

CHAPTER-VII

***OTHER TAX AND
NON-TAX RECEIPTS***

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7.1 Results of audit

Test check of records of 32 offices of the Revenue¹⁹⁰, Industries and Commerce and Energy Departments conducted during the year 2014-15, revealed preliminary audit findings of under-assessments of tax and other irregularities involving ₹ 749.60 crore in 75 cases, which broadly fall under the following categories:

Table 7.1: Results of audit

(₹ in crore)			
S.No.	Category	No. of cases	Amount
I	REVENUE DEPARTMENT		
	A. Water Tax ¹⁹¹		
1.	Levy and collection of water tax	01	8.72
	B. Professions Tax		
1.	Non-levy of professions tax	18	0.08
	C. Luxury Tax		
1.	Non-payment of luxury tax	01	1.67
II	INDUSTRIES AND COMMERCE DEPARTMENT		
1.	Short levy of Seigniorage fee/dead rent	11	1.35
2.	Short levy of royalty	16	24.70
3.	Short levy of penalty on minor minerals	03	3.14
4.	Short levy of mineral revenue	04	4.05
5.	Short levy of stamp duty on sand leases ¹⁹²	12	2.50
6.	Other irregularities	06	4.01
III	ENERGY DEPARTMENT		
1.	Non-levy of Electricity duty	02	696.37
2.	Short levy of Electricity duty	01	3.01
Total		75	749.60

During the year 2014-15, the Department accepted under-assessment and other deficiencies of ₹ 8.54 crore in nine cases, which were pointed out during the year 2014-15. A few illustrative cases involving ₹ 31.13 crore are mentioned in the succeeding paragraphs.

¹⁹⁰ Observations relating to water tax were raised as a result of audit of offices of the Tahsildars and observations relating to professions tax, luxury tax were raised as a result of audit of offices of the Commercial Taxes Department.

¹⁹¹ Observations relating to 110 offices of Land Revenue Department are included in Chapter VI - "Land Revenue".

¹⁹² Para on the subject is included in Chapter-IV - "Stamp Duty and Registration Fees".

REVENUE DEPARTMENT

7.2 Levy and collection of water tax

7.2.1 Introduction

Assessment and levy of water tax is governed by the Andhra Pradesh Water Tax Act 1988 (Act) as amended in 1997. Every land receiving water for the purpose of irrigation from any Government source notified under the Act is subject to water tax for each *fasli*¹⁹³ year at rates specified in the Schedule to this Act.

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 purposes) Act, 2006, and orders issued thereunder. CCLA is assisted by District Collectors at district level. Each district is divided into revenue divisions headed by Revenue Divisional Officers (RDOs) and further sub-divided into mandals, which are under administrative charge of Tahsildars. Each village in a mandal is administered by a Village Revenue Officer (VRO) under the supervision of the Tahsildar. VROs/Revenue Inspectors are entrusted with the work of maintaining the land records, collection of water tax and road cess, field inspection duties etc.

The basic record for computation of water tax 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 water tax in respect of the villages under his jurisdiction and Tahsildars consolidate the demand for each mandal¹⁹⁴. In accordance with instructions contained in BSO 12(5), the final accounts called *Jamabandi*¹⁹⁵ 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.

7.2.2 Objectives, Scope and Methodology of audit

Audit of levy and collection of water tax was conducted to

- examine whether the *Jamabandi* was completed within the stipulated timeframe;
- ascertain that the correct water tax rates were applied and interest was levied / realised on arrear collections; and

¹⁹³ Period of 12 months from July to June.

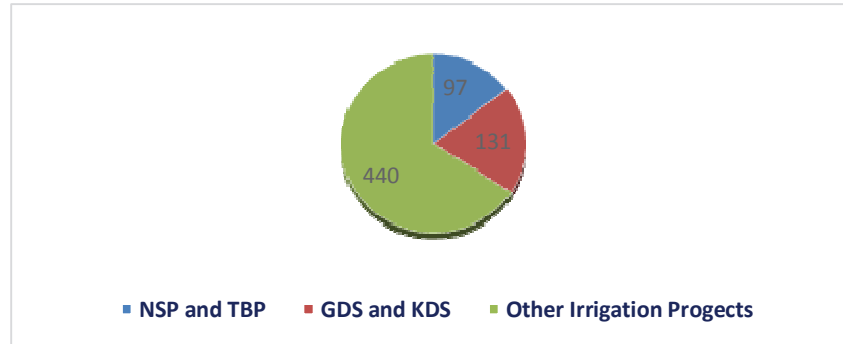
¹⁹⁴ Mandals are the jurisdictional area of each Tahsildar.

