were not available in Form IV, the registering officers had adopted the lesser value of sale consideration instead of market value of the relevant main survey number prevailing in the locality. In the office of SR, Pedana, though market value for specific survey number was available in Form-IV, lesser value of sale consideration was adopted in violation of instructions. This resulted in under-valuation of property and consequent short levy of duties and registration fees amounting to ₹ 9.39 lakh.

After Audit pointed out these cases, the Government accepted (January 2017) the audit observation in respect of six offices¹¹⁰ and directed the DRs to collect the deficit stamp duty. In respect of SR, Bhimadolu, the Department accepted

¹⁰³ G.O.Ms.No.585, Revenue (Registration-I) Department, dated 30 November 2013.

G.O.Ms.No.719, Revenue (Registration-I) Department, dated 30 July 2010.

G.O.Ms.No.162, Revenue (Registration-I) Department, dated 30 March 2013.

G.O.Ms.No.394, Revenue (Registration-I) Department, dated 26 November 2014.

¹⁰⁴ G.O.Ms.No.239, PR & RD (PTSI) Department, dated 30 June 2005.

G.O.Ms.No.226, PR & RD (PTSI) Department, dated 6 April 2013.

¹⁰⁵ G.O.Ms.No.720, Revenue (Registration-I) Department, dated 30 July 2010.

¹⁰⁶ C&IG's circular memo No. MVI/8483/2013-2, dated 10 October 2013.

¹⁰⁷ Bhimavaram and Proddatur.

¹⁰⁸ Bhimadolu, Chilamathur, Duggirala, Pedana, Sajjapuram and Vuyyuru.

¹⁰⁹ Bhimavaram and Duggirala.

¹¹⁰ Bhimavaram, Proddatur, Chilamathur, Pedana, Sajjapuram and Vuyyuru.

(August 2016) audit observation in two out of three cases. In another case, the Government contested (January 2017) that the valuation method adopted by Audit was not in accordance with Commissioner's instructions, dated 30 July 2013. The reply is not acceptable as the valuation method adopted by Audit was in line with the Commissioner's instructions.

4.9.2 As per Article 42 (g) of Schedule I-A to IS Act read with Note (ii) thereunder, where Power of Attorney is given for construction or development of or sale or transfer of any immovable property, stamp duty at one *per cent* is to be levied. Besides stamp duty, registration fee is also leviable at the rate of 0.5 *per cent* subject to minimum of ₹ 1,000 and maximum of ₹ 20,000.

Government of Andhra Pradesh had issued orders¹¹¹ dated 21 February 2009 for alienation of 92.11 acres in favour of Anantapur District Police Cooperative House Building Society at the rate of ₹ one lakh per acre.

During scrutiny of records of SR, Anantapur (Rural), Audit observed (September 2015) that the Society had appointed six General Power of Attorney (GPA) Agents through six Power of Attorney deeds registered in 2014 for executing sale deeds of the plots and to carry out activities incidental thereon. In the GPA deeds executed, the market value of the property was adopted as ₹ one lakh per acre, instead of ₹ 10.89 lakh per acre applicable to house sites as specified in Form III. This had resulted in under-valuation of properties and consequent short levy of stamp duty and registration fee amounting to ₹ 9.84 lakh.

After Audit pointed out the cases, the Government accepted (January 2017) the audit observation and intimated that orders were being issued to collect the deficit amount under Section 41A of IS Act.

4.9.3 As per Section 27 of IS Act, the consideration, if any, the MV of the property and all other facts and circumstances affecting the levy of duty on any instrument, shall be fully and truly set forth therein.

During scrutiny of records of SR, Tirupati (Rural), Audit observed (September 2015) that in a sale deed registered in July 2014, the registering authority did not consider the value of the structures while computing market value of the property as the same was not disclosed in the document. The property was valued at ₹ 41.53 lakh, instead of ₹ 135.20 lakh, resulting in under-valuation by ₹ 93.67 lakh. This under-valuation of property resulted in short levy of stamp duty, transfer duty and registration fee of ₹ 5.62 lakh.

After Audit pointed out the cases, the Government accepted (January 2017) the audit observation and stated that orders were being issued to collect the deficit stamp duty under section 41A of IS Act.

¹¹¹ G.O.Ms.No.247, Revenue (Assn.V) Department, dated 21 February 2009.

4.9.4 As per Article 6(B) of Schedule I-A to IS Act read with Government order¹¹², Development Agreements cum General Power of Attorney (DGPAs) are to be charged with stamp duty at one *per cent* on the amount of market value of property as per basic value guidelines or sale consideration shown in document or estimated market value for land and complete construction made or to be made in accordance with the schedule of rates approved by the CIGR, whichever is higher.

Section 2 (10) of the IS Act defines 'goodwill' as a property which is capable of being conveyed independently of the land. Where it is conveyed, the instrument by which it is conveyed will be liable to stamp duty as a conveyance on sale. The prescribed stamp duty for conveyance on sale is five *per cent*.

Construction rates of structures and buildings were prescribed as per the Commissioner's proceedings¹¹³ dated 30 July 2008 (effective from 1 August 2008) and the same were revised from 1 April 2013.

During scrutiny of records of DR, Sri Balaji Tirupati and four SRs¹¹⁴, Audit observed (between September 2015 and January 2016) that in three documents styled as DGPAs, the parking area/ stilt area were not included while evaluating the structure, which resulted in under-valuation of the properties. In another case (SR, Pidimgoyya), stamp duty on DGPA document was levied short. This resulted in short levy of stamp duty amounting to ₹ 2.78 lakh.

In three cases (SR, Addanki), it was observed that although a Gram Panchayat had been upgraded as Nagar Panchayat, the registry did not adopt the structure rates as applicable to Nagar Panchayats, resulting in under-valuation of the property and subsequent short levy of stamp duty amounting to ₹ 0.71 lakh. Further, in one document (SR, Chirala), it was observed that the developer had paid goodwill of ₹ 20 lakh to the land owners on the day of executing (28 July 2012) the document. Stamp duty at five *per cent* was to be levied on this payment as the amount paid towards goodwill was to be treated as conveyance on sale. However, the Department did not levy stamp duty on the goodwill amount paid to the land owners. This resulted in short levy of stamp duty of ₹ 1 lakh. Thus, the total non-levy / short levy of stamp duty on DGPAs amounted to ₹ 4.49 lakh.

After Audit pointed out the cases, the Government accepted (January 2017) the audit observation and directed the DRs to collect the stamp duty under Section 41A of IS Act.

¹¹² G.O.Ms.No.568, Revenue (Registration-I) Department, dated 01 April 2008.

G.O.Ms.No.581, Revenue (Registration-I) Department, dated 30 November 2013.

¹¹³ Proceedings no. MV6/10440/2008, dated 30 July 2008.

Proceedings no. MV6/12658/2012, dated 2 February 2013.

¹¹⁴ Addanki, Chirala, Kanumole and Pidimgoyya.