

Chapter III

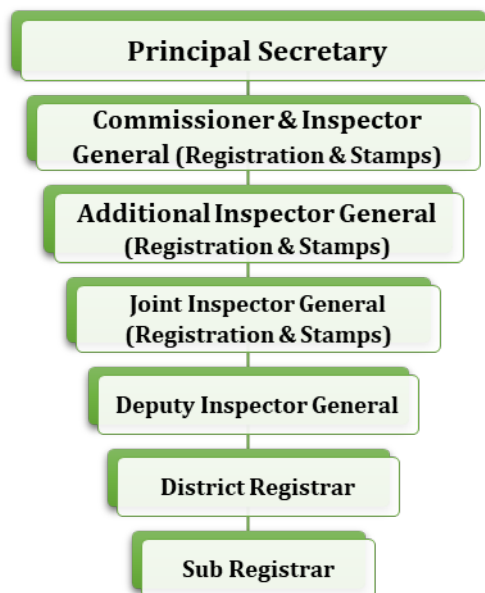
Stamp duty and Registration fee

3.1 Tax Administration

The Registration and Stamps Department is primarily entrusted with registration of documents and is responsible for determining and collecting stamp duty and registration fees on registration of various documents / instruments by the general public. The Department also enforces administration of the Indian Stamp (IS) Act, 1899 and the Registration Act, 1908, as amended from time to time and rules framed therein.

The Commissioner and Inspector General (CIGRS), Registration and Stamps exercises overall superintendence of all the registration offices in the State. He is assisted by the region-wise Deputy Inspector Generals. The District Registrar (DR) is in-charge of the district and supervises the work of Sub-Registrars (SR) in the district concerned. The important functionaries of the Department are depicted in the organogram alongside.

Figure-3.1: Organogram



3.2 Trend of receipts

Actual receipts from Stamp Duty (SD) and Registration Fees (RF) during the years 2016-17 to 2020-21 along with the total tax receipts during the same period is exhibited in the following table.

Table 3.1: Receipts from Stamp Duty and Registration Fees

(₹ in crore)

Year	Budget Estimates	Actual Receipts	Variation Excess (+) / Shortfall (-)	Percentage of variation	Total Tax receipts of the State	Percentage of actual receipts vis-à-vis total tax receipts
2016-17	4,292.00	3,821.66	(-)470.34	10.96	48,407.73	7.89
2017-18	3,000.00	4,202.46	(+)1,202.46	40.08	56,519.82	7.44
2018-19	4,700.00	5,344.04	(+)644.04	13.70	64,674.07	8.26
2019-20	6,146.00	6,671.05	(+)525.05	8.54	67,597.49	9.87
2020-21	10,000.00	5,243.28	(-)4,756.72	47.57	66,650.37	7.87

Source: Finance Accounts

As seen from the above, while the total tax receipts of the State have increased by 37.69 per cent during the last five years, Stamp Duty and Registration Fees has increased by almost the same percentage by 37.20 per cent.

3.3 Impact of Audit

During the last five years, Audit had pointed out misclassification of documents, undervaluation, short levy of stamp duty and registration fee etc., with revenue implication of ₹269.90 crore in 2,161 cases. Of these, the Department / Government had accepted audit observations in 214 cases involving ₹1.22 crore and had recovered ₹0.65 crore in 162 cases. The details are shown in the following table:

Table 3.2: Impact of Audit of Stamp Duty and Registration Fees

(₹ in crore)

Year	Units Audited	Amount objected		Amount accepted		Amount recovered	
		Cases	Amount	Cases	Amount	Cases	Amount
2016-17	104	359	42.06	63	0.41	49	0.19
2017-18	122	504	50.97	53	0.52	15	0.17
2018-19	91	464	46.73	42	0.16	42	0.16
2019-20	94	584	95.72	30	0.07	30	0.07
2020-21	35	250	34.42	26	0.06	26	0.06
Total	446	2,161	269.90	214	1.22	162	0.65

3.4 Working of Internal Audit wing

Internal Audit provides a reasonable assurance of proper enforcement of laws, rules and departmental instructions and this is a vital component of the internal control framework. There is a separate Internal Audit wing in the Department. The team headed by District Registrar (DR) / (Market Value and Audit) and Sub Registrar (SR) / (Market Value and Audit) conducts audit of the offices of Sub Registrar as per audit programs drawn up every month. The Deputy Inspector General (DIG) concerned supervises the progress of audit. Audit reports are reviewed by the DIG and DR zone-wise / sub-zone wise.

Department had not furnished the details of Internal Audits conducted during the years 2019-20 and 2020-21 despite requests made at Government / Commissioner level (December 2020 and July 2021).

3.5 Audit Methodology and Results of Audit

Registration is being carried out through a computerised system called 'Computer Aided Administration of Registration Department (CARD)' in client server Architecture.

All the documents registered by SRs are scanned and uploaded to centralized server chronologically and all the scanned image files of the documents are stored in central server. As per Audit's request to enable audit teams to download these documents for

exercising prescribed checks, the Commissioner and Inspector General (Registration & Stamps) facilitated audit users with access to image files of the documents.

Audit of Stamp Duty & Registration Fee receipts was conducted through a test check of relevant records and transactional data in 109 out of 158 offices (68.99 *per cent*) in the State during 2019-21 to gain assurance that the stamp duty and registration fees are levied, collected and accounted for in accordance with the relevant Acts, Codes and Manuals and the interests of the Government are safeguarded. These 109 offices were selected based on quantum of revenue collected. Instances of non-levy or short levy of duties / fees *etc.*, in 834 cases involving an amount of ₹130.14 crore were noticed as detailed in the following Table.

Table-3.3: Categories of Audit observations on Stamp Duty & Registration Fees receipts

(₹ in crore)

Sl. No.	Category of Audit observations	No. of deviations	Amount
1	Short levy / Non-levy of Duties	584	100.66
2	Undervaluation of properties	62	6.93
3	Misclassification of Documents	57	14.31
4	Non-Registration of Compulsorily Registerable Documents	109	7.97
5	Incorrect exemption of Stamp Duty	7	0.07
6	Loss of Revenue	14	0.19
7	Other Irregularities	1	0.01
	Total	834	130.14

During the years 2019-21, the Department accepted under-assessments and other deficiencies in 60 cases amounting to ₹16.72 lakh pertaining to previous years and realised this amount during the year.

Audit observations are classified under seven broad categories (Table 3.3) and intimated to respective Head of Department / auditee organisation for taking remedial action. There may be similar irregularities, errors / omissions in other units under the department but not covered in the test audit. Department may, therefore, examine all the units to ensure that the taxes are levied as per provisions of the Act and Rules.

Significant cases of non-compliance with the provisions of the Acts / Rules by the Registering Authorities (RA) in the cases brought out in the following paragraphs including Detailed Compliance Audit Paragraph on 'Functioning of Registration and Stamps Department' resulted in short realisation of Stamp Duty and Registration Fee of ₹13.95 crore.

3.6 Compliance Audit on 'Functioning of Registration and Stamps Department'

3.6.1 Introduction

The Department of Registration and Stamps of the Telangana State is responsible for (i) Registration of various categories of documents relating to immovable properties and agreements involving financial transactions (ii) Registration of Marriages, Chits, Firms and Societies, *etc.*, (iii) Collection of Duties and Fees (Stamp Duty, Transfer Duty, Registration fees, *etc.*) and (iv) Sale of Non-Judicial Stamp Papers, Special Adhesive Stamps, *etc.* It functions under the overall administrative control of Revenue Department headed by Special Chief Secretary (Revenue and Registration & Stamps) at Government level. The Commissioner and Inspector General of Registration and Stamps is the head of the Department and is assisted by Additional Inspector General and Joint Inspectors General at Head office level and Deputy Inspectors General, 12 District Registrars and 129 Sub Registrars at field level.

The functions of the Department are mainly regulated under Indian Stamp (IS) Act, 1899 and Indian Registration (IR) Act, 1908.