¹⁹⁵ Finalisation of village accounts and demand.

- examine whether remissions on water tax granted were in order.

Out of 668 mandals in Andhra Pradesh, 97 mandals are covered under the two major irrigation projects viz. Nagarjuna Sagar Project and Tungabhadra Project and 131 mandals are covered under Godavari Delta System and Krishna Delta System.

Mandals covered under NSP, TBP, Godavari and Krishna Delta Systems in Andhra Pradesh



Audit of 26 mandals coming under Nagarjuna Sagar and Tungabhadra projects had featured in the Reports of the Comptroller and Auditor General of India (Revenue Sector) for the years ended March 2013 and 2014. The observations made in this Report relate to 100¹⁹⁶ out of 131 mandals covered under Godavari Delta System (Sir Arthur Cotton Barrage or Dowlaiswaram Barrage) and Krishna Delta System (Prakasam Barrage). The audit was conducted during the period from July 2014 to July 2015 covering the period from fasli years 1411 to 1423 (July 2001 to June 2014). The sample was selected on the basis of highest registered ayacut¹⁹⁷ under these projects. Detailed check of records relating to village selected for audit under each mandal and test check of remaining villages in the mandal were conducted with reference to observations on water tax.

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

- Board's Standing Orders (BSO);

¹⁹⁶ Achanta, Ainavilli, Akividu, Alamuru, Allavaram, Amarthaluru, Anaparthi, Atreyapuram, Attili, Avanigadda, Bantumilli, Bapatla, Bapulapadu, Bhattiprolu, Bhimadole, Bhimavaram, Bikkavolu, Chebrolu, Challapalli, Cherukupalli, Denduluru, Duggirala, Elamanchili, Eluru, Ganapavaram, Gangavaram, Gannavaram, Ghantasala, Gudivada, Gudlavalleru, Guduru, I.polavaram, Iragavaram, Kadiyam, Kaikaluru, Kajuluru, Kakinada Rural, Kakumanu, Kalidindi, Kalla, Kollipara, Kankipadu, Kapileswarapuram, Karlapalem, Karapa, Katrenikona, Koduru, Kollur, Kothapeta, Kruthivenu, Machilipatnam, Mandapeta, Mandavalli, Mamidikuduru, Mogalthuru, Mopidevi, Movva, Mudinepalli, Mummidivaram, Nagaram, Nagayalanka, Nandivada, Narasapuram, Nidamaruru, Nizampatnam, Pedaparupudi, Palacoderu, Palakol, Pamarru, Pamidimukkala, Pedapadu, Pedakakani, Pedana, Pedapudi, Penamaluru, Penumantra, Peravali, Pittalavanipalem, Poduru, Ponnuru, Ramachandrapuram, Rayavaram, Razole, Repalle, Sakhinetipalle, Samalkot, Tallarevu, Tanuku, Tenali, Thotlavalluru, Tsundururu, Undi, Undrajavaram, Unguturu K, Unguturu WG, U. Kothapalli, Uppalaguptam, Veeravasaram, Vemuru, Vuyyuru.

¹⁹⁷ The area served by an irrigation project source such as canal, dam or tank.

- 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 and other revenue.

Audit scrutinised *jamabandi* records pertaining to five *fasli* years from 1419 to 1423 (1 July 2009 to 30 June 2014) of the selected mandals. Scrutiny revealed that out of the 100 sampled mandals details of *jamabandi* pertaining to last five years were available only in respect of 75¹⁹⁸ mandals. Age analysis of completion of *jamabandi* is as given in the following table.

Table 7.2.3 :Status of *Jamabandi* completed

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
1419	31	10	30	2	73	2	75
1420	29	40	2	1	72	3	75
1421	49	12	4	0	65	10	75
1422	7	7	0	0	14	61	75
1423	5	0	0	0	5	69	74 ¹⁹⁹
Total	121	69	36	3	229	145	374*
	32.35%	18.45%	9.63%	0.80%	61.23%	38.77%	

* Total *jamabandis* to be completed in 75 mandals during last five *fasli* years

