



Chapter V
Other Receipts

CHAPTER-V OTHER RECEIPTS

5.1 Forest and Wildlife

The Kerala Forest Department is one of the oldest and most important administrative institutions in Kerala. The department mainly deals with biodiversity conservation, forest conservation, wildlife management, research, social forestry, forest vigilance, environmental protection, tribal welfare, planning and research, tribal rehabilitation and special forestry, human resource development and public administration.

5.1.1 Non levy of revised Licence Fee from Government of Tamil Nadu for land assigned for Parambikkulam Aliyar Project and consequent shortfall in Forest Revenue

Non-revision of licence fee in line with revision of land tax rates and consequent non-realisation of the same from the Government of Tamil Nadu led to a revenue shortfall of ₹1.70 crore in Forest receipts for the period from 2012–13 to 2023–24.

Kerala Forest Act, 1961 stipulates¹³⁶ that all money payable to the Government under this Act, if not paid when due, be recovered under the law for the time being in force, as if it were an arrear of land revenue.

Government of Kerala (GoK) entered into an agreement with the Government of Tamil Nadu (GoTN) to lease out 2,467.27 hectares of forest land for a period of 30 years for the Parambikkulam Aliyar Project (PAP), effective from 09 November 1958. GoK formally endorsed¹³⁷ the terms and conditions of the agreement in 1969. As per the licence agreement¹³⁸, GoTN is required to pay licence fees based on the prevailing land revenue rates in Kerala. At present, the actual land area under lease with GoTN under PAP is 2,455.23¹³⁹ hectares of forest land.

The initial lease agreement for the Project expired on 08 November 1988 after the agreed period of 30 years. Although no fresh agreement was executed thereafter, GoTN continued to remit the applicable licence fee based on the prevailing land revenue rates in Kerala until 1998 as shown in the **Table 5.1** below:

¹³⁶ Section 79 of Kerala Forest Act, 1961.

¹³⁷ G.O.(Ms.) No.39/69/W&P endorsed dated 18 June 1969.

¹³⁸ Condition No.4 of Annexure II.

¹³⁹ Originally leased out 2,467.2752 Ha, reduced to 2,457.3466 Ha and returned 2.1190 Ha at various stages. Balance is only 2,455.2276 Ha.

Table 5.1: Land Revenue rates in Kerala

Period	Rate per Hectare per annum (₹)
01.01.1959 to 31.03.1988	4.94
01.04.1988 to 31.03.1993	24.70
01.04.1993 to 31.03.1998	50.00
From 01.04.1998	100.00

The licence fee has since been paid at the rates last revised on 01 April 1998 as shown in Table 5.1.

After 01 April 1998, the land tax in Kerala was revised on three occasions. The rate was revised to ₹2 per Are (₹200 per hectare) per annum (Finance Act, 2012) with effect from 01 April 2012, to ₹5 per Are (₹500 per hectare) per annum (The Kerala Taxation Laws (Amendment) Act, 2014) with effect from 30 September 2014 and to ₹8 per Are (₹800 per hectare) per annum (Finance Act, 2022) with effect from 01 April 2022. However, in violation of the provisions in the licence agreement, Forest Department did not revise the licence fee payable by the Government of Tamil Nadu in line with the changes in land tax rates. As a result, there was a shortfall in licence fee realisation amounting to ₹1.14 crore for the period from 2012-13 to 2023-24, calculated for an extent of 2,455.23 hectares, along with an interest liability of ₹0.56 crore calculated at the standard interest rate of 12 *per cent* per annum, as detailed in **Appendix LVI**.

On this being pointed out (October 2024), Government stated (January 2025 and August 2025) that a notice has been issued to Government of Tamil Nadu requesting payment of the arrears in licence fee along with the accrued interest.

Recommendation 44

It is recommended that the department take measures to recover the shortfall in licence fee realisation at the earliest and monitor the prompt revision of fees in line with the land tax rates.

5.1.2 Short collection of ₹27.40 crore in respect of a Rubber Company due to non-revision of lease rent

The lease rent for a Rubber Company was not revised according to the applicable government orders, leading to a short collection of ₹27.40 crore, including interest due on the lease rent.