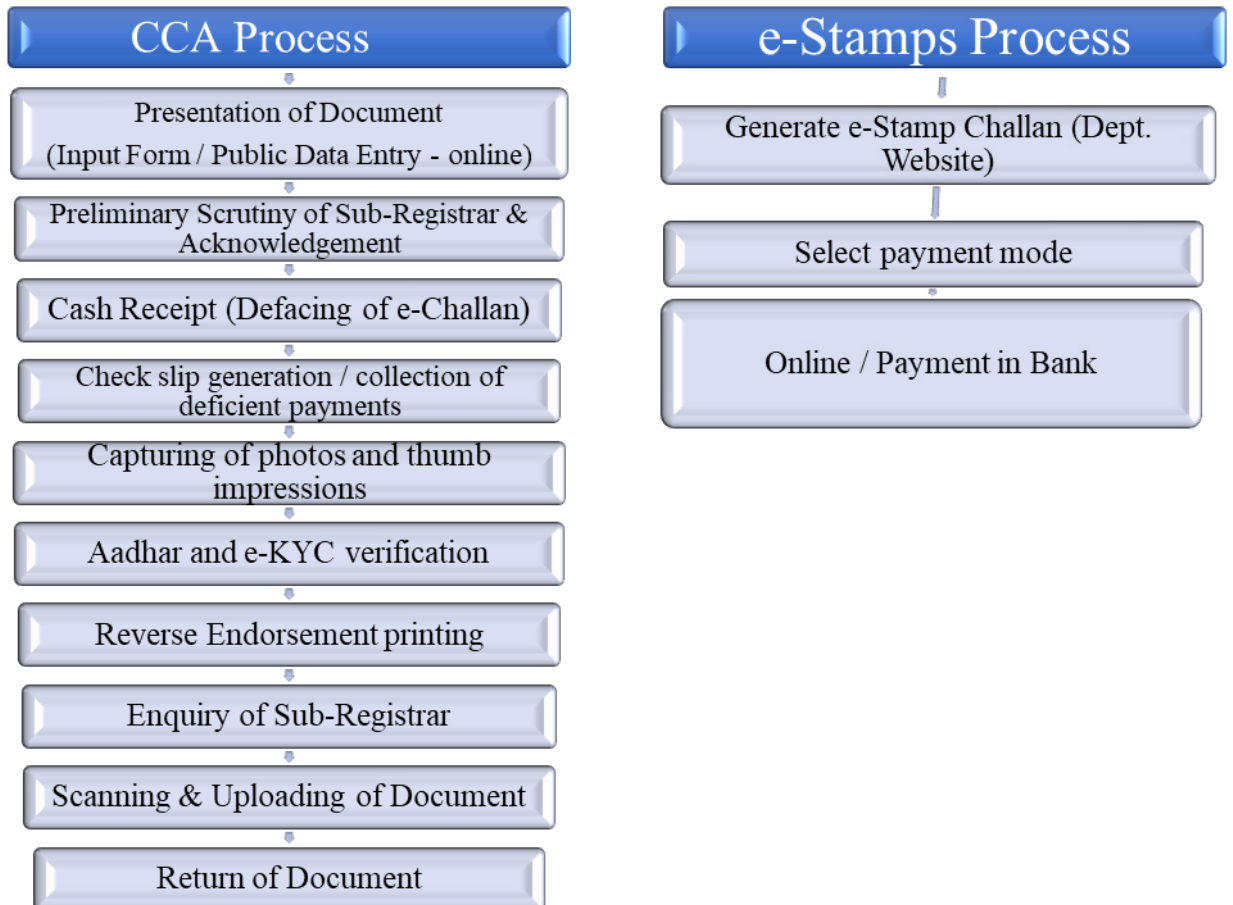
3.6.2 Functional set-up

The functions of the Department are carried out through two Systems *viz.*, Computer-aided Administration of Registration Department (CARD) and e-Stamps.

CARD, which deals with the registration process of immovable properties became operational in March 2002 and was upgraded in 2013 into Centralized Architecture called CARD Centralized Architecture (CCA). CCA captures registration details from input forms (manual) or through web enabled facility of Public Data Entry and acknowledgement is generated in the system. Valuation of properties and duties payable are automated through the system depending upon the nature of documents. The system assigns specific document number to the registered document on completion of the prescribed checks¹ by the registering authorities and the document is scanned and uploaded to the Central Server.

e-Stamps, introduced in May 2016, is a computerized system for collection and remittance of duties and fees (Stamp Duty, Transfer Duty, Registration fees, *etc.*) through e-challans, duly integrating the core banking system of State Bank of India and the existing CCA. National Informatics Centre (NIC) has developed both the systems and maintains them. The workflow of the registration process through integration of CCA and e-Stamps is given below.

¹ The Registering Officer would enquire as to whether such document was executed by the person by whom it purports to have been executed; satisfy himself as to the identity of the persons appearing before him and alleging that they have executed the document.



3.6.3 Audit Objectives

A Compliance Audit of “Functioning of Registration and Stamps Department” in Telangana State was conducted to assess:

- Extent of achievement of the objectives and efficiencies due to digitising the operations by setting up two systems *i.e.*, CCA and e-Stamps;
- Whether provisions of relevant Acts, Rules, Government Orders and departmental instructions were enforced / complied with by the Registering Authorities (RAs) and the duties and fees were correctly assessed, levied and collected through CCA and e-Stamps.

3.6.4 Audit Criteria

Audit Criteria were drawn from the following sources:

1. The Indian Stamp Act, 1899 and Rules framed thereunder;
2. The Indian Registration Act, 1908 and Rules framed thereunder;
3. Transfer of Properties Act, 1882;
4. Telangana Apartments (Promotion of Construction and Ownership) Act, 1987;
5. Indian Partnership Act, 1932;
6. Government Orders and Amendment Orders issued from time to time; and

7. Circular instructions issued by the Commissioner and Inspector General (Registration & Stamps).

3.6.5 Audit Scope and Methodology

Audit of Functioning of Registration and Stamps Department was conducted between July 2021 and October 2021 with the help of Computer Assisted Audit Techniques (CAATs). We analysed the data pertaining to CCA and e-Stamps furnished by the Office of Commissioner and Inspector General (CIG), for the years from 2016-17 to 2019-20 during the period January - April 2021 using Interactive Data Extraction and Analysis (IDEA). Preliminary observations from data analysis were categorised based on Procedural lapses, System deficiencies and Money Value observations and summarised office-wise². These observations were further examined in detail in 25,472 documents³ extracted as sample from 35⁴ (25 per cent) Registrar offices⁵.

An Entry conference was held with the Head of the Department on 26 July 2021 to apprise the Department of the audit objectives, methodology and criteria. Audit findings were discussed with the Department in the exit conference held on 15 March 2022 and replies of the Department have been incorporated in the report.

Audit Findings

3.6.6 Project Implementation

3.6.6.1 Non-availability of relevant documentation

For seamless implementation of an Information Technology (IT) system, System / User Requirement Specification (SRS), System Design Document (SDD), Service-Level Agreement (SLA), Change Management, *etc.*, are prerequisite documents.

We however, observed that the Department had neither formulated SRS and SDD nor entered into SLA with the software developer for implementation of CCA and e-Stamps. In the absence of structured approach and documentation, the Department could neither directly monitor the development and implementation of the system nor ensure that all the functions performed manually by the Department were incorporated in the computerized system and that required changes were effected timely and effectively (as discussed in the succeeding paragraphs).

The Department was largely dependent on National Informatics Centre (NIC) and other service providers for implementation and monitoring of CCA and development of new Modules. In addition, services were also taken from other private firms⁶ towards

²Based on specific weights assigned to each category.

³10 per cent of the total cases under each deviation or 25 cases whichever is higher.

⁴DRs Adilabad, Hyderabad South, Karimnagar, Khammam, Mahbubnagar, Ranga Reddy, Sangareddy and Warangal; SRs Azampura, Doodhbowli, Gadwal, Golconda, Huzurnagar, Jadcherla, Kamareddy, Kapra, Karimnagar Rural, Keesara, Kothagudem, Kukatpally, Kusumanchi, LB Nagar, Maheshwaram, Narsapur, Nirmal, Parkal, Peddapalli, Sadasivapet, Shamshabad, Shankarpally, Siddipet, Warangal Fort, Yadagirigutta, Yellareddy and Yellandu.

⁵From a total of 141 Registrar offices in the State.

⁶Wissen Infotech Private Limited (for supply of hardware, installation, commissioning, maintenance and operations of CCA), SIFY Technologies Limited (for facility management services relating to server administration and management, database backup *etc.*), M/s Bodhtree Consulting Limited (for provision of technical resources and support of Tableau Software) and M/s Netxcell Limited (for call center facility).

management of CCA. During 2016-17 to 2020-21, the Department incurred ₹50.22 crore on implementation and management of CCA and e-Stamps.

Department informed (March 2022) during Exit conference that all the developments made to the project after 2012 would be documented again.

Recommendation:

Government may consider formulating and documenting a well-defined comprehensive IT plan.

3.6.7 Inadequacies in the Database

3.6.7.1 Gaps in Villages codes and Market Value Data

Rule 7 of Telangana Revision of Market Value Guidelines Rules, 1998 prescribes Registers (in forms) for arriving at Market value for urban and rural properties. In respect of urban properties, Form I⁷ and Form II⁸ are prepared, while Form III⁹ and Form IV¹⁰ are prepared for rural properties and updated in the database. As per Circular¹¹ instructions of C&IG, when the market value rate for a survey number is not found in Form-IV, the land rate of Form-III of the revenue village and habitation as per classification had to be adopted. Hence, the names of Village, Mandal and SRO are vital fields in CCA database while allotting codes to them. Data captured in all the Forms of Market value is required to be correct and adequate to levy duties correctly.

