

CHAPTER-VI
LAND REVENUE

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6.1 Tax administration

At the apex level, Chief Commissioner of Land Administration (CCLA) is responsible for administration of Revenue Board's Standing Orders (BSO), Andhra Pradesh (AP) Water Tax Act, 1988, AP Agricultural land (Conversion for Non-agricultural Purposes) Act, 2006, AP Irrigation, Utilisation and Command Area Development Act, 1984 and Rules and orders issued thereunder. The State is divided into 13 districts, each of which is headed by a District Collector who is responsible for the administration of the respective district. Each district is divided into revenue divisions and further into mandals¹⁷⁵, which are kept under administrative charge of Revenue Divisional Officers (RDOs) and Tahsildars respectively. Each village in every mandal is administered by Village Revenue Officers (VROs) under the supervision of Tahsildars. VROs prepare tax demands under all the Acts mentioned above for each mandal from the village accounts and get them approved by the concerned *Jamabandi* Officers¹⁷⁶. VROs/Revenue Inspectors are entrusted with work of collection of revenue/taxes such as water tax, conversion fee for agricultural lands etc. At Government level, Principal Secretary (Revenue) is in charge of overall administration of Revenue Department.

6.2 Internal audit

Department did not have a structured Internal Audit Wing that would plan and conduct audit in accordance with a scheduled audit plan.

6.3 Results of audit

Test check of the records of 110 units of Land Revenue Offices conducted during the year 2014-15 revealed under-assessments of tax amounting to ₹ 76.11 crore in 57 cases which broadly fall under the following categories:

Table 6.1: Results of audit

(₹ in crore)			
Sl.No.	Category	No. of cases	Amount
1.	Non/short levy of conversion tax and penalty on conversion of agricultural land for non-agricultural purposes	42	54.69
2.	Non-finalisation of alienation proposals on advance possession	02	13.94
3.	Other irregularities	13	7.48
Total		57	76.11

¹⁷⁵ Mandal is the jurisdictional area of each Tahsildar.

¹⁷⁶ *Jamabandi officer* is District Collector or any other officer nominated by him not below the rank of Revenue Divisional Officer.

During the year 2014-15 the Department accepted under-assessment and other deficiencies of ₹ 6.22 crore in five cases. A few illustrative cases involving ₹ 38.62 crore are mentioned in the succeeding paragraphs.

6.4 Non-levy of conversion tax and penalty on conversion of agricultural land for non-agricultural purposes

As per Section 3 (1) of AP Agricultural Land (Conversion for Non-agricultural Purposes) Act, 2006, no agricultural land in the state shall be put to non-agricultural purpose, without the prior permission of the competent authority. Section 4 (1) provides that every owner¹⁷⁷ or occupier of agricultural land shall pay a conversion tax at the rate of nine *per cent* of the basic value¹⁷⁸ of the land converted for non-agricultural purposes. If any agricultural land has been put to non-agricultural purpose without obtaining permission, the RDO who, under Section 5, is the competent authority to convert the land use from agricultural purpose to non-agricultural purpose, shall impose a penalty of 50 *per cent* of the conversion tax under Section 6 (2). Further, as per the AP Agricultural Land (Conversion for Non-agricultural Purposes), Rules, 2006, where land is deemed to have been converted for non-agricultural purposes, the date for purpose of calculation of basic value shall be the earliest of (i) the date of detection of conversion by the competent authority (ii) the date of entry into village accounts or (iii) the date of application by owner/occupier.

6.4.1 Non/short levy of conversion tax and penalty on conversion of agricultural land for non-agricultural purpose

During test check (between June 2014 and February 2015) of records of seven offices¹⁷⁹ of the RDOs/Sub-Collectors and eight Tahsildars¹⁸⁰, it was noticed that in 20 cases, individuals applied for conversion of 111.91 acres of agricultural land for non-agricultural purposes and paid conversion tax. Audit noticed that land was undervalued due to adoption of lesser basic values than those maintained by Registration and Stamps Department. Department had levied conversion tax of ₹ 28.39 lakh in these cases instead of ₹ 93.41 lakh resulting in short levy of conversion tax of ₹ 65.02 lakh. Out of these 20 cases, in four cases under two offices¹⁸¹ construction activities had commenced before issue of permission for land conversion, hence, penalty at the rate of 50 *per cent* of the conversion tax was to be levied. Owing to short assessment of conversion tax, penalty amounting to ₹ 12.68 lakh was short levied. Thus, in these 20 cases the total amount of conversion tax and penalty short levied comes to ₹ 77.70 lakh.