Kerala Grants and Leases (Modification of Rights) Act, 1980, was enacted to modify all grants and leases of lands made or granted by or on behalf of the former State of Travancore or Cochin for cultivation at nominal/ no rates. The

District Collector is empowered to revise the lease rent periodically, based on principles laid down by the Government¹⁴⁰. The lease rent is to be fixed as the higher of a prescribed percentage of the money value of yield after deducting standard expenditure or three percentage of the value of comparable lands, subject to the conditions that the revised assessment of rent shall not exceed the rates applicable to forest land leased to Public Sector Undertakings (PSUs). The proviso that limited the rent was amended allowing the rent to be higher than the rent applicable to forest land leased out to PSUs. The rent is required to be revised once every two years¹⁴¹.

Audit scrutiny (February 2024) of the records of the Wildlife Warden, Peechi, revealed that 1,000 acres¹⁴² (404.686 hectares) of forest land were leased in 1917 to a Rubber Company for rubber cultivation at a nominal rent. The estate, now covering 356.1232 hectares, lies within the Peechi-Vazhani Wildlife Sanctuary, and the Wildlife Warden, Peechi, being the custodian of this forest land, is responsible for collecting the rent fixed by the District Collector. The Rules under the Kerala Grants and Leases (Modification of Rights) Act were framed in March 1990. Thus, a revision of rent was warranted; however, based on the request of the Secretary, Forest and Wildlife Department, the District Collector revised¹⁴³ the lease rent with effect from 25 November 2009. Though the lease rent, as per prescribed norms, worked out to ₹70,983 per hectare, the rate applied was that applicable to PSUs, i.e., ₹1,300 per hectare, and the lease rent for 356.1232 hectares was fixed at ₹4,62,960 per year.

The lessee continued to pay this lease rent up to the year 2023-24. The proviso limiting the lease rent payable by private plantations to PSUs rates was amended with effect from 07 November 2018 and the lease rent has to be revised every two years thereafter. Accordingly, revisions were due in 2018-19, 2020-21, and 2022-23. However, neither the Forest and Wildlife Department took any action to get the lease rent revised nor the District Collector, Thrissur revised the rent as required.

As per the proceedings of the District Collector dated 24 September 2010, the value of land identical to that leased to the company was ₹7,035 per *Cent*¹⁴⁴ (17,38,489 per hectare). Government, through respective orders, revised the fair value of land fixed in 2010 by increasing it by 165 *per cent* with effect from 01 April 2018, 181.50 *per cent* from 30 April 2019, 200 *per cent* from 15 May 2020, and 220 *per cent* from 01 April 2022.

In the absence of data on the annual profit from rubber cultivation, Audit computed the revised lease rent based on three *per cent* of the land value. Accordingly, taking three *per cent* of the land value originally fixed by the District Collector in September 2010, i.e., ₹52,150 per hectare, as the base, the lease rent per hectare was recalculated as ₹86,048 from 01 April 2018,

¹⁴⁰ Section 5 and Section 12 of Kerala Grants and Leases (Modification of Rights) Act, 1980.

¹⁴¹ Rule 3(2)(a) and (b) of the Kerala Grants and Leases (Modification of Rights) Rules, 1990.

¹⁴² 100 cent = 1 acre and 1 Are = 2.47 cents, thus 1,000 acres = 404.686 Ha.

¹⁴³ Vide proceedings of District Collector, Thrissur under Order No.2010/31253/BS dated 24 September 2010.

¹⁴⁴ 247.12 *Cent* is one hectare.

₹94,652 from 30 April 2019, ₹1,04,300 from 15 May 2020, and ₹1,14,730 from 01 April 2022.

Due to non-revision of lease rent, the short collection of lease rent, along with interest up to March 2024, in respect of the 356.1232 hectares of land leased to the company, was calculated at **₹27.40 crore** as shown in **Table 5.2** below:

Table 5.2: Short recovery of Lease Rent

Year	3% of value of land per Ha (₹)	Lease rent payable (₹)	Lease rent paid (₹)	Short Recovery (₹)	Interest @12% (₹)	Total (₹)
2018-19	86,048	3,06,43,689	4,62,960	3,01,80,729	1,81,08,437	4,82,89,166
2019-20	86,048	3,06,43,689	4,62,960	3,01,80,729	1,44,86,750	4,46,67,479
2020-21	1,04,300	3,71,43,650	4,62,960	3,66,80,690	1,32,05,048	4,98,85,738
2021-22	1,04,300	3,71,43,650	4,62,960	3,66,80,690	88,03,366	4,54,84,056
2022-23	1,14,730	4,08,58,015	4,62,960	4,03,95,055	48,47,407	4,52,42,462
2023-24	1,14,730	4,08,58,015	4,62,960	4,03,95,055	0	4,03,95,055
Total		21,72,90,708	27,77,760	21,45,12,948	5,94,51,008	27,39,63,956

Source: Calculation based on Departmental records.