- a. Analysis of Village Master Data revealed that 14 village names were captured twice with different Village Codes, including two villages of two test-checked Registrar Offices¹². Six villages had duplicate names (spelt differently) with different codes assigned to it. Higher market value rates assigned in Form-IV register for survey numbers of agricultural lands of a village were not the same as those assigned to the duplicate village. Accordingly, 22 documents were undervalued (₹35.57 lakh) due to selection of duplicate villages at the time of data entry without higher market value rates.

Department replied (March 2022) that they would examine the reasons for such discrepancy and take necessary action if any loss of revenue was noticed.

- b. Market values of rural properties with various classifications (details viz. wet / dry land etc.) available in Form III were not incorporated in Form IV in 17,686 cases in sampled offices. Similarly, survey numbers and classification available in Form IV were not incorporated in Form III in 46,094 cases and land (843 acres) abutting to National Highway (NH) / State Highway (SH) was wrongly classified as dry agriculture land in case of 778 sale deed documents. Accordingly, final chargeable

⁷Prescribes rates as per habitation and classification (residential and commercial) of property.

⁸Prescribes rates as per door numbers along with habitation and classification of the properties.

⁹Prescribes rates as per the habitation and classification (dry land, wet land, agricultural lands fit for house sites, land abutting to National Highway, State Highway etc.) of land.

¹⁰Prescribes market value rates as per survey numbers associated with classification of land.

¹¹CIG Circular Memo No. MV1/8483/2013-2 dated 10 October 2013.

¹²In *SR Narsapur* 'Chinnagottimukula Village -1742031' and 'Chinnagottimukkala Village - 1742015; In *SR Kamareddy* 'Thimmakkapalle (1834006)' and 'Thimmakkapalle (1834019)'.

value of the properties amounting to ₹49.13 crore was incorrectly computed in CCA as per Check slips¹³ generated in 356 cases.

On a detailed scrutiny of 125 documents of sale deeds with agriculture land abutting to NH / SH in seven¹⁴ test checked units, we noticed that there was short levy of duties and fees of ₹27.33 lakh in 43 sale deeds.

Department replied (March 2022) that field offices would be asked to verify loss of revenue due to wrong adoption of locality name or due to discrepancy in Form-III and Form-IV values with respect to the documents pointed out in Audit.

- c. Analysis of boundary details data with respect to the registered documents of all unit offices revealed that urban land abutting to NH / SH in the boundaries was classified as 'residential property' instead of 'commercial properties'¹⁵ resulting in undervaluation of final chargeable value of ₹1,811.05 crore as per CCA market value data in 101 cases.
- d. Analysis of market value data in CCA showed zero values (68 Cases in Form I, 136 cases in Form II, 621 cases in Form III and 293 cases in Form IV) whereas the market value rates as per Form I, II III and IV fixed by Market Value Committee were not zero.

Department stated (March 2022) during Exit conference that Form-III and Form-IV were not relevant since each and every survey number is assigned with a money value in Dharani¹⁶. However, as the cases pointed out by Audit include details pertaining to Form-I and Form-II, the same would be re-examined.

3.6.7.2 Gaps in Prohibited Properties Data

Prohibited Properties notified under Section 22A of the Registration Act 1908 are not to be sold without de-notifying them on receipt of 'No Objection Certificate' from the Revenue / Court authorities. As per Departmental instructions¹⁷, Deputy Inspectors General are responsible to reconcile the entries of prohibited list (Electronic and Manual) of properties every quarter (January, March, June and September) with the SROs concerned and report the status to CIG in January and June every year. As of March 2020, ₹12.90 lakh properties were listed as prohibited in CCA.

Analysis / scrutiny of data relating to prohibited properties revealed the following:

¹³Check Slip is a computer-generated document containing the details of the executants, claimants, nature of the document, description of property together with its boundaries, final taxable value of the property and duties payable.

¹⁴DRs Adilabad, Mahbubnagar and Sangareddy; SRs Gadwal, Kukatpally, Nirmal and Warangal Fort.

¹⁵As per circular instructions (C&IG Circular Memo No. MV1/8483/2013-2 dated 10 October 2013) one of the critical parameters that would impact the Market Value was selection of classification of property as 'residential or commercial'. Circular Instructions (C&IG Memo. No. MVI/3079/04 dated 7 March 2004) were given to apply higher value to properties on either side of roads.

¹⁶Dharani is a digital platform created for the purpose of registration and effecting changes in record of rights of agricultural lands under the Telangana Rights in Land and Pattadar Passbooks Act, 2020, which came into force from 29 October 2020.

¹⁷ CIG Circular Memo No. G1/19131/05 dated 14 September 2007.

- a. Complete details of door number, Survey / Sub survey / part number, extent, *etc.*, of prohibited properties were not captured¹⁸. Provision for capturing boundaries of the prohibited properties or boundaries of the part of the prohibited property and possession details were not available in CCA. Further, 598 (0.05 *per cent*) out of 11.69 lakh agricultural prohibited properties were assigned with zero survey number. Lack of such vital information poses problems in deciding the authenticity of the property or part of property to be registered.

Department replied (March 2022) that they were the user department and the information about prohibited properties were not provided by other Departments such as Revenue, Endowment, Wakf *etc.*, as per prescribed format. Reply is not acceptable, as the prohibited list provided by Revenue Department contained description of boundaries of properties, which could not be captured, due to lack of provision in CCA.

- b. CCA accepts parts of prohibited properties for registration even though full survey number was shown as prohibited as per the list of prohibited properties, which poses the risk of prohibited properties being registered.

Recommendation:

Government may consider making provision in the CCA system for capturing accurate and complete data by enforcing input controls and validation checks to minimise manual interventions.

3.6.8 Non-mapping¹⁹ of Business Rules

3.6.8.1 Change in status of Gram Panchayat to Municipality

As per the proceedings²⁰ of C&IG, properties falling under Municipalities, Corporations, Nagar Panchayats, Major Gram Panchayats and Minor Gram Panchayats have different structural rates. As per Government Order²¹ (August 2018) various Gram Panchayats were merged to form new Municipalities with effect from 1 August 2018.

We noticed that change in status of Gram Panchayat to Municipality was not mapped in CCA, as observed from the data pertaining to registered sale deeds having structural value rates (for the period August 2018 to March 2020) in the villages falling under newly formed municipalities of 64 registrar offices. As a result, Check Slips were generated with undervaluation of ₹51.77 crore in 1,323 cases.

Department replied (March 2022) that the field offices would be asked to collect the deficits if any due to non-mapping of the villages to municipality / corporation as on the date of registration.

¹⁸Survey numbers were not captured in 598 rural properties and 42,149 urban properties. Door numbers and plot numbers were not captured in 465 out of 42,149 urban properties. Extent was not captured in 4,52,815 rural properties and 84,650 urban properties.

¹⁹Mapping of business rules means provisions of the applicable Act, Rules made thereunder, and instructions issued by the Government from time to time are incorporated into the IT system.

²⁰C&IG proceeding No. MV6/12658/2012 dated 2 February 2013.

²¹G.O.Rt. No. 627 dated 1 August 2018 of Municipal Administration and Urban Development (MA.1) Department.

3.6.8.2 Incorrect adoption of structure rates

As per the Departmental proceedings²² (February 2013), construction rates of structures and buildings were revised and higher rates were applicable to the constructions in the villages falling under the jurisdiction of Hyderabad Metropolitan Development Authority (HMDA).

Data Analysis of registered sale deeds for the period 2016-20 revealed that there was undervaluation in the chargeable value worth ₹120.90 crore in 669 check slips due to non-adoption of higher structure rates.

Short levy of duties and fees amounting to ₹6.66 lakh was noticed in 32 out of 81 sale deeds examined in detail in five²³ test-checked units.

Department replied (March 2022) that all villages were correctly mapped and computation was done by the system from 22 July 2021. However, field offices would be asked to check deficit in the cases pointed out in Audit.

3.6.8.3 Incorrect valuation of Apartments / Buildings

As per Departmental Circular²⁴ (February 2014) 'Composite Value' was to be applied only for the schedule of properties which are acknowledged as Apartment. In case of an unfinished Apartment or land, valuation is based on old system of adopting the total value of the structure rate and land cost which is calculated separately.