¹⁹⁸ Ainavilli, Alamuru, Allavaram, Amarthaluru, Anaparthi, Avanigadda, Bantumilli, Bapatla, Bapulapadu, Bhattiprolu, Bikkavolu, Challapalli, Chebrolu, Cherukupalli, Duggirala, Elamanchili, Eluru, Gangavaram, Gannavaram, Ghantasala, Gudlavalleru, Guduru, I.polavaram, Kaikaluru, Kajuluru, Kakinada Rural, Kakumanu, Kalidindi, Kankipadu, Kapileswarapuram, Karapa, Karlapalem, Katrenikona, Koduru, Kollipara, Kothapeta, Kruthivennu, Machilipatnam, Mandapeta, Mandavalli, Mamidikuduru, Mogalthuru, Mopidevi, Movva, Mudinepalli, Mummidivaram, Nagaram, Nagayalanka, Nandivada, Narasapuram, Nidamaru, Nizampatnam, Palakol, Pamarru, Pamidimukkala, Pedana, Pedaparupudi, Pedapudi, Penamaluru, Penumantra, Pittalavanipalem, Ramachandrapuram, Razole, Repalle, Samalkot, Tallarevu, Tanuku, Tenali, Thotlavalluru, Unguturu K, Unguturu WG, U. Kothapalli, Uppalaguptam, Vemuru, Vuyyuru.

¹⁹⁹ Office of Uppalaguptam was audited in the month of July 2014 by which time *jamabandi* for *fasli* year 1423 was not due for completion. Hence number of *Jamabandis* has been correspondingly reduced for *fasli* year 1423.

Analysis of the above data revealed that out of 374 *jamabandis* due in 75 mandals during last five *fasli* years only 229 *jamabandis* (61.23 per cent) were completed till the time of audit, with delay ranging from one year to more than three years. *Jamabandi* was not completed in respect of remaining 145 (38.77 per cent) cases. No *Jamabandi* in respect of two mandals (Avanigadda and Kruthivenu) was completed for a continuous period of five years i.e. from *fasli* year 1419 to 1423.

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

After Audit pointed out the cases, Tahsildars replied that the matter would be brought to the notice of higher authorities for conducting *jamabandi* within stipulated time.

7.2.4 Non-maintenance of Demand, Collection and Balance Registers

As per Government Order²⁰⁰ dated 5 January 1990, village accounts are to be scrutinised and approved by the Mandal Revenue Officer (MRO)/Tahsildar. Government of AP introduced integrated village accounts in their order²⁰¹ 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.

Audit noticed that out of the 100 test checked mandals, DCB registers were not maintained in 71 mandals²⁰² for the period from 1 July 2009 to 30 June 2014 (*fasli* years 1419 to 1423). In the absence of DCB registers, recovery of arrears could not be properly monitored.

²⁰⁰ G.O.Ms.No.3 of Revenue Department dated 5 January 1990.

²⁰¹ G.O.Ms.No.265 Revenue LR-II Department dated 10 March 1992.

²⁰² Ainavilli, Alamuru, Akividu, Allavaram, Anaparthi, Attili, Atreyapuram, Bapulapadu, Bhattiprolu, Bhimadole, Bhimavaram, Bikkavolu, Denduluru, Elamanchili, Eluru, Ganapavaram, Gangavaram, Gannavaram, Ghantasala, Gudlavalleru, Ipolavaram, Iragavaram, Kaikaluru, Kajuluru, Kakinada Rural, Kakumanu, Kalidindi, Kalla, Kapileswarapuram, Karapa, Katrenikona, Kothapeta, Machilipatnam, Mamidikuduru, Mandapeta, Mandavalli, Mudinepalli, Mummdivaram, Nagaram, Nandivada, Narasapuram, Nidamarru, Nizampatnam, Palacoderu, Palakol, Pamarru, Pamidimukkala, Pedana, Pedapadu, Pedapudi, Penamaluru, Penumantra, Peravali, Pittalavanipalem, Poduru, Ponnuru, Ramachandrapuram, Sakhinetipalle, Samalkot, Tanuku, Tallarevu, Tenali, Thotlavalluru, TSundur, U.Kothapalli, Undi, Undrajavaram, Unguturu WG, Uppalaguptam, Veeravasaram, Vemuru.

In response, 66 Tahsildars²⁰³ replied that DCB registers would henceforth be maintained and remaining Tahsildars replied that the matter would be examined.

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, the misclassifications, accounting errors, fraudulent and spurious challans etc., if any.