Forest and Wildlife Department is vested with the authority to demand and collect lease rent for forest land leased to individuals and institutions. However, its failure to take action to get the lease rent revised by the District Collector, resulted in short collection of ₹21.45 crore. Interest amounting to ₹5.95 crore, calculated at 12 *per cent* per annum as per Section 79 of the Kerala Forest Act, 1961 read with Section 6¹⁴⁵ of the Kerala Revenue Recovery Act, 1968, was also due.

On this being pointed out (January 2025) Government stated (July 2025) that the Principal Chief Conservator of Forests has been instructed to recover rent for the lease held by the Company. It was also added that the recovery shall have retrospective effect along with the applicable interest.

Recommendation 45

It is recommended that the department may take steps to recover the rent at the earliest and also devise a mechanism to promptly revise lease agreements and demand and collect the revised lease rent on time.

¹⁴⁵ Section 6 states that arrears of public revenue due on land shall bear interest at the rate of 12 *per cent* per annum.

5.2 Agricultural Income Tax

Taxes on Agricultural Income is a State subject and is included in List II of the Seventh Schedule to the Constitution. The Kerala Agricultural Income Tax Act, 1991, came into force on 01 April 1991. The Act is administered by the State Goods and Services Tax Department. An instance of irregular exemption that resulted in non-collection of Agricultural Income Tax is mentioned in the succeeding paragraph.

5.2.1 Non-collection of Agricultural Income Tax by admitting irregular claim

Admission of irregular exemption resulted in non-levy and non-collection of Agricultural Income Tax amounting to ₹12.01 lakh.

As per Section 37(1) of the Kerala Agricultural Income Tax (AIT) Act, 1991, every person shall pay tax¹⁴⁶ for the previous year on or before the end of February of the previous year on the estimated total agricultural income, which shall not be less than eighty *per cent* of the total agricultural income as per return. As per Section 37(3) of AIT Act, 1991, every person before furnishing the return, shall pay the tax due on the total agricultural income derived during the previous year, after deducting the advance tax already paid by him. As per Section 37(4) of AIT Act, 1991, any person who fails to pay tax in accordance with this section shall pay simple interest at the rate of twelve *per cent* per annum for every month of delay or part thereof, on the unpaid balance tax.

As per Section 45 of AIT Act, 1991, when any tax is payable in pursuance of a return filed, the Agricultural Income Tax Officer shall serve upon the assessee a notice of demand in the prescribed form specifying the sum so payable together with a copy of such order. Where a notice of demand specified in sub-section (1) is served, the amount due therein shall, together with the interest accrued under sub-section (4) of section 37, be a first charge on the properties of the assessee liable to pay such amount.

During the Audit (January 2024) of the assessment records, maintained at the O/o the Joint Commissioner, Kottayam, it was observed that an assessee¹⁴⁷, engaged in the agricultural operation of Rubber plantations, had filed Annual Return conceding Agricultural Income of ₹22.20 lakh for the assessment year 2019-20 and ₹17.88 lakh for the assessment year 2020-21. The assessee had not paid any advance tax and stated in its returns that no tax is payable based on the Government Order (G.O.) No.44/2018 (Labour) dated 29 June 2018. However, the assessee's claim is not acceptable as the cited G.O. only instructed the concerned departments to issue orders for implementing the accepted recommendations of Justice Krishnan Nair Commission, which in this case is suspension of tax collection for five years. The Agricultural Income Tax (Repeal) Act, 2021, came into force only with effect from 06

¹⁴⁶ Payable at the rate of 30 *per cent* of the total agricultural income.

¹⁴⁷ Having AIT Permanent Account Number 32050417116.

January 2023, accepting the recommendations of Justice Krishnan Nair Commission.