Data analysis of the structure and schedule details of the registered documents revealed that the structure rates were adopted in 1,233 cases instead of composite rates of sale deeds in respect of finished Apartments, resulting in undervaluation in chargeable value of ₹83.91 crore. Short levy of duties and fees of ₹5.04 lakh was noticed in 24 out of 120 sale deeds of nine²⁵ test-checked units.

Department replied (March 2022) that NIC was asked to find out any technical issues in picking up the composite rates fixed for any locality. If there was any technical issue in CCA in capturing the locality and proper value, the same would be addressed. Field offices were asked to submit report on the cases pointed out in Audit.

3.6.8.4 Lack of provisions for delayed registration of documents

As per Section 23 of the Registration Act, 1908, no document other than a 'Will' shall be accepted for registration unless presented for that purpose to the Proper Officer within four months from the date of its execution. Further, Section 34 read with Rule 38 of Registration Rules prescribes a fine for delay in presentation or appearance. Audit observed the following:

- a) Data Analysis revealed delay in registration beyond the permissible period of four months in 5,265 cases with consideration value of ₹706.07 crore. Of this, 1,304 cases of ₹164.23 crore were registered beyond 240 days, without assigning

²²CIG proceeding No. MV6/12658/2012 dated 2 February 2013.

²³DRs Hyderabad South and Sangareddy, SRs L B Nagar, Narsapur and Shankarpally.

²⁴CIGs Circular Memo No.MV1/8483/2013 dated 6 February 2014.

²⁵DRs Karimnagar, Khammam, Hyderabad South, Rangareddy, Warangal and SRs Huzurnagar, Kapra, L B Nagar and Warangal Fort.

justification. However, there was no provision in CCA to identify such delays and compute fines leviable on the delayed presentation automatically. The fine leviable on such delays worked out to ₹2.46 crore. Non-levy of fine amounted to ₹25.54 lakh in 161 out of 675 documents scrutinised in 28²⁶ test-checked units. In 22 cases, though the delay was more than 240 days, the documents were registered. Department accepted (March 2022) the facts and stated that necessary changes were being made in CCA for stopping the transaction unless condonation orders were received for the delay and payment of proper fine as per law were available.

- b) Data Analysis further revealed that the date of purchase of stamp paper was after the date of execution of the documents in 13,077 cases worth ₹1,652.79 crore of consideration value, while in 850 cases valuing ₹140.93 crore, date of purchase of Stamp paper was after the presentation of documents in violation of Rule 26 (h) of Registration Rules. Regarding 722 cases checked in 31²⁷ test-checked units, date of purchase of stamp paper was after the date of execution of the documents in 68 cases with consideration value of ₹11.28 crore and in three cases of ₹4.39 lakh, date of purchase of Stamp paper was after the presentation of the documents. It was further noticed that 15 documents were not executed on stamp papers. Even then, stamp paper purchase date was entered in CCA data.

Department accepted (March 2022) the facts and assured compliance in CCA.

Recommendation:

Government may consider ensuring a systematic and documented methodology for mapping of business rules in accordance with the provisions of Acts / Rules.

3.6.9 Continuity of Manual system

3.6.9.1 Non-adoption of earlier higher value of the same property

Departmental proceedings²⁸ issued in August 1990 stipulate that in case, higher value is adopted for a particular property in an earlier transaction, the same value would be applicable for the purpose of chargeability of duty for any future transaction relating to that particular property.

Data analysis of documents consisting of land without structures registered during the period 2016-17 to 2019-20 revealed that CCA accepted the consideration value as declared in the documents in 7,279 cases, which was less than the value adopted in the earlier transaction of the properties and resulted in undervaluation of final chargeable/ taxable value of ₹703.55 crore. Due to lack of automation by mapping the business rules with the system, manual register is used for the purpose. Short levy of duties and fees of

²⁶DRs Adilabad, Hyderabad South, Khammam, Mahbubnagar, Ranga Reddy, Sangareddy and Warangal; SRs Azampura, Doodhbowli, Golconda, Jadcherla, Kamareddy, Karimnagar Rural, Kothagudem, Kukatpally, Kusumanchi, LB Nagar, Maheshwaram, Narsapur, Parkal, Peddapalli, Sadasivapet, Shamshabad, Shankarpally, Siddipet, Warangal Fort, Yadagirigutta and Yellareddy.

²⁷DRs Adilabad, Karimnagar, Khammam, Mahbubnagar, Ranga Reddy and Sangareddy and SRs Azampura, Doodhbowli, Gadwal, Golconda, Huzurnagar, Jadcherla, Kamareddy, Kapra, Karimnagar Rural, Keesara, Kukatpally, Kusumanchi, LB Nagar, Maheshwaram, Narsapur, Nirmal, Parkal, Peddapalli, Sadasivapet, Shankarpally, Siddipet, Warangal Fort, Yadagirigutta, Yellareddy and Yellandu.

²⁸C&IG's Proceedings No. Lr. No. MV1/20363-A/90 dated 10 August 1990.

₹75.28 lakh was noticed in 230 out of 845 copies of sale deeds examined in detail in 33²⁹ test-checked units.

Department replied (March 2022) that the field offices were asked to check each and every case.

3.6.9.2 Non-mapping of provisions under Section 47-A of Indian Stamp Act in CCA

Section 47-A of the IS Act provides that registering officer may refer any instrument to higher authorities for determination of true market value of the property. We noticed that CCA did not have any module / provision to watch the cases referred under Section 47-A³⁰. As per the information provided by Department, 318 cases referred under 47-A to C&IG for disposal of cases were kept pending; and 76 cases (April 2006 to March 2020) of District Registrar, Rangareddy to C&IG remained non-traceable as of November 2021.

We further noticed that 188 cases were referred by registering authorities to higher authorities with a delay ranging from eight to 858 days against the prescribed time limit of seven days as per Departmental instructions³¹. Final orders were passed in 122 cases with delay ranging from 46 days to 1,519 days as against 45 days prescribed to determine the Market Value. An amount of ₹1.02 crore was pending collection from the parties of the cases referred under 47-A for the period from 2016-17 to 2019-20.

Department replied (March 2022) that Section 47-A was being amended and as per amendment, there would not be any scope for reference for determination of Market Value by the Collector. Department, however, did not offer any specific reply to the cases pointed out by Audit.

3.6.9.3 Manual intervention in the process of registration

Department is still resorting to manual intervention in the process of registration of Development Agreement cum General Power of Attorney (DGPA), Development or Construction Agreement, Lease Deeds, License Deeds, Re-conveyance Deeds, Partition Deeds, Assignment Deeds *etc.* Further, License Deed is not even included in the transactions list even though such deeds are registered.

As per CCA data, the above deeds accounted for six *per cent* (3,28,042 out of 54,05,903) of total documents registered during the years 2016-17 to 2019-20.

- a. Duties on DGPA deeds are levied on cost of land or cost of construction, whichever is higher. In the check slip, the land cost is calculated and shown in the field '*Land Cost*' and the cost of construction in '*Structure Cost*' field. The system is not auto capturing higher of land cost or the structure cost. We noticed that land cost calculated by the system was again manually corrected by putting negative figures in '*Other Property*' field (so that system picks cost of construction for levy of duties since it is higher).

²⁹DRs Adilabad, Hyderabad South, Karimnagar, Khammam, Mahbubnagar, Ranga Reddy, Sangareddy and Warangal; SRs Azampura, Doodhbowli, Gadwal, Golconda, Huzurnagar, Jadcherla, Kamareddy, Kapra, Karimnagar Rural, Keesara, Kothagudem, Kukatpally, Kusumanchi, LB Nagar, Maheshwaram, Narsapur, Nirmal, Peddapalli, Sadasivapet, Shamshabad, Shankarpally, Siddipet, Warangal Fort, Yadagirigutta and Yellareddy.

³⁰Instruments referred to the Commissioner for determination of Market Value.

³¹C&IG, R&S Circular Memo No. G1/576/2013 dated 10 April 2013.

Thus, the ‘Other Property’ field can be manipulated in any manner to arrive at chargeable value.

We noticed short levy of duties and fees of ₹12.48 lakh due to incorrect adoption of chargeable value in seven out of 97 DGPA deeds in four³² test-checked units.

Department during exit conference stated that the cases pointed out in Audit would be re-checked.

- b. In respect of Lease Deed, the crucial field relating to calculation of Average Annual Rent (AAR) was not automated. The AAR has to be manually calculated and entered into system to compute the duties leviable. Short levy of duties and fees of ₹2.19 lakh was noticed in two³³ out of 28 Lease Deeds examined in SR, Warangal Fort.

Thus, CCA is not completely automated in assessment of duties in the above types of document classifications, paving the way for manual intervention that gives discretion to Registering Authorities.

Department accepted the observation and stated (October 2021) that they were in the process of developing fool proof modules through NIC for DGPA, Lease, Licence, Re-conveyance Deeds, Partition Deeds and all other documents which are now registered under post manual method.