Audit noticed that in 11 mandals²⁰⁴ accounts of revenue realised and remitted towards water tax were not reconciled with treasury accounts during the *fasli* years from 1419 to 1423 (1 July 2009 to 30 June 2014). This is likely to lead to non-detection of accounting errors, misclassification, fraudulent and spurious challans etc. if any.

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 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*²⁰⁵ should be conducted and the actual figures of area irrigated should be arrived at.

Audit noticed from *Jamabandi* records of 18 mandals²⁰⁶ that as per joint *Azmoish* statements water tax amounting to ₹ 15.15 crore was to be levied on an extent of 6.75 lakh acres for the *fasli* years from 1414 to 1423 (1 July 2004 to 30 June 2014). However, demand of only ₹ 13.60 crore was finalised by

²⁰³ Ainavilli, Alamuru, Akividu, Allavaram, Anaparthi, Atreyapuram, Attili, Bapulapadu, Bhattiprolu, Bhimadole, Bhimavaram, Bikkavolu, Denduluru, Elamanchili, Eluru, Ganapavaram, Gangavaram, Gannavaram, Ghantasala, Gudlavalleru, I.polavaram, Kaikaluru, Kajuluru, Kakinada Rural, Kakumanu, Kalidindi, Kalla, Kapileswarapuram, Karapa, Katrenikona, Kothapeta, Machilipatnam, Mamidikuduru, Mandapeta, Mandavalli, Mudinepalli, Mummidivaram, Nagaram, Nandivada, Narasapuram, Nidamaru, Nizampatnam, Palacoderu, Palakol, Pamarru, Pamidimukkala, Pedana, Pedapadu, Pedapudi, Penamaluru, Peravali, Pittalavanipalem, Poduru, Ponnuru, Ramachandrapuram, Sakhinetipalle, Samalkot, Tallarevu, Tenali, U. Kothapalli, Undi, Undrajavaram, Unguturu WG, Uppalaguptam, Veeravasaram, Vemuru.

²⁰⁴ Atreyapuram, Bhimadole, Denduluru, Eluru, Ganapavaram, Katrenikona, Mandavalli, Mamidikuduru, Mopidevi, Narasapuram and Peravali.

²⁰⁵ Joint *Azmoish* means joint inspection of irrigated land conducted by Irrigation, Agriculture and Revenue Departments.

²⁰⁶ Bhimadole, Bhimavaram, Cherukupalli, Ganapavaram, Guduru, I Polavaram, Kaikaluru, Kalla, Nagaram, Nandivada, Narsapuram, Pedapadu, Pedaparupudi, Ramachandrapuram, Razole, Tallarevu, Undi and Veeravasaram.

jamabandi officers (**Annexure-II**). This resulted in short levy of water tax amounting to ₹ 1.55 crore.

In response, all the Tahsildars stated that the matter would be examined.

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

As per Section 3 of the Act, all Government sources of irrigation classified as major and medium projects shall be regarded as category-I and all other sources, which are capable of supplying water for not less than four months in a year shall be regarded as category-II. The rate of water tax for first or single wet crop in a *fasli* under category-I is ₹ 200 per acre and the rate for second wet crop of that *fasli* is ₹ 150 per acre for second crop. For category II source ₹ 100 per acre is to be adopted for first/single wet crop or second crop. The rate applicable for *duffasal*²⁰⁷ crops is ₹ 350 per acre. For aqua culture, the leviable water tax is ₹ 500 per acre.

Audit noticed during the scrutiny of village accounts of four Tahsildar offices²⁰⁸, that water tax was short levied for the *fasli* year 1421 due to applying incorrect rate for second wet crop (₹ 150 per acre) instead of single wet crop rate (₹ 200 per acre) on an irrigated extent of 32,750.70 acres resulting in short levy of water tax of ₹ 15.93 lakh (**Annexure-III**).

It was also noticed that in two other Tahsildar offices²⁰⁹ water tax was short levied on an extent of 8,756.65 acres though it was irrigated by Government source of irrigation (Category I). Tahsildars had levied water tax of ₹ 13.62 lakh instead of ₹ 17.22 lakh resulting in short levy of tax of ₹ 3.60 lakh (**Annexure-IV**).

Application of incorrect rate had thus resulted in total short levy of water tax amounting to ₹ 19.53 lakh.

In response, Tahsildars replied that the matter would be examined and detailed reply furnished in due course.

