

**Chapter III**  
**Compliance Audit Observations**



## Municipal Administration and Urban Development Department

### 3.1 Short levy and collection of building permit fee

**Incorrect application of rates and omission of certain components while computing the building permit fee by nine Urban Local Bodies in 67 building permission cases, resulted in short realisation of revenue amounting to ₹ 8.26 crore.**

As per Rule 3(17) of the Andhra Pradesh Building Rules, 2017, no building application shall be deemed valid unless and until the owner submitting the application has paid the building permit fee and other charges as notified by the authority concerned from time to time. The building permit fee and other charges such as site approval fee, open space charges, betterment/ external betterment charges, building permit fee, shelter fee *etc.*, will be fixed by the Municipal Council through gazette notifications issued from time to time.

During test check of records (July 2022 to March 2023) in nine Urban Local Bodies (ULBs), Audit noticed, in 67<sup>115</sup> cases of building permissions, that fee under various components *viz.*, site approval fee, open space charges, betterment/ external betterment charges, building permit fee, shelter fee *etc.*, which are supposed to be levied while according building permissions, were incorrectly adopted/ not levied which resulted in short realisation of stipulated duties amounting to ₹ 8.26 crore as detailed in **Table- 3.1**.

**Table-3.1: Short levy and Collection of Building permit fee**

Sl. No.	Name of the ULB	No. of Applications	Components for which fee short levied/ not levied	Short levy (₹ in crore)
1	Ananthapuramu Hindupur Urban Development Authority	9	Betterment charges and Shelter fee	0.31

The Vice-Chairperson of Ananthapuramu Hindupur Urban Development Authority (AHUDA) replied (September 2023) that shelter fee is applicable only for residential use of group housing and group development scheme. Further stated that betterment charges should be levied for first time building approval. In the cases of construction and demolition cases betterment charges are not to be levied. The reply of the Department is not acceptable as we noticed that shelter fee was not levied in two applications relating to residential use of group development scheme. Further, there was no mention about 'demolition and construction' in the application and specific authority in support of Department's contention was also not provided along with the reply.

<sup>115</sup> Ananthapuramu Hindupur Urban Development Authority (9), Adoni Municipality (3), Narasaraopet Municipality (1), Ongole Municipal Corporation (34), Proddatur Municipality (1), Puttaparthi Urban Development Authority (13), Rajamahendravaram Municipal Corporation (1), Vizianagaram Municipal Corporation (4) and Yellamanchili Municipality (1)

Sl. No.	Name of the ULB	No. of Applications	Components for which fee short levied/ not levied	Short levy (₹ in crore)
2	Narasaraopet Municipality	1	Change in land use	0.03

The Commissioner of Narasaraopet Municipality replied (December 2022) that as per the master plan zoning regulations of Narasaraopet Municipality vide G.O. Ms. No.489 (August 1993) educational institutions are permissible in industrial zone on appeal to the competent authority through the municipal commissioner. Hence, change in land use charges are not applicable. The reply is not acceptable. As per the G.O. Ms. No. 102, dated 12 February 2020, charges for change in land use must be levied by all ULBs without any restriction.

3	Ongole Municipal Corporation	34	Change in land use, Site approval fee and External betterment charges	0.85
---	------------------------------	----	-----------------------------------------------------------------------	------

The Commissioner of Ongole Municipal Corporation replied (September 2022) that the fee would be collected at the time of super check by the town planning staff. However, no specific authority in support of the contention was provided by the Corporation.

4	Proddatur Municipality	1	Open space charges, Betterment charges, Site approval fee and Rain water harvesting charges	2.63
---	------------------------	---	---------------------------------------------------------------------------------------------	------

The Commissioner of Proddatur Municipality replied (September 2022) that short collected charges wherever applicable would be collected and remitted to the Government Account in due course.

5	Rajamahendravaram Municipal Corporation	1	City level infrastructure impact fee and Building license fee	1.53
---	-----------------------------------------	---	---------------------------------------------------------------	------

The Commissioner of Rajamahendravaram Municipal Corporation replied (October/ November 2023) that the applicant had transferred an area of 684 sq. mt. for road widening to local body through registered gift deed and hence city level infrastructure impact fee was adjusted as per provisions of G.O. Ms. No. 119, MA&UD, dated 28 March 2017 (AP Building Rules). The reply of the Department is not acceptable. As per Section 169(6) of Andhra Pradesh Building Rules, 2017 exemption in lieu of transfer of land was not permissible for the larger projects of Group Development Scheme having extent of more than five acres. In the instant case the extent of total land was 8.59 acres. Further, as per point 14 of Annexure to the building permission order, claiming of compensation is not permissible for surrendering of road affected portion of land.

Sl. No.	Name of the ULB		No. of Applications	Components for which fee short levied/ not levied	Short levy (₹ in crore)
6	(i)	Adoni Municipality	3	Betterment charges and Change in land use	0.19
	(ii)	Vizianagaram Municipal Corporation	4	Shelter fee, Rainwater harvesting charges and Open space charges	0.11
	(iii)	Yellamanchili Municipality	1	Site approval fee	0.01
<p>The Commissioners replied (September/ October 2022) that the building application files were approved by the Urban Development Authorities concerned.</p> <p>Since, the shortfall in charges to be collected from the applicant, the Commissioners concerned are required to pursue with the Urban Development Authorities and obtain necessary orders in this regard.</p>					
7	Puttaparthi Urban Development Authority		13	Betterment charges, Site approval fee, Rainwater harvesting charges, Change in land use, Open space charges, Building permit fee and Shelter fee	2.60
<p>The Vice Chairman of PUDA did not furnish reply.</p>					
<b>Total</b>			<b>67</b>		<b>8.26</b>

Thus, incorrect adoption/ non-levy of fee for the above components resulted in short realisation revenue of ₹ 8.26 crore.