3.6.9.4 *Incorrect generation of Check Slips and manual intervention in arriving at the Chargeable Value*

As per Rule 227 of Registration Rules, details of complete registration, generation of Check Slip³⁴ and the receipt of payment shall be verified by the Registering Officer with reference to the original document to satisfy himself as to the compliance with the provisions of the Act, Rules and the Standing Orders and the adequacy of the Stamp Duty paid.

Data analysis of registered documents revealed the following:

- a. Check Slip valuation was prepared manually to arrive at the final chargeable value in 7,91,976 cases (15 per cent) out of 54,05,903 cases in all the Registering offices of the State. A table showing inconsistent input data in the check slips due to lack of validation controls which necessitated manual intervention is given below:

Table 3.4: Inconsistent input data

Type of inconsistent input data errors	No. of errors noticed in all ROs	No. of errors noticed in sampled ROs
Land rates shown as 0	2,02,099	73,191
Land extent shown as 0	23,807	13,146
Consideration value is 0	2,53,176	97,449
Market value is 0	75,064	31,120

³²SRs Huzurnagar, Kapra, Siddipet and Yadagirigutta.

³³262 and 214 of 2019 (period was incorrectly taken).

³⁴Check Slip is a computer-generated document containing the details of the executants, claimants, nature of the document, description of property together with its boundaries, final taxable value of the property and duties payable.

- b. Check slips in respect of exemption cases on certain class of documents such as 'Mortgage in favour of public institutions', 'Gift settlement in favour of Local Bodies' and 'Conveyance Deed' executed by the Government were not correctly generated showing the correct Stamp Duty payable.

Lack of validation controls necessitated manual intervention, which ultimately resulted in mismatch between Check slips and e-Stamps³⁵ data (payments), leading to non-compliance with the Registration Rules.

Department replied (March 2022) that many documents which were earlier in post manual option were brought to the CCA in June 2020. All other documents like DGPA, lease, license, reconveyance would be brought under CCA.

3.6.10 Incomplete transactional data capture

We analysed the data of 54,05,903 registered documents and observed that the Registering Officers did not ensure capturing of required mandatory data / documents as discussed in succeeding paragraphs.

3.6.10.1 Incomplete description of Property

Data Analysis of schedule of properties of registered documents pertaining to all unit offices revealed that main survey numbers of agricultural properties were not captured in 1,484 cases (consideration value of ₹41.15 crore). Further, in 11,73,268 cases of consideration valuing ₹42,733.57 crore, survey numbers of the neighbour's property were not captured. Further, the boundary descriptions contain terms like 'Neighbour's house' / 'Neighbour's property' *etc.*, in 38,851 cases involving consideration value of ₹10,460.16 crore.

Detailed scrutiny of 1,671 documents of the above discrepancies in 34³⁶ test-checked units, confirmed the fact of non-capturing of survey numbers in 21 documents. In 917 out of 943 cases, survey numbers of the neighbour's property were not mentioned in the documents. Boundary descriptions contained terms like 'Neighbour's house' / 'Neighbour's property' *etc.*, in 733 documents. These errors indicate that these documents would not have been correctly assessed to duty.

During exit conference, department assured that the details provided by audit would be verified.

3.6.10.2 Lack of identification details

CCA is facilitated to capture the details of PAN Card, Aadhar, Form 60, Photo Taken *etc.*, of the parties involved during the registration of documents.

Data Analysis revealed that the details of PAN and Form 60 in 24.13 lakh cases and photographs of the parties in 1.46 lakh cases were not captured (kept blank or indicated

³⁵A new system for collection of Duties through e-Challans generated from the web application e-Stamp Module of the Department introduced with effect from 11 April 2016.

³⁶DRs Adilabad, Hyderabad South, Karimnagar, Khammam, Mahbubnagar, Ranga Reddy, Sangareddy and Warangal; SRs Azampura, Gadwal, Golconda, Huzurnagar, Jadcherla, Kamareddy, Kapra, Karimnagar Rural, Keesara, Kothagudem, Kukatpally, Kusumanchi, LB Nagar, Maheshwaram, Narsapur, Nirmal, Parkal, Peddapalli, Sadasivapet, Shamshabad, Shankarpally, Siddipet, Warangal Fort, Yadagirigutta, Yellareddy and Yellandu.

‘N’). Further, Aadhaar authentication was not done with UIDAI portal in 86.78 lakh cases.

On detailed scrutiny (between July and October 2021) of 3,070 documents of the above observations in 34³⁷ test-checked units, we confirmed that PAN and Form 60 were not captured in 68 out of 73 cases, Photographs were not captured in 109 out of 1,013 cases and UIDAI verification was not done in 706 out of 990 cases.

Though the department stated that the photographs were captured and stored separately, we could not verify the same in the database. It was further stated that the Department was contemplating to introduce Radio buttons to capture PAN and Form 60 details electronically.

3.6.10.3 Requirement of quoting PAN under Income Tax Rules not fulfilled

Data Analysis revealed that PAN was not quoted in 32,135 deeds out of 6,13,292 sale deeds of immovable properties worth ₹10 lakh and above registered during April 2016 to March 2020 in contravention to Rule 114B of Income Tax Rules. Out of above, 6,813 properties were of value ₹30 lakh and above and required to be forwarded to IT Department for scrutiny. Non-indication of PAN had, thus defeated the very purpose of scrutiny.

Department replied (March 2022) that instructions regarding obtaining PAN would be reiterated for effective implementation.

3.6.10.4 Non-submission of enclosures to the documents

As per the instructions of C&IG³⁸(2012), enclosures such as Approved Plan by local bodies / authorities are required to be furnished along with various types of documents. Further, as per circular memos of C&IG³⁹ (October 2007 and February 2014), it was made compulsory to submit photograph of property for verifying the stage of construction and site by the executants.

Data Analysis revealed that enclosure details were not captured in 19,56,199 out of 84,13,447 cases during 2016-20. Also, the Approved Plan in 0.70 lakh documents, Identity proof in 3,005 cases and Building / property photo in 6,692 documents were shown as not attached in CCA.

On detailed scrutiny (between July 2021 and October 2021) of 1,025 documents in 29⁴⁰ test-checked units, we observed that approved plan was not available in 431 out of 467 documents, Identity Proof was not attached in two out of 225 documents and Building / property photo was not enclosed in 300 out of 333 documents. This indicated that CCA

³⁷DRs Adilabad, Hyderabad South, Karimnagar, Khammam, Mahbubnagar, Ranga Reddy, Sangareddy and Warangal; SRs Azampura, Doodhbowli, Gadwal, Golconda, Huzurnagar, Jadcherla, Kamareddy, Kapra, Keesara, Kothagudem, Kukatpally, Kusumanchi, LB Nagar, Maheshwaram, Narsapur, Nirmal, Parkal, Peddapalli, Sadasivapet, Shamshabad, Shankarpally, Siddipet, Warangal Fort, Yadagirigutta, Yellareddy, Yellandu.

³⁸C&IG Memo No. LAR-1/10094/2012 dated 25 October 2012.

³⁹C&IG Memo No. MV6/11338/2007 dated 15 October 2007 and C&IGs Circular Memo No.MV1/8483/2013 dated 6 February 2014.

⁴⁰DRs Adilabad, Hyderabad South, Khammam, Mahbubnagar, Ranga Reddy, Sangareddy and Warangal; SRs Doodhbowli, Gadwal, Golconda, Huzurnagar, Jadcherla, Kamareddy, Kapra, Keesara, Kothagudem, Kukatpally, LB Nagar, Maheshwaram, Narsapur, Nirmal, Parkal, Peddapalli, Sadasivapet, Shamshabad, Shankarpally, Warangal Fort, Yadagirigutta and Yellareddy.

was not populated with the correct and required data which was available in the physical form in the units.

We noticed short levy of duties of ₹2.12 crore in nine out of 186 DGPA's in five⁴¹ test-checked units due to suppression of proposed built up area of the proposed construction, despite specific clarification that the registering officers shall invariably obtain copy of sanctioned plan or proposed plan of the building from the parties.

Department replied (March 2022) that list of enclosures in the CCA is to enable the DEO / SR to check whether any required document was furnished during registration. It was further stated that feedback would be obtained from the field and a Standard Operating Procedure would be prescribed to cover all aspects of registration.

3.6.10.5 Online submission of applications and documents through Public Data Entry (PDE)

C&IG vide Circular No.CARD/1/240/2107 dated 20 July 2017 decided that it shall be mandatory for the parties to file applications online in respect of all types of documents for registration through Public Data Entry and CCA has been modified to that extent.