Hence, the assessee is liable to pay tax on Agricultural Income for the assessment years 2019-20 and 2020-21 as per Section 37 of the Act. However, the assessing officer neither rejected the claim of the assessee for non-payment of tax nor issued demand notice under Section 45 till the date of Audit. The non-levy and non-collection of agricultural income tax and interest for the assessment years 2019-20 and 2020-21 worked out to **₹12.01 lakh** as shown in **Table 5.3**.

Table 5.3:
Calculation of non-levy and non-collection of tax of the assessee

Particulars	Calculation	Amount (₹)	
		2019-20	2020-21
Assessment Years		2019-20	2020-21
Total Agricultural Income	A	22,19,823	17,87,863
Taxable Agricultural Income (Rule 7A of IT Act, 1961- 65% for rubber)	B = 65% of A	14,42,885	11,62,111
Agriculture Tax @30%	C = 30% of B	4,32,866	3,48,633
Advance Tax @80% of the income to be paid in February 2019/2020 (previous year 2018-19/ 2019-20)	D = 80% of C	3,46,293	2,78,906
Balance Tax to be paid before December 2020/ 2021 (Date of filing the return)	E = C-D	86,573	69,727
Interest due under section 37(4) for non-payment of advance tax (03/2019 to 03/2024 @ 61%) and (03/2020 to 03/2024 @ 49%)	F = interest on D at 61% and 49% respectively	2,11,239	1,36,664
Interest due under section 37(4) for non-payment of balance tax (01/2020 to 03/2024 @ 51%) and (01/2021 to 3/2024 @ 39%)	G = interest on E at 51% and 39% respectively	44,152	27,194
Total interest due	H = F + G	2,55,391	1,63,858
Total short levy (Tax + Interest)	I = C+H	6,88,257	5,12,491
Grand Total		12,00,748	

Source: Calculation based on Departmental records.

The case was reported to Government (May 2025) and the Government replied (16 August 2025) that by accepting the recommendations of the Justice Nair Commission, an order was issued freezing the levying of Agricultural Income Tax from plantations for five years. On the basis of this G.O., the assessee had claimed exemption from paying the Agricultural Income Tax for the years 2019-20 and 2020-21. It was also stated that in a similar case, Hon'ble High Court of Kerala allowed the writ petition filed challenging the notice issued under section 39 of Agricultural Income Tax Act, 1991 for the assessment year 2018-19. The Court ordered (16 December 2020) that the impugned notice be kept in abeyance and granted the assessing authority the liberty to take action once the period of exemption expires, provided the local statute remains in effect. It further stated that in such a case, the assessee would not raise the objection of limitation.

The reply is not tenable as the Hon'ble High Court merely stayed the proceedings and granted the assessing authority liberty to take action in accordance with the prevailing statutory provisions. The cited G.O. issued by the Labour Department was advisory in nature, directing the concerned departments to issue operational orders in line with the recommendations of the Justice Krishnan Nair Commission. However, the Taxes Department, which administers AIT, did not issue any operational G.O. suspending tax collection for five years. Moreover, the Agricultural Income Tax (Repeal) Act, 2021, came into force on 06 January 2023. Hence, the prevailing statute before 06 January 2023 was AIT Act, 1991, and after that AIT (Repeal) Act, 2021. Section 2(1)(c) of the Repeal Act, states that the repeal shall not affect the previous operation of the repealed Act or anything duly done or suffered thereunder. Further, as per section 2(2)(c) of the said Act, nothing contained in the Act, shall effect the right to continue and complete the proceedings pending as on the commencement of the Act, with regard to the assessment of tax including the tax omitted to be assessed on the agricultural income, imposition of tax, collection of tax, levying as per the repealed Act and the liability to pay the amount due from any person, and any right to get the refund of the amount, under the repealed Act.

Thus, the failure of the assessing officer to levy and collect applicable tax resulted in non- collection of tax and interest amounting to ₹12.01 lakh.

Recommendation 46

It is recommended that Assessing Authorities shall conduct proper verification of records to ensure that assessment and levy of tax are carried out in accordance with provisions of law.

Thiruvananthapuram,
The 27 April 2026


(VISHNUKANTH P B)
Accountant General (Audit II), Kerala

Countersigned

New Delhi,
The 05 May 2026


(K. SANJAY MURTHY)
Comptroller and Auditor General of India