The matter was referred to the Government (August 2023). Their reply has not been received (May 2024).

### 3.2 Avoidable expenditure on payment of Goods and Services Tax for services with 'Nil' rate

**Payment of Goods and Services Tax (GST) by 14 ULBs and one Corporation (viz., AP Greening and Beautification Corporation) for services rendered by a manpower agency which fall under 'Pure Services' with nil rate of GST resulted in avoidable expenditure of ₹ 37.21 crore.**

The Government of India, Ministry of Finance (Department of Revenue) vide Notification No. 12/2017- Central Tax (Rate), dated 28 June 2017 notified that the intra-state supply of services including 'Pure Services' (excluding works contract service or other composite supplies involving supply of goods) provided to the Central Government, State Government or Union territory or Local Authority or a

Governmental authority by way of any activity in relation to any function entrusted to a Panchayat under Article 243G of the Constitution or in relation to any function entrusted to a Municipality under Article 243W of the Constitution, is exempt from Central tax leviable with effect from 01 July 2017. Further, Andhra Pradesh Greening and Beautification Corporation (APGBC) a Governmental Authority as per Section 2(16)(ii) of IGST Act, which was established for the purpose of executing functions under Twelfth Schedule to Article 243W(h) and 243W(l) of the Constitution was also thus eligible to avail exemption from payment of GST on pure services. As per the Notification, read with G.O. Ms. No. 588, dated 12 December 2017 of the State Government, the supply of services without involving any supply of Goods would be treated as supply of 'Pure Services'. Accordingly, supply of manpower for cleanliness of roads, public places, architect services, consulting engineer services, advisory services and like services provided by business entities not involving any supply of goods would be treated as supply of pure services and do not attract levy of Central and State Goods and Services Tax.

On scrutiny of records, Audit observed that 14 ULBs<sup>116</sup> and APGBC were availing the services of outsourced Public Health employees, Non-Public Health (Water works) employees and others employees provided by Andhra Pradesh Corporation for Outsourced Services<sup>117</sup> (APCOS) for the functions devolved under Article 243W of the Constitution. The ULBs and APGBC made payments to the APCOS towards wages of the outsourced staff as per the bills claimed by them, which was inclusive of 18 *per cent* GST. This resulted in additional payment of ₹ 37.21 crore by the ULBs and APGBC to the APCOS as detailed in the **Appendix-3.1**, which was avoidable since pure services are exempted from GST.

On this being pointed out (between July 2022 and October 2022), nine ULBs<sup>118</sup> and APGBC replied (between July 2023 and November 2023) that letters were addressed to Managing Director, APCOS for refunding the GST amount. One ULB (*viz.*, Tenali Municipality) replied (September 2023) that payments were made as per the demands made by APCOS and from July 2023 they were not paying GST to APCOS. Two ULBs<sup>119</sup> stated (November 2022 and September 2023) that they were unaware of the notification and that a letter highlighting the issue would be addressed to higher authorities. The Commissioner of Adoni Municipality replied (March 2023) that action

---

<sup>116</sup> Adoni Municipality, Bhimavaram Municipality, Jangareddygudem Municipality, Kurnool Municipal Corporation, Narasaraopet Municipality, Nellimarla Nagar Panchayat, Ongole Municipal Corporation, Proddatur Municipality, Puttaparthi Nagar Panchayat, Rajamahendravaram Municipal Corporation, Tenali Municipality, Tiruvuru Nagar Panchayat, Vizianagaram Municipal Corporation and Yellamanchili Municipality

<sup>117</sup> APCOS is a non-profit organisation established (November 2019) under Section 8 of the Companies Act, 2013 under the administrative control of General Administrative Department, to cater the outsourcing requirements of the Government departments

<sup>118</sup> Bhimavaram Municipality, Jangareddygudem Municipality, Kurnool Municipal Corporation, Narasaraopet Municipality, Nellimarla Nagar Panchayat, Ongole Municipal Corporation, Proddatur Municipality, Tiruvuru Nagar Panchayat and Vizianagaram Municipal Corporation

<sup>119</sup> Puttaparthi Nagar Panchayat and Rajamahendravaram Municipal Corporation

would be taken upon receipt of clarification from GST authorities. The Commissioner, Yellamanchili Municipality replied (November 2023) that a letter was addressed to APCOS to exempt from payment of GST on the wages of outsourcing workers and to adjust previous paid GST amount from the future payments.

The matter was referred to the Government (July and August 2023). Their reply has not been received (May 2024).

**Vijayawada**  
**The 08 November 2024**



**(CHANDRA MAULI SINGH)**  
**Principal Accountant General (Audit)**  
**Andhra Pradesh**

**Countersigned**

**New Delhi**  
**The 12 November 2024**



**(GIRISH CHANDRA MURMU)**  
**Comptroller and Auditor General of India**