Analysis of CCA data of registered documents revealed that Sale, Gift, Mortgage and Lease (along with all sub applications of them) documents which were mandatorily⁴² required to be submitted through online (PDE), were accepted manually, in respect of 19,59,086 (54 per cent) cases out of 36,42,768 cases during the period July 2017 to March 2020.

Department replied (March 2022) that PDE was never made mandatory. However, department's endeavor was to encourage PDE route so that data entry would be more accurate and time spend by the parties in the office was substantially reduced. Reply is not acceptable as it contravenes the Circular Instructions of the C&IG regarding mandatory submission of applications through online.

3.6.11 Internal controls

3.6.11.1 Lack of post facto inspection details in CCA

We noticed that there was no separate module in CCA to enter and watch the cases of *post-facto* inspections stipulated under Telangana Stamp (Inspection of Properties) Rules, 1998. During 2016-17 to 2019-20, objections amounting ₹10.73 crore were raised on *post-facto* inspections under the jurisdiction of six Deputy Inspectors General (DIGs), which was yet to be collected from parties concerned. Further scrutiny of records at C&IG and 35 test-checked offices revealed that document wise and the SR office wise *post-facto* inspections conducted during the period 2016-17 to 2019-20 were not available.

Department accepted (March 2022) the audit suggestion to develop a module for post facto inspection.

⁴¹DR Rangareddy and SRs Azampura, Shankarpally, Shamshabad and Siddipet.

⁴²Vide C&IG Circular dated 20 July 2017.

3.6.12 e-Stamps Module

As per Government Orders⁴³ (January 2016), Registration and Stamps Department introduced e-Stamps module with effect from 11 April 2016 for online collection of Duties through e-Challans. e-Challan is generated as an acknowledgement in case of online payments and gives payment advice after making payment. As per Department Users' Guidance Manual on e-Stamps, the usage of e-Challans is mandatory for making payments above ₹1,000 for registration of documents by the citizens.

3.6.12.1 Gaps in collection and utilisation

A. Excess collection of Registration Fees and Transfer Duty

As per Government Orders⁴⁴ (August 2013) the rate of Registration Fees (RF) was revised and fixed with a ceiling in case of instruments of Gift, Agreement of Sale-cum-General Power of Attorney (AGPA), Development Agreement-cum-General Power of Attorney (DGPA) *etc.* Further, Transfer Duty (TD) was not leviable in respect of instruments of Settlement, DGPA *etc.*

Data Analysis of e-Stamps Data of all the sampled offices revealed that in 13,762 cases, RF collected was more than the ceiling fixed on documents of Gift, AGPA, DGPA *etc.*, registered during 2016-17 to 2019-20. Similarly, TD was collected on instruments of settlement, DGPA *etc.*, registered during 2016-17 to 2019-20 in 3,966 cases although the same was not leviable. In all these cases payments were made through e-Stamps resulting in excess collection of RF and TD, which worked out to ₹12.81 crore in 17,218 documents.

Detailed scrutiny (between July and October 2021) of 2,500 documents of Gift, AGPA, DGPA *etc.*, in 34⁴⁵ test-checked units revealed excess collection of ₹1.36 crore towards RF and TD in 1,521 documents. This indicated absence of validation controls in e-Stamps module.

Department replied (March 2022) that when parties use PDE module, the duty and fee are automatically calculated in the e-Stamps module. However, when parties were not using PDE, they used to enter duty and fee voluntarily more than what is required statutorily, in e-Stamps module. Reply is not acceptable as required validations were not incorporated in e-Stamps module, to avoid excess payments.

B. Collection of Transfer Duty without provisions in Act

The Telangana Panchayat Raj Act, 2018, which came into force in April 2018 did not contain any provision for collection of duty on transfer of immovable properties falling under the areas of Panchayats, as against a provision to levy duty that existed in the earlier Act⁴⁶.

Data analysis revealed that transfer duty was being collected on the registered documents involving transfer of properties in the areas falling under the Telangana Panchayat Raj Act. As of March 2020, ₹80.91 crore was collected towards transfer duty, in spite of there

⁴³G.O. Rt.No. 18 dated 8 January 2016 of Revenue (Registration) Department.

⁴⁴G.O.Ms. No 463 Revenue (Regn-I) Department dated 17 August 2013.

⁴⁵DRs Adilabad, Hyderabad South, Karimnagar, Khammam, Mahbubnagar, Ranga Reddy, Sangareddy and Warangal and SRs Azampura, Doodhbowli, Gadwal, Golconda, Huzurnagar, Jadcherla, Kamareddy, Kapra, Karimnagar Rural, Keesara, Kothagudem, Kukatpally, Kusumanchi, LB Nagar, Maheshwaram, Narsapur, Nirmal, Parkal, Peddapalli, Sadasivapet, Shamshabad, Shankarpally, Siddipet, Warangal Fort, Yadagirigutta and Yellareddy.

⁴⁶Section 69(b)(i) of The Telangana Panchayat Raj Act, 1994.

not being any provision in the Act.

Department replied (March 2022) that TD had been subsumed in the Registration Fee and Table of Fee has been amended in respect of documents which fall under Gram Panchayats. Reply is not acceptable, as the revision of rates came into effect only from September 2021.

C. Use of e-Challan in document registration

The e-Challan used for document registration should be defaced⁴⁷electronically by SR after rendering service to prevent it from being misused. Further, the e-Challans not utilised for more than six months⁴⁸ are to be automatically defaced by the system (CCA). Reports on the utilised e-Challans against a document are generated by the system (CCA). The receipt of payments through various sources such as e-Stamps Challan, cash, demand drafts and treasury challans are generated in CCA.

Data relating to registration of documents (where duties payable were more than ₹50,000) was cross checked with e-Stamp data for the period 2016-2020. Our analysis revealed the following:

- a. In 11,538 registered documents, payments were not made through e-Stamps challans. Out of these, 18 documents did not contain CCA generated receipts. In the remaining documents, the duties and fees payable as per CCA (Check slip) varied with the duties and fees paid as per receipts generated in 6,967 cases.
- b. In 69,467 registered documents, duties and fees payable as per CCA (check slip) were more than the duties and fees paid as per receipts generated with difference of ₹804.31 crore.

On scrutiny (between July and October 2021) of 1,673 documents of test check cases, the following discrepancies were noticed:

- Cash above ₹1,000 was accepted in 1,144 documents (₹6.84 crore) towards payments of duties and fees.
- In 46 out of 529 test checked documents, challans amounting ₹54.46 lakh were not defaced with the document but it was auto defaced or defaced with another check slip or document / defaced with check slip of other office check slip.
- 105 registered documents contained multiple e-Challans valued ₹32.37 lakh. However, the e-Challans were not relevant to the document, as they pertained to different remitter, executant and claimant. This rendered these challans invalid to be accepted.
- The same set of Aadhaar numbers or PAN numbers were captured against different individual remitters which poses risk in identification of remitter and authentication in case of refunds.

Department replied (March 2022) that cash, bank challans and treasury challans were accepted in the initial days of e-Stamps *i.e.*, 2016. They also accepted that in certain cases, field staff mistakenly tagged different check slips for the e-Stamps resulting in

⁴⁷Defacing means utilising the e-Challan amounts by assigning the relevant e-Challan to specific document / specific services.

⁴⁸G.O.Ms.No178(5(vii)) Revenue (Registration I) Department dated 5 August 2017.

defacing with wrong Check Slip number. However, they had made manual endorsement properly. Reply is not acceptable as accepting cash above ₹1,000 after the year 2016, and even auto-defaced challans tagging with different registered documents would give scope for risk of misuse of e-Challans.

D. Franking Machine and Stamp Vendor Challans

Franking Machine (FM)⁴⁹ and Stamp Vendor (SV) challans, paid through online or offline (bank branch) by the licensee, are to be produced to the concerned DR / SR for loading of Franking Machine or issue of stamps. After loading, the DR / SR shall deface the challan in the system by feeding the details of indent number and date of loading / issue and make necessary entries in the relevant registers.

We observed that CCA had no provision for automatic updating of franking machine accounts or Stamp Accounts against defacing of SV challans, as they were manually entered / maintained. Analysis of FM challans revealed that in 15 cases the indent date mentioned was after the defaced date of challans and therefore were not in chronological order. A similar analysis of SV Challans revealed that in 116 cases the indent date was mentioned after the defaced date of challans and therefore were not in chronological order. 64 challans were not defaced / auto-defaced in the system.

Department replied (March 2022) that they would explore automation for loading of FMs. Also, they would design a simple form for issue of stamps to Stamp Vendors so that the information would be in the system.