7.2.8 Non-levy of water tax due to adoption of incorrect area

Audit noticed during the scrutiny of the *Jamabandi* records in two mandals²¹⁰, that an extent of 2,325.70 acres was excluded by the Department while finalising the water tax demand for the *fasli* years 1419 to 1422 (1 July 2009 to 30 June 2013). This had resulted in non-levy of water tax to the tune of ₹ 5.10 lakh (**Annexure-V**).

In response, Tahsildars stated that the matter would be examined.

²⁰⁷ *Duffasal* crops are those the cultivation of which lasts for two seasons.

²⁰⁸ Ainavilli, Allavaram, Mummidivaram, Uppalaguptam.

²⁰⁹ Eluru, Ghantasala.

²¹⁰ Denduluru, Undi.

7.2.9 Non/ Short levy of interest on collected arrears of water tax

As per Section 8 of the Act, 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.

During scrutiny of consolidated statements of demand and collection and receipt books of 72 Tahsildar offices²¹¹, Audit noticed that during *fasli* years from 1411 to 1423 (1 July 2001 to 30 June 2014), arrears of land revenue towards water tax amounting to ₹ 85.80 crore was collected. However, interest of ₹ 2.65 crore to be levied under Section 7 of APRR Act was not levied in 37 offices²¹². Similarly in 35 offices²¹³ interest of ₹ 0.74 crore was levied instead of ₹ 2.50 crore resulting in short levy of interest of ₹ 1.76 crore. Thus there was total non/ short levy of interest ₹ 4.41 crore (**Annexure-VI**)

Interest was computed by Audit on a conservative basis (calculated at the rate of six *per cent* for minimum period of one year) as the period of delay could not be checked on account of non/improper maintenance of DCB registers at village level.

In response, 33 Tahsildars²¹⁴ stated that interest on arrears would be collected under intimation to Audit, 17 Tahsildars²¹⁵ stated that interest would be levied

²¹¹ Ainavilli, Alamuru, Allavaram, Anaparthi, Atrayapuram, Attili, Bantumilli, Bapatla, Bapulapadu, Bhimadole, Bhimavaram, Bikkavolu, Chebrolu, Challapalli, Denduluru, Duggirala, Elamanchili, Eluru, Ganapavaram, Gannavaram, Ghantasala, Gudivada, Gudlavalleru, Guduru, Iragavaram, Kaikaluru, Kakinada Rural, Kalidindi, Kankipadu, Kapileswarapuram, Karlapalem, Karapa, Katrenikona, Koduru, Kothapeta, Kruthivenu, Machilipatnam, Mamidikuduru, Mandapeta, Mandavalli, Mogalthuru, Mopidevi, Movva, Mudinepalli, Nagaram, Nagayalanka, Nandivada, Narasapuram, Nidamaru, Pedaparupudi, Palacoderu, Pamarru, Pamidimukkala, Pedapadu, Penamaluru, Penumantra, Peravali, Pittalavanipalem, Ponnuru, Ramachandrapuram, Rayavaram, Razole, Repalle, Tanuku, Thotlavalluru, Sakhinetipalle, Samalkot, Undrajavaram, Unguturu K, Unguturu WG, Vemuru, Vuyyuru.

²¹² Atrayapuram, Bantumilli, Bapulapadu, Challapalli, Chebrolu, Duggirala, Elamanchili, Gannavaram, Ghantasala, Gudivada, Gudlavalleru, Guduru, Kaikaluru, Kalidindi, Kankipadu, Kapileswarapuram, Karlapalem, Koduru, Kruthivenu, Machilipatnam, Mopidevi, Mudinepalli, Nagaram, Nagayalanka, Pamarru, Pamidimukkala, Penamaluru, Peravali, Pittalavanipalem, Ponnuru, Rayavaram, Repalle, Sakhinetipalle, Thotlavalluru Unguturu K, Vemuru, Vuyyuru.

²¹³ Ainavilli, Alamuru, Allavaram, Anaparthi, Attili, Bapatla, Bhimadole, Bhimavaram, Bikkavolu, Denduluru, Eluru, Ganapavaram, Iragavaram, Kakinada Rural, Karapa, Katrenikona, Kothapeta, Mandapeta, Mandavalli, Mamidikuduru, Mogalthuru, Movva, Nandivada, Narasapuram, Nidamaru, Palacoderu, Pedaparupudi, Pedapadu, Penumantra, Ramachandrapuram, Razole, Samalkot, Tanuku, Undrajavaram, Unguturu WG.