¹⁷⁷ As per Section 2(m) of the Act, 'owner' includes any lessee/local authority to whom lands have been leased out by State Government or the Central Government.

¹⁷⁸ 'Basic value' means the land value entered in the Basic Value Register notified by Government from time to time and maintained by the Sub-Registrar.

¹⁷⁹ Adoni, Kandukur, Kurnool, Madanapalle, Markapur, Ongole, Vijayawada.

¹⁸⁰ Bapatla, Bikkavolu, Bhimavaram, Kalla, Mandapeta, Tallarevu, Tenali, U. Kothapalli.

¹⁸¹ Madanapalle, Markapur.

Similarly, in 26 other cases, the competent authorities had issued permissions for conversion of 128.1075 acres of agricultural lands for non-agricultural purposes and collected the appropriate conversion tax. However, as per the reports of Tahsildar/Revenue Inspector/VRO, these lands were already being used for non-agricultural purposes without prior permission of the competent authorities. Hence, penalty under Section 6(2) of the Act was to be levied but the authorities had levied only the conversion tax, which resulted in non-levy of penalty to the tune of ₹ 17.54 lakh.

After Audit pointed out these cases, Tahsildar, U. Kothapalli replied that revised proposals would be sent to RDO, Kakinada and action taken intimated to Audit. Sub-Collector, Vijayawada replied that notices would be issued to collect the amount. District Collector (DC), West Godavari intimated (September 2015) that the audit observation was accepted in one of the two cases and penalty was to be paid. In another case, Government communicated (December 2015) that land was not yet levelled and paddy crop was being cultivated, therefore penalty need not be imposed. The reply is not tenable since it was mentioned in the registered documents of 2009 that agricultural land had already been converted into house sites. With reference to Tahsildar, Kalla, DC replied (September 2015) that notices were issued to land owners directing them to pay the amount immediately. Remaining authorities replied that matter would be examined and Audit intimated.

6.4.2 Short levy of conversion tax and penalty in the case detected by the Department of Vigilance & Enforcement

During the scrutiny of conversion cases in the office of the Tahsildar, Kakinada (rural) in February 2015, it was noticed that the Department of Vigilance & Enforcement (V&E), in October 2014, detected a case where agricultural land admeasuring 7.10 acres was converted for non-agricultural purpose without payment of conversion tax in Ramanayyapeta village. Accordingly, on the basis of the alert note issued by the V&E, RDO, Kakinada issued a demand notice to the owner for payment of ₹ 1.77 crore towards evaded conversion tax.

However, Audit noticed that the land was undervalued due to adoption of lesser basic values than those maintained by Registration Department. The basic value of the land to be adopted was ₹ 6000 per square yard based on which ₹ 1.85 crore was required to be levied as conversion tax. The Department, however, had levied conversion tax of ₹ 1.77 crore in the above case resulting in short levy of conversion tax of ₹ 8.17 lakh. Besides, penalty of ₹ 92.78 lakh was also to be levied. Thus, the total short levy of conversion tax and penalty amounted to ₹ 1.01 crore.

After Audit pointed out the case, the Tahsildar replied that the matter would be examined and action intimated to Audit.

The matter was referred to the Department in May 2015 and Government in August 2015. Their replies have not been received (January 2016).

6.4.3 Non-levy of conversion tax and penalty on approved layouts due to lack of co-ordination between Revenue and other Departments

As per Rule 6 of AP Gram Panchayat Land Development (Layout and Building) Rules, 2002, Gram Panchayats are the executive authorities to sanction permission for layout proposals. Division Level Panchayat Officers (DLPOs) exercise supervision, control and provide guidance to the Gram Panchayats under their jurisdiction¹⁸².