3.6.12.2 Refunds in e-Stamps

A. Inconsistencies in Data and processing mechanism

As per Government Orders⁵⁰(August 2017), claims for refund of e-Challans / duties and fees are to be submitted to the jurisdictional District Registrar. The time limit prescribed for utilisation of payments made through e-Stamps by the same party is six months. Claims of refunds for a period beyond six months shall be considered by the C&IG. As per Government Order⁵¹ (May 2018), District Registrar should verify the details such as name of remitter, his PAN /Aadhaar Card, mobile number, names of the executant /claimants, nature of instruments, stamp duty, transfer duty, registration fees *etc.*, and satisfy that e-Stamps receipt is genuine and the amounts paid through this receipt are not utilised in any manner.

Analysis of 12,362 cases of e-Challan Refund data for the period 2016-20 revealed the following:

- Refund order date mentioned was prior to the date of refund request in 718 cases, while no Refund order date details were captured in five cases and in two cases incorrect dates⁵² were captured.

⁴⁹Franking Machine is a machine used to stamp an official mark on a document to indicate that duties/fees has been paid.

⁵⁰G.O.Ms.No.178 Revenue (Registration I) Department dated 5 August 2017.

⁵¹G.O. Rt.No. 92 Revenue (Registration-I) Department dated 9 May 2018.

⁵²Year captured as 2019.

Department replied (March 2022) that they were due to clerical errors and there was no loss of revenue. Reply is not acceptable as the system did not have proper validation controls to check the clerical errors.

- In 2,863 cases there were delays in processing / sanction of refunds after refund requests were received and the delay ranges from 61 to 1,230 days.

Department replied (March 2022) that delays were due to administrative issues like holidays *etc.* Reply is not acceptable as such huge delays cannot be attributed to holidays alone.

B. Non-deduction of Transfer Duty and Stamp Duty

As per refund policy, refund claims of duties are sanctioned by District Registrar (DR) after deducting 10 *per cent* of stamp duty and transfer duty. Analysis of refund data revealed that refund was sanctioned without deducting 10 *per cent* of stamp duty and transfer duty in 80 out of 7,619 e-Stamps Challans. This resulted in excess refund of ₹1.93 lakh.

3.6.13 Conclusion

CCA was rolled out in 2013 to ensure the effective replacement of the manual system of calculation of duties, indexing, accounting, reporting, copying and filing of documents. However, it lacked structural approach in conceptualisation as System Requirement Specification and System Design Documents were not formulated. As a result, there were shortcomings in mapping of certain business rules into the system which resulted in short / non-levy of duties, on account of undervaluation of properties. Absence of systematic and documented change management mechanism resulted in short levy of duties and fees disregarding Government instructions. Lack of validation controls were evident from continuation of manual intervention in application of market value rates and computation of duties, authentication of parties and documents supporting the registration. Detailed scrutiny of 1,456 registered documents revealed underassessment valuing ₹3.44 crore in 347 documents due to incorrect mapping of data, lack of change management system and clerical errors. As these are only illustrative, State Government may look into similar cases for detection of possible underassessment.

The e-Stamps Module was developed with an objective of collecting the dues online. However, this system also suffered from deficiencies resulting in excess collection of duties, incorrect mapping of e-Challans to documents *etc.* Lack of validation controls in identification of the remitters coupled with incorrect data rendered the process of Refund claims unreliable.

3.6.14 Recommendations

- *Government may consider formulating and documenting a well-defined comprehensive IT plan.*
- *Government may consider making provision in the CCA system for capturing accurate and complete data by enforcing input controls and validation checks to minimise manual interventions.*
- *Government may consider ensuring a systematic and documented methodology for mapping of business rules in accordance with the provisions of Acts / Rules.*

3.7 Short levy of Registration Fee on instruments creating 'Paripassu' charge

Paripassu is a latin phrase which means “equal footing”. *Paripassu* charge means that when a borrower company goes into dissolution, the assets over which the charge has been created will be distributed in proportion to the lenders' respective holdings. *Paripassu* Agreements come into existence when an industrial firm / company obtains credit facilities from more than one financial institution by offering securities on *Paripassu* basis in the form of 'Simple Mortgage', 'Mortgage by Deposit of Title Deeds' and 'Hypothecation of Immovable Properties'.

Government⁵³ had prescribed levy of Registration Fee (RF) at 0.5 *per cent* on the amount of loans secured by instruments which create charge on *Paripassu* basis.

During the test check (between May 2018 and September 2020) of the registered documents in the offices of District Registrar, Sangareddy and Sub Registrar Office, Shankarpally, we noticed that in respect of three documents, the Registering Officer collected Registration Fee of ₹ 10,000 each instead of charging the fee at 0.5 *per cent* on the loan amount of ₹ 673.46 crore. This resulted in short levy of registration fee of ₹ 3.36 crore.

District Registrar, Sangareddy replied that the document was only Memorandum of entry related to recording of Deposit of Title Deeds. The reply is not acceptable as the recitals of the document clearly mentioned that there was a charge involving *paripassu*. Sub Registrar, Shankarpally accepted the audit observation in one case and in other case assured detailed reply.

The matter was referred to the Government (July 2021 and October 2021). Reminders were issued in January 2022 and April 2022; replies have not been received.

3.8 Short levy of duties due to non-compliance with departmental instructions

As per Commissioner and Inspector General's Circular⁵⁴, if a certain (higher) value was adopted in respect of a specific property in an earlier transaction, the same would be adopted for the purpose of chargeability for any future transaction(s) relating to that property.

During the test check of registered Sale Deeds (between March 2018 and December 2020) in the Offices of the three District Registrars⁵⁵ and eight Sub Registrars⁵⁶ we noticed that in respect of 28 documents, the Registering Authorities had not adopted higher values adopted in previous transactions for the same properties while levying duties. This resulted in short levy of duty and fees amounting to ₹ 1.46 crore as detailed in *Appendix-3.1*.

⁵³G.O. Ms. No.463 Revenue (Registration-I) Department, dated 17 August 2013.

⁵⁴Memo No. MV1/20363-A/90 dated 10 August 1990.

⁵⁵Hyderabad (South) – Banjara Hills; Medchal-Malkajgiri and Rangareddy.

⁵⁶Balanagar, Bibinagar, Gandipeta, Qutubullapur, Rajendranagar, Secunderabad, Shadnagar and Shankarpally.

The matter was referred to the Government (July 2020 and October 2021). Reminders were issued in January 2022 and April 2022; replies have not been received.

3.9 Short levy of duties and fee due to misclassification of documents

Schedule I-A of Indian Stamp Act, 1899 provides rates of duties and fees to be adopted based on classification of documents. Further, the Commissioner and Inspector General of Registration and Stamps had issued instructions⁵⁷ that the Sub Registrar should thoroughly scrutinise the recitals of the document presented for Registration to arrive at the correct classification of the document for adoption of correct rates of duties and fees.

During the test-check (between October 2017 and December 2020) of the registered documents in four District Registrar offices⁵⁸ and 15 Sub Registrar offices⁵⁹, we noticed that in respect of 37 documents, there was short levy of duties and fees due to misclassification of transactions amounting to ₹1.36 crore as detailed in *Appendix-3.2*.

The matter was referred to the Government (July and November 2021). Reminders were issued in January 2022 and April 2022; replies have not been received.

3.10 Short levy of duties due to non-inclusion of loan amount in the sale consideration

As per explanation under Section 24 of Indian Stamp Act, 1899, in case of a sale of property subject to Mortgage, any unpaid mortgage money or money charged together with interest (if any) due on the same, shall be deemed to be part of the consideration for the sale.

During the test-check (April 2019) of the registered documents in District Registrar office, Hyderabad (South)- Banjara Hills, we noticed that in respect of one sale deed, there was short levy of Stamp duty of ₹77.17 lakh due to non-inclusion of the loan liability amount paid by the vendee on behalf of vendor in the value of sale consideration while computing the duties.

The matter was referred to the Government in July 2021. Reminders were issued in January 2022 and April 2022; replies have not been received.

3.11 Short levy of duties and fee due to non-adoption of market value rates in respect of rural properties

As per the instructions of Commissioner and Inspector General (C&IG) of Registration and Stamps⁶⁰, when a Survey number for a particular rural property prescribing market value rate for that property is not found in the schedule of the property, Form IV⁶¹,

⁵⁷Memo No.FR1/1A/4946/96 dated 16 October 2000.

⁵⁸Hyderabad (Red Hills), Hyderabad South- Banjara Hills, Medchal-Malkajgiri and Rangareddy.

⁵⁹Abdullapurmet, Balanagar, Chevella, Gandipeta, Ghatkesar, Golconda, Peddaamberpeta, Peddapalli, Qutubullapur, Rajendranagar, Ramannapeta, Sathupally, Secunderabad, Tandur and Toopran.

⁶⁰Circular Memo No. MV1/8483/2013-2 dated 10 October 2013.