²¹⁴ Ainavilli, Alamuru, Allavaram, Bapatla, Bhimadole, Bikkavolu, Denduluru, Elamanchili, Ganapavaram, Gannavaram, Ghantasala, Gudivada, Kaikaluru, Kankipadu, Kapileswarapuram, Karlapalem, Katrenikona, Kothapeta, Machilipatnam, Mamidikuduru, Mandavalli, Mogalthuru, Nagaram, Nandivada, Pamarru, Pedapadu, Pedaparupudi, Peravali, Pittalavanipalem, Ponnuru, Repalle, Unguturu K, Vuyyuru.

²¹⁵ Anaparthi, Atrayapuram, Bantumilli, Bapulapadu, Chebrolu, Challapalli, Gudlavalleru, Kakinada Rural, Karapa, Mandapeta, Mopidevi, Movva, Nagayalanka, Pamidimukkala, Penamaluru, Rayavaram, Samalkot.

in subsequent *fasli* years and remaining Tahsildars stated that the matter would be examined.

7.2.10 Lack of control / monitoring

As per Article 8 of Andhra Pradesh Financial Code, every departmental controlling officer should closely watch the progress of the realisation of revenue under his control and check the recoveries made against demand.

Audit noticed during test check of DCB statements of two Tahsildar offices²¹⁶ that while carrying forward the opening balances of water tax demand for the *fasli* years 1416 and 1417 (1 July 2006 to 30 June 2008) an amount of ₹ 77.67 lakh was taken short. This was neither detected by Tahsildars nor by *jamabandi* officers, and reasons for same were not forthcoming from records. This resulted in short realisation of revenue of ₹ 77.67 lakh due to incorrect depiction of demand in DCB statements. (**Annexure-VII**)

In response, Tahsildars stated that the matter would be examined and Audit intimated.

7.2.11 Irregular grant of remission of water tax

As per provisions of Section 3 of the Act, water tax is to be levied on all types of lands receiving water from Government sources. Any exemption from the application of these provisions can only be granted by the Government. Hence, only the Government is competent to remit Water tax. CCLA also clarified²¹⁷ and directed that Collectors are required to obtain necessary orders whenever such cases of remission arise. Remission granted by the Government has to be noted in village accounts (Account 4B).

During scrutiny of Statement of Remissions (Village Account 4B) and *Jamabandi* records of office of the Tahsildar, Kakinada Rural, Audit noticed that remission of water tax amounting to ₹ 11.69 lakh was granted by the *Jamabandi* officer for the *fasli* year 1420 without any sanction from the Government. Unauthorised remissions resulted in short realisation of Government revenue to that extent.

In response, Tahsildar replied that as per Government order²¹⁸ dated 14 December 2010 and as per Gazette notification²¹⁹ dated 10 February 2011, villages were declared to be 'Jal' cyclone affected. Therefore, water tax was not levied. Reply of the Department is not tenable as the Gazette notification had declared the villages/mandals to be cyclone affected, but had not remitted water tax. Hence remission of water tax needed to be ratified by the Government.

²¹⁶ Kajuluru and Ramachandrapuram.

²¹⁷ CCLA's Ref.No. AP1/1260/2009 dated 24 February 2010.

²¹⁸ G.O.Ms.No17(Rev) D.M.II, 14 December 2010.

²¹⁹ Gazette Notification No.34/2011 dated 10 February 2011 published in East Godavari District.

These issues were referred to the Department and to the Government (May/July 2015); their replies have not been received (January 2016).

7.2.12 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 are 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 either short levied or not levied by the Department.

INDUSTRIES AND COMMERCE DEPARTMENT

Mines and Minerals

7.3 Short levy of royalty

As per Section 9 of Mines and Minerals (Development & Regulation) (MMDR) Act, 1957, the holder of a mining lease shall pay royalty in respect of any mineral removed or consumed by him or by his agent, manager, employee, contractor or sub-lessee from the leased area at the rates specified in the Second Schedule in respect of the mineral.

7.3.1 Short levy of royalty due to adoption of incorrect rates

As per Rule 64-D of the Mineral Concession (MC) Rules, 1960, every mine owner, his agent, manager, employee, contractor or sub-lessee shall compute the amount of royalty on minerals taking into consideration the sale price published by Indian Bureau of Mines (IBM) for different minerals where such royalty is charged on ad valorem basis. For this purpose, the statewise sale price for different minerals as published by IBM shall be the sale price for computation of royalty in respect of any mineral produced any time during a month in any mine in that State.