Audit noticed (between May and December 2014) during cross verification of the layouts approved by the Gram Panchayats coming under DLPOs' jurisdiction¹⁸³ with the conversion granted in offices of seven RDO/Sub-collectors¹⁸⁴, that in 221 cases, layouts were approved by the Gram Panchayats and 2447.90 acres of land was converted without authorisation from the RDOs/Sub-collectors. Neither had the individuals/ organisations approached the RDOs concerned nor did the Department make any effort to levy conversion tax in these cases. Due to lack of coordination between the RDOs and DLPOs/Gram Panchayats, conversion tax and penalty amounting to ₹ 21.27 crore could not be levied.

After Audit pointed out these cases, Government replied (December 2015) only in the cases pertaining to RDOs, Jammalamadugu and Jangareddigudem that notices had been issued in September 2015 to the applicants for payment of conversion tax and penalty. However, RDO Rajampet had communicated (September 2015) that Tahsildars were directed to collect and remit conversion tax and penalty. Remaining RDOs replied (between August and December 2014) that matter would be examined and Audit intimated in due course.

6.5 Non-realisation of cost of alienation and conversion tax

As per Board's Standing Order (BSO) No.24, alienation of Government land to a company, institution or private individuals for any public purpose will normally be on collection of its market value and subject to the terms and conditions prescribed in the BSO. The BSO provisions allow the competent authorities to permit possession of the land in advance by the applicant in the event of any emergent circumstances, pending formal approval of the alienation proposal.

During the scrutiny of conversion cases in two offices¹⁸⁵, it was noticed (August and November 2014) that the competent authorities had given advance possession of 705.99 acres of land in Piler mandal and Gudivakalanka village in favour of AP Industrial Infrastructure Corporation (APIIC) and AP Tourism Development Corporation (APTDC) respectively, in 2010 and 2012, pending finalisation of alienation proposals. In the absence of any prescribed time limit, the alienation proposals were not finalised even after three to four

¹⁸² G.O.Ms.No. 70, PR&RD (Rules) Department dated 29 February 2000.

¹⁸³ Audit collected the information of layouts approved by GPs through the DLPOs.

¹⁸⁴ Adoni, Jammalamadugu, Jangareddygudem, Kurnool, Madanapalle, Markapur, Rajampet.

¹⁸⁵ RDO- Madanapalle, Tahsildar- Eluru.

years of handing over possession of these lands. Thus, non-finalisation of alienation proposals resulted in non-realisation of revenue towards value of land amounting to ₹ 13.95 crore.

Further, in case of land alienated to APIIC, it was observed that though the land was alienated for being used for non-agricultural purposes such as establishment of Industrial Park, neither the allottees had applied for conversion of land nor had the RDO levied any conversion tax. This resulted in non-levy and collection of conversion tax amounting to ₹ 1.25 crore on lands alienated without obtaining conversion orders from the competent authority.

Thus, the total amount of non-realisation of cost of alienated land and conversion tax thereon worked out to ₹ 15.20 crore.

After Audit pointed out the cases, the RDO and Tahsildar replied that matter would be examined. The matter was referred to the Department in June 2015 and to the Government in August 2015. Their replies have not been received (January 2016).

6.6 Excess payment of compensation on acquisition of land

The Land Acquisition Act, 1894, empowers Government for acquisition of private lands for a public purpose. As per Section 3, the officer empowered to acquire land is the Collector or any officer appointed by the Government/Collector as Land Acquisition Officer. Under Section 4, draft notification is to be issued for acquiring land.

As per the provisions of the Act, MV of the land to be acquired has to be determined on the basis of the registered sale transactions for a period of three years preceding the draft notification. Further, solatium at 30 *per cent* on the MV in consideration of compulsory nature of land acquisition and 12 *per cent* additional MV per annum on MV from the date of draft notification till the date of passing the award or date of taking possession of land has to be allowed to arrive at preliminary value (PV). Government introduced Consent Award through District level and State level negotiation Committees who are empowered to enhance land value by 50 *per cent* over PV.