⁶¹A register presenting values for rural properties as per survey numbers and classification of land of village for the survey numbers mentioned in the boundaries.

market value available for the survey numbers mentioned in the boundaries is to be adopted.

During the test check (between February 2018 and December 2020) of the registered documents in three District Registrar Offices⁶², 27 Sub Registrar Offices⁶³ we noticed that in respect of 74 documents, the Registration Authorities, while levying duties, did not adopt the (i) Form-IV rates for the survey numbers mentioned in the boundaries in cases where the market value rate was not found for the survey numbers mentioned in the schedule of property (ii) rate for main survey found in Form-IV in cases where no rate was found for exact match with sub survey-number. This resulted in short levy of duties and fee amounting to ₹ 1.84 crore as detailed in the **Appendix-3.3**.

In reply to Audit, Sub Registrar, Ramannapeta stated that scheduled property survey number was not figuring in Form-IV, hence, Form-III rate was applied and stated further that adoption of market value basing on survey number shown in the boundaries is highly irregular. Reply is not acceptable in view of the instructions of C&IG for adoption of Form-IV rates for the survey numbers mentioned in boundaries, if the rate for the survey number mentioned in schedule of property could not be found in Form-IV.

The matter was referred to the Government in July and December 2021. Reminders were issued in January 2022 and April 2022; replies have not been received.

3.12 Short levy of duties in DGPAs due to incorrect adoption of the proposed developed area

Article 6(B), Schedule I-A of Indian Stamp Act, 1899 provides rates for levying duties and fees in respect of documents registered as Development Agreement cum General Power of Attorney (DGPA). Accordingly, Stamp Duty is levied at one *per cent* on the market value of the land or market value of proposed development area, whichever is higher.

During the test-check (between March 2018 and January 2019) of registered documents in the offices of Sub Registrar, Balanagar and District Registrar, Rangareddy, we noticed that in respect of four documents related to DGPA / Supplementary deeds to DGPA, there was short levy of stamp duty amounting to ₹42.38 lakh due to incorrect adoption of the proposed developed area.

The matter was referred to the Government in July 2021. Reminders were issued in January 2022 and April 2022; replies have not been received.

3.13 Short levy of duties and fee due to undervaluation of properties in registered documents

As per Section 3 of Indian Stamp Act, 1899 instruments shall be chargeable with duty of the amount indicated in Schedule - I. The chargeability set forth in the document shall be

⁶²Karimnagar, Medchal-Malkajgiri and Nalgonda.

⁶³Abdullapurmet, Achampeta, Atmakur, Bibinagar, Bhuvanagiri, Champapet, Chandur, Chevella, Farooqnagar, Husnabad, Gandipeta, Gangadhara, Kalwakurthy, Khammam Rural, Keesara, Medak, Miryalaguda, Narsapur, Peddapalli, Ramannapeta, Shankarpally, Shadnagar, Shamirpet, Toopran, Vemulawada, Wanaparthy and Yadagirigutta.

duly derived from the values of the property based on the market value guidelines of the property or the consideration amount mentioned in the document, whichever is higher. The rates of duties for this purpose shall be adopted as per the provisions of Schedule IA of the Indian Stamp Act read with the relevant Government Orders issued from time to time⁶⁴.

During test check (between May 2017 and December 2019) of registered documents in the offices of four District Registrars⁶⁵ and six Sub Registrars⁶⁶, we noticed that there was undervaluation⁶⁷ of properties in 16 documents. This resulted in short levy of duties amounting to ₹41.47 lakh as detailed in *Appendix-3.4*.

The matter was referred to the Government (July 2021). Reminders were issued in January 2022 and April 2022; replies have not been received.

3.14 Non-levy of duties on documents involving distinct matters

According to Indian Stamp Act 1899⁶⁸, any instrument comprising or relating to several distinct matters shall be chargeable with the aggregate amount of the duties with which each separate instrument would be chargeable under the Act.

During the test-check (between March 2018 and November 2020) of the registered documents in the offices of District Registrar, Rangareddy and 10 Sub-Registrar Offices⁶⁹, we noticed that in respect of 18 registered documents, duties were not levied on various distinct matters⁷⁰ involved in these documents which resulted in non-levy of duties amounting to ₹32.20 lakh as given in the *Appendix-3.5*.

Sub Registrar, Shamirpet replied that the receipt of unequal shares by the vendors was a family arrangement as they belonged to the same family and that the cash conveyance is not to outsiders. The reply is not acceptable as amount was transferred to different persons who did not have any share in the property.

The matter was referred to the Government in July and December 2021. Reminders were issued in January 2022 and April 2022; replies have not been received.

⁶⁴(i) Stamp duty for sale deed is 4 per cent vide G. O. Ms.No. 162, Revenue (Registration-I) Department, dated 30 March 2013 (ii) for AGPA is 5 per cent, DGPA is one per cent vide G. O. Ms.No. 581, Revenue (Registration-I) Department, dated 30 November 2013 (iii) for Gift in favour of relatives is one per cent vide G. O. Ms.No. 585, Revenue (Registration-I) Department, dated 30 November 2013 (iv) for lease deeds of lease period more than 30 years is 3 per cent vide G. O. Ms. No. 588, Revenue (Registration-I) Department, dated 30 November 2013.

⁶⁵Adilabad, Karimnagar, Medak and Rangareddy.

⁶⁶Balanagar, Huzurnagar, L B Nagar, Maktal, Rajendranagar and S R Nagar.

⁶⁷Undervaluation for various reasons like: Incorrect adoption of market value, built up area; non-adoption of previous higher value; non-adoption of composite rate in respect of apartments; non-consideration of specific structure value of the municipal area etc.

⁶⁸Section 5 of the Indian Stamp Act, 1899.

⁶⁹Bowenpally, Chandur, Charminar, Chikkadapally, Devarakonda, Khammam Rural, Qutubullapur, Secunderabad, Shameerpet and Wanaparthy.

⁷⁰Conveyance of cash in sale deed (12 cases), Conveyance of cash in AGPA (three cases), Release in Partition deed (three cases).

3.15 Non or Short levy of duties in Gift deeds

As per Article 29 of Schedule I-A of Indian Stamp Act, 1899 read with Government Order⁷¹, Stamp Duty is to be levied at one *per cent* for Gift Deeds executed in favour of relatives as defined under Section 56(2) of Income Tax (IT) Act, 1961 and four *per cent* in respect of others. Further, the transfer duty on Gift deeds was reduced to 0.5 *per cent* from the existing 1.5 *per cent*⁷² with effect from 30 July 2015. Registration Fee is leviable at 0.5 *per cent* subject to a maximum of ₹10,000.

During the test check (between March 2018 and October 2019) of registered documents in District Registrar, Rangareddy and Sub-Registrar, Secunderabad offices, we noticed that in respect of 10 documents, there was non / short levy of Transfer Duty and in respect of one document, there was a short levy of stamp duty and transfer duty totally amounting to ₹23.56 lakh.

The matter was referred to the Government in July 2021. Reminders were issued in January 2022 and April 2022; replies have not been received.

3.16 Incorrect exemption of Stamp Duty in respect of Deposit of Title Deeds

According to the Indian Stamp Act, 1899⁷³, Stamp Duty (SD) is to be levied at 0.5 *per cent* of the amount of loan secured subject to a maximum of ₹ 50,000 on the documents registered as “Deposit of Title Deeds (DOTDs)”. Stamp Duty of only ₹ 1,000 is levied in respect of DOTDs executed by Small Scale Industries⁷⁴ on production of valid SSI / MSME⁷⁵ Certificates.

During the test-check (between October 2017 and July 2019) of registered documents in two District Registrar Offices⁷⁶ and four Sub-Registrar Offices⁷⁷ we noticed that in respect of 18 documents, Stamp duty exemption was given despite non-production of valid SSI / MSME Certificates. Incorrect exemption of SD resulted in short levy of duties of ₹8.71 lakh.

The matter was referred to the Government in July 2021. Reminders were issued in January 2022 and April 2022; replies have not been received.

⁷¹G.O. Ms. No. 585 Revenue (Registration-I) Department dated 30 November 2013.

⁷²G.O.Ms.No.95 Municipal Administration & Urban Development (A2) Department, dated 30 July 2015.

⁷³Article 7(a) of Schedule I A to the Indian Stamp Act, 1899.

⁷⁴G.O.Ms.No. 316 of Revenue (Registration-I) department dated 14 March 2006.

⁷⁵SSI- Small Scale Industries - MSME- Micro, Small and Medium Enterprises.

⁷⁶Adilabad and Hyderabad (South) – Banjara Hills.

⁷⁷Bowenpally, Doodhbowli, Kapra and Khammam (Rural).