The rate to be adopted for barytes is 5.5 *per cent* of sale price; and the rates for feldspar and quartz are 12 *per cent* and 15 *per cent* respectively.

During the course of audit of office of Assistant Director of Mines & Geology (ADMG), Nellore (December 2014), it was noticed from the assessment files, monthly returns and annual returns submitted relating to 17 leases for the period 2011-12 to 2013-14 that the Department had not adopted the monthly sale statistics published by IBM for the minerals despatched. The Mineral Revenue Assessments (MRAs) were finalised by adopting incorrect rates of royalty resulting in short levy of royalty amounting to ₹ 2.05 crore.

After these cases were pointed out by Audit, ADMG, Nellore replied (May 2015) that based on audit observation MRAs were revised for the period from 2011-12 to 2013-14, duly taking IBM rates into account and levying royalty at the prescribed rates.

The matter was referred to the Department in April 2015 and to the Government in September 2015. Their reply has not been received (January 2016).

7.3.2 Short levy of royalty and cess

Royalty is to be levied²²⁰ at the rate of ₹ 63 per metric tonne (MT) for limestone (other than LD grade) and ₹ 72 per MT on limestone (LD Grade).

As per Section 3 of the Andhra Pradesh Mineral Bearing Lands (Infrastructure) Cess Act, 2005 read with Government order²²¹ dated 12 September 2005, cess of ₹ three per tonne is to be levied on the mineral produce (limestone) from the mineral bearing lands.

During the course of audit of the office of the ADMG, Banaganapally in November 2014, it was noticed from the assessment files, monthly returns and annual returns submitted by three lessees for the period 2010-11 to 2013-14 that there was a difference of quantity of limestone despatched between the annual returns submitted by the lessee and MRAs finalised by the Department in one case. In another case, there was a difference between the despatches as per the permit issue register and the MRAs. In the third case, MRAs were finalised by levying royalty at ₹ 63 per MT (limestone other than LD grade) instead of at ₹ 72 per MT on limestone (LD Grade) extracted.

Thus, the Department had finalised MRAs of three lessees by incorrectly adopting the quantity of limestone despatches and the rates of royalty applicable for limestone (LD grade) which resulted in short levy of royalty amounting to ₹ 17.32 crore.

Besides royalty, cess of ₹ one crore is to be levied on 33.46 MT of limestone despatched by these three lessees. However, assessing authorities levied cess amounting to ₹ 19.09 lakh which resulted in short levy of cess by ₹ 81.30 lakh. The total short levy of royalty and cess amounted to ₹ 18.13 crore.

After Audit pointed out the case, ADMG, Banaganapally replied that matter would be examined and detailed reply submitted in due course.

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

7.3.3 Short levy of royalty and cess by cement companies

Cement companies which extract limestone mineral for captive consumption, have to adopt the limestone clinker factor²²² in addition to other factors like permitted quantity, despatched quantity, etc. for arriving at the quantity to be adopted in MRAs.

²²⁰ G.S.R.574 (E), dated 13 August 2009.

²²¹ G.O.Ms.No.255 Industries and Commerce (M.1(2)), dated 12 September 2005.

²²² Quantity of limestone required for production of one metric tonne of clinker (a substance used in manufacture of cement).

During the course of audit of the office of the ADMG, Nandigama, (November 2014), it was noticed that during 2012-13, 2013-14, five cement companies produced 54.28 lakh MTs of clinker. Based on limestone clinker factor, 76.59 lakh MTs of limestone was required to be consumed in its production. However, assessing authorities worked out royalty and cess to be payable on 76.01 lakh MT of limestone based on returns furnished by lessees. Discrepancy in quantum of limestone consumption led to short levy of royalty and cess by ₹ 38.02 lakh.

After Audit pointed out the case, ADMG, Nandigama replied that action would be taken to collect shortfall of royalty under intimation to Audit.

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

7.4 Non/short levy of seigniorage fee/dead rent

As per Rule 10 of Andhra Pradesh Minor Mineral Concession (APMMC) Rules, 1966, the seigniorage fee²²³ or dead rent²²⁴, whichever is higher shall be charged on all minor minerals despatched or consumed from the land at the rates specified in the schedules to the Rules. Government revised the rates of Seigniorage fee on minor minerals through Government order²²⁵ dated 13 August 2009.