During the scrutiny of land acquisition cases in three offices¹⁸⁶ of RDOs/ Sub-Collectors (between June and November 2014), it was noticed in nine cases that while acquiring land of 242.04 acres for public purposes, PV adopted was higher (33 to 87 *per cent*) than the highest value recorded in sales transactions of the three years prior to draft notification. Adequate justification for the increase were not given in the PV statements as discussed in the following table.

¹⁸⁶ Adoni, Madanapalle, Vijayawada.

S.No.	Name of office (Extent) (Tax Effect)	Reasons given for discarding sales statistics/ enhancement by Department	Department reply	Remarks of Audit
1.	RDO, Adoni (198.45 acres) ₹ 1.50 crore (2 cases)	Sales statistics do not exhibit the true value of the land. Sale transactions took place more or less equal to basic value. Hence by taking into account the MV prevalent in proximity of the village, time lag and as the lands were fertile, land value was fixed.	DC replied (October 2015) that land value was fixed as per proceedings of June 2010 and the committee was empowered ¹⁸⁷ to enhance land compensation upto 50 per cent and compensation fixed was within the limit.	Audit observation relates to initial fixation of market value at preliminary valuation stage (which should have been on the basis of sales statistics) that resulted in payment of excess compensation and not on competence of Department in enhancing the compensation.
2.	Sub-collector, Vijayawada 8.16 acres ₹ 13.14 lakh (3 cases)	Basic value of the land was very low compared with latest basic value. The proposed land was suitable to provide house sites for weaker sections and hence higher rate was adopted. Land was even and properly cultivated. Hence it was properly justified.	Government replied (December 2015) that compensation of land acquired in all the cases was fixed within the limit prescribed in the Government orders ¹⁸⁸ and no payment of excess compensation was made as pointed out by Audit.	
3.	Sub-collector, Madanapalle (35.43 acres) ₹ 1.04 crore (4 cases)	Sales statistics do not exhibit the true value of the land. The sales contain meagre extent of land, hence not considered for fixation. The lands were fertile, covered by orchards, located on the national highway and well maintained by regular cultivation. Sales were rejected as lands were different in nature and quality to that of the proposed land. As per local enquiry it is quite reasonable to hike MV by 60 per cent per annum.	Sub-Collector replied (November 2014) that the matter would be examined. No further replies were received (January 2016).	
Total		9 cases	Land acquired : 242.04 acres	Tax effect : ₹ 2.68 crore

This resulted in excess payment of land compensation amounting to ₹ 2.68 crore.

¹⁸⁷ G.O.Ms.No.889, Revenue (LA) Department, dated 27 August 1992.

¹⁸⁸ G.O.Ms.No.434, Revenue (LA) Department, dated 10 June 1996.
G.O.Ms.No.1134, Revenue (LA) Department, dated 19 September 2008.

6.7 Non-levy of interest on collected arrears under Non-agricultural Land Assessment Act

As per Section 15(2)(b) of AP Agricultural Land (Conversion for Non-Agricultural Purposes) Act, 2006, all the outstanding arrears of revenue from individuals/institutions under AP Non-agricultural Land Assessment Act, 1963 (NALA)¹⁸⁹, shall be recovered under the provisions of the Andhra Pradesh Revenue Recovery (APRR) Act, 1864. Further, under Section 7 of APRR Act, arrears of revenue shall bear interest at the rate of six *per cent* per annum.

During the course of audit (January 2015) of office of the Chief Commissioner of Land Administration, a scrutiny of Demand, Collection and Balance (DCB) records and receipt books revealed that arrears of land revenue towards NALA, amounting to ₹ 2.95 crore were collected upto November 2014. However, interest leviable under Section 7 of APRR Act was not levied. Interest of ₹ 17.69 lakh was computed by Audit on a conservative estimate (calculated at the rate of six *per cent* for minimum period of one year).

After Audit pointed out the case, the CCLA, accepted the observation and replied (January 2015) that action would be taken to collect six *per cent* interest on revenue arrears as per Section 7 of R.R. Act.

The matter was referred to the Government in August 2015. Their replies have not been received (January 2016).

¹⁸⁹ NALA was an Act under which the land revenue was assessed according to the nature of the land use. The Act was superseded on 2 January 2006, by AP Agricultural Land (Conversion for Non-Agricultural Purposes) Act 2006.