

CHAPTER IV
LAND REVENUE AND BUILDING TAX

4.1 Results of audit

Test check of the records of the offices of the Land Revenue Department conducted during 2006-07 revealed underassessment of tax and loss of revenue amounting to Rs. 3.23 crore in 91 cases which fall under the following categories:

(Rupees in crore)

Sl. No.	Category	No. of cases	Amount
1.	Underassessment and loss under other items	22	2.08
2.	Underassessment and loss under building tax	69	1.15
Total		91	3.23

During 2006-07, the department accepted underassessment of Rs. 38.78 lakh involved in 28 cases pointed out in the earlier years. The department recovered Rs. 25.20 lakh in 28 cases pointed out in the earlier years.

A few illustrative cases involving Rs. 19.51 lakh are mentioned in the succeeding paragraphs.

4.2 Non-levy of luxury tax on residential buildings

Under the Kerala Building Tax Act, 1975 (KBT Act), luxury tax at the rate of Rs. 2,000 per annum is leviable on all residential buildings having plinth area of 278.7 sq. m. or more and completed on or after 1 April 1999. The tax shall be paid in advance on or before 31 March every year. *Taluk tahsildars* are the assessing authority for luxury tax.

In 10 *taluk offices*¹, luxury tax was not demanded on 399 residential buildings with plinth area exceeding 278.7 sq. m. and completed after June 1999. This resulted in non-demand/recovery of luxury tax of Rs. 14.56 lakh pertaining to the period between April 2001 and March 2007.

After the cases were pointed out between January and October 2006, the department stated between June 2006 and July 2007 that tax totalling Rs. 10.71 lakh had been realised in 312 cases and appeals/revision are pending in 35 cases. Reply in remaining cases has not been received (December 2007).

The matter was reported to the Government in May 2007; their reply has not been received (December 2007).

4.3 Underassessment of building tax

Under the KBT Act, building tax based on the plinth area, at the rate specified in the schedule to the Act, is leviable on every building, the construction of which is completed on or after 10 February 1992 and the plinth area of which exceeded 100 sq. m. in the case of residential buildings and 50 sq. m. in the case of other buildings. The Act provides for tax exemption to buildings used principally for religious, charitable or educational purposes or as factory or workshop, but does not provide for exemption to a portion of the building. Separate rates have been specified for buildings situated in *panchayats*, special grade *panchayats*/municipalities and corporations.

4.3.1 In *taluk* office Thrissur, a commercial building with plinth area of 3,529.14 sq. m. was assessed to tax in September 2005 for an area of 2,242.14 sq. m. and the balance 1,287 sq. m. was exempted on the ground that the portion was used as a workshop. The building is used principally for commercial purpose as a major portion of it is under commercial use. Incorrect grant of exemption to a portion of the building resulted in short levy of building tax of Rs. 2.88 lakh.

After the case was pointed out to the department in August 2006 and reported to the Government in May 2007, the Government stated in June 2007 that notice has been issued for reassessment of the building. Further reply has not been received (December 2007).

¹ Aluva, Chavakkad, Chenganoor, Hosdurg, Kollam, Kothamangalam, Kozhencherry, Mannarkad, Thiruvalla and Vythiri.

4.3.2 In taluk office Nedumangad, 18 buildings situated in a special grade *panchayat* were assessed between April 2004 and March 2006 to tax at the rate applicable to those situated in ordinary *panchayat*. Application of incorrect rate resulted in underassessment of building tax of Rs. 2.07 lakh.

After the case was pointed out to the department in November 2006 and reported to the Government in May 2007, the Government stated in June 2007 that reassessment orders had been issued in all cases. Further reply has not been received (December 2007).