During the course of audit (between July and November 2014) of four offices²²⁶ of ADsMG, it was noticed from the lease records for the years 2011-12 to 2013-14 that in 10 cases, seigniorage fee/dead rent of ₹ 52.90 lakh was levied on road metal, colour granite and gravel during the above lease period instead of ₹ 64.07 lakh resulting in short levy of seigniorage fee/dead rent of ₹ 11.17 lakh. In another case seigniorage fee of ₹ 0.35 lakh was not levied, leading to non/short levy of seigniorage fee/dead rent amounting to ₹ 11.51 lakh.

After Audit pointed out these cases, ADsMG, Markapur and Vizianagaram replied that the MRAs would be revised for the relevant years. Remaining ADsMG replied that the matter would be examined and reply submitted in due course.

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

²²³ 'Seigniorage fee' is fee charged on minor minerals.

'Dead rent' is rent payable on a mining lease though there is no mining activity.

²²⁴ Rates of seigniorage fee for minor minerals are mentioned in Schedule-I and rates of dead rent for specific minerals are mentioned in Schedule - II.

²²⁵ G.O.Ms.No.198, Industries and Commerce (M.I) Department, dated 13 August 2009.

²²⁶ Markapur, Nandigama, Vijayawada, Vizianagaram.

7.5 Short levy of penalty on minor minerals consumed without permit

As per Rule 26(3)(ii) of APMMC Rules, 1966 read with Rule 10 of the Rules, if no documentary proof is produced in token of having paid the mineral revenue due to Government by any person who used or consumed or is in possession of any material including the processed mineral, he shall be liable to pay five times of normal seigniorage fee as penalty, in addition to the normal seigniorage fee.

The penalty was reduced to one time the normal seigniorage fee through Government order²²⁷ dated 15 May 2009 and subsequently enhanced to five times the normal seigniorage fee in Government order²²⁸ dated 01 October 2010.

During the course of audit of ADMG (Vigilance), Visakhapatnam (June 2014) and two offices²²⁹ of the ADsMG (November 2014), it was noticed from the registers of illegal mining/possession/transportation that in six cases, the Regional Vigilance and Enforcement Officer had levied penalty at one time normal seigniorage fee instead of five times normal seigniorage fee, in addition to the normal seigniorage fee. This resulted in short levy of penalty amounting to ₹ 3.27 crore on minor minerals consumed without permit.

After these cases were pointed out by Audit, Director of Mines & Geology (DMG) replied (July 2015) that two offices²³⁰ had issued revised demand notices in March and May 2015 to the defaulters for the amount pointed out by Audit. ADMG, Banaganapally replied (November 2014) that matter would be examined and detailed reply submitted in due course.

The matter was referred to the Government in September 2015. Their reply has not been received (January 2016).

7.5.1 Short levy of seigniorage fee detected during departmental inspection

During the audit of office of the ADMG, Vijayawada (November 2014), it was noticed from the departmental inspection reports for the year 2011-12 that Deputy Director of Mines and Geology (DDMG), Kakinada had issued a demand notice for payment of normal seigniorage fee and 10 times penalty of normal seigniorage fee to a lease holder for illegal quarrying of 41,800 cu.m gravel and 6480 cu.m. road metal. Subsequently, the penalty was waived through memo dated 20 December 2013²³¹ permitting the lessee to pay the normal seigniorage fee. However, the Department calculated the seigniorage fee incorrectly and issued a demand notice for ₹ 4.16 lakh instead of ₹ 12.44 lakh. This resulted in short levy of seigniorage fee by ₹ 8.28 lakh.

²²⁷ G.O.Ms.No.104 Industries & Commerce (Mines I) Department, dated 15 May 2009.

²²⁸ G.O.Ms.No.102 Industries & Commerce (Mines I) Department, dated 01 October 2010.

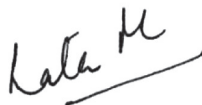
²²⁹ Banaganapally, Kurnool.

²³⁰ ADMG, Kurnool, ADMG(Vigilance), Visakhapatnam.

²³¹ Industries and Commerce (Mines-II) Department Memo No.17580/M.II(2)/2011-3, dated, 20 Dec.2013.

In response, DMG replied (July 2015) that the Deputy Director of Mines & Geology (DDMG), Kakinada had issued a revised demand notice in March 2015 to the lessee for an amount of ₹ 8.28 lakh as pointed out by Audit.

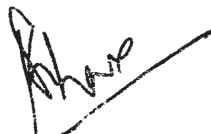
The matter was referred to the Government in September 2015. Their reply has not been received (January 2016).



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