

**CHAPTER III**  
**LAND REVENUE**

**3.1 Results of Audit**

Test check of records of departmental offices conducted during the period from April 2004 to March 2005 revealed under assessment, etc. amounting to Rs.622.27 crore in 122 cases, which broadly fall under the following categories.

**(Rupees in crore)**

<b>Sl.No.</b>	<b>Categories</b>	<b>No. of cases</b>	<b>Amount</b>
1	Short recovery of value and rent in respect of land assigned, alienated or encroached	4	0.10
2	Non levy of penalty/interest	2	0.18
3	Others	114	75.55
4	Review on <b>Receipts from leasing of Government lands</b>	1	526.40
5	Administration of Revenue Recovery Act	1	20.04
	<b>Total</b>	<b>122</b>	<b>622.27</b>

During the course of the year 2004-2005, the Department accepted under assessment etc., amounting to Rs.97.20 lakh in 79 cases, out of which Rs.0.07 lakh in respect of one case was pointed out during the year and the rest in earlier years.

A review on **Receipts from leasing of Government lands** and a few illustrative cases involving a financial effect of Rs.526.82 crore are mentioned below:

### **3.2 Review: Receipts from leasing of Government Lands**

#### **Highlights**

- **Failure to lease Government lands in three cases, resulted in loss of revenue of Rs.6.31 crore, of which Rs.3.55 crore was for the last five years.**

*[Paragraph 3.2.6]*

- **Non renewal of leases in 22 cases resulted in non levy of lease rent of Rs.33.68 crore, of which Rs.20.30 crore was for the last five years.**

*[Paragraph 3.2.7]*

- **Non revision of leases rent in eight cases resulted in non levy of lease rent of Rs.17.45 crore, of which Rs.10.72 crore was for the last five years.**

*[Paragraph 3.2.8]*

- **Short levy of lease rent in six cases resulted in short realisation of revenue of Rs.568.18 crore, of which Rs.477.51 crore was for the last five years.**

*[Paragraph 3.2.9]*

- **Non assignment and non/belated resumption of Government lands in respect of 35 cases and non collection of lease rent resulted in non realisation of revenue of Rs.300.72 crore, of which Rs.296.06 crore was for the last five years.**

*[Paragraph 3.2.10]*

#### **Recommendations**

The Government may consider the following:

- follow the systems already envisaged and evolve a mechanism to monitor the status of leases periodically at all levels and
- constitute a team as suggested by CLA in September 1996 for proper monitoring.

**Introduction**

**3.2.1** Under the provisions of Revenue Standing Order (RSO) 24-A, Government lands are leased out to individuals, private organisations, trusts, companies and other Government bodies for a specified period with certain conditions. The district administration is required to take action for fixation of lease rent, terms of lease, execution of lease deeds and renewal of lease or resumption of land, wherever necessary.

Lease rent, once fixed is to be revised once in three or five years as the case may be. The details of lease rent are given below:

*(figures in percentage)*

Area	Purpose of utilisation of land	Lease rent	Local cess	Local cess surcharge
<b>Panchayat Areas</b>				
Before 4 June 1998	Non commercial purpose	7	7	35
	Commercial purpose	14	14	70
After 4 June 1998	Non commercial purpose	1	1	5
	Commercial purpose	2	2	10
		<b>Lease rent</b>	<b>Additional surcharge on lease rent</b>	
<b>Municipal Areas</b>	Non commercial purpose	7	13	
	Commercial purpose	14	13	

**Organisational set up**

**3.2.2** The Department is administered by the Special Commissioner and Commissioner of Land Administration (CLA), who is assisted by the Collectors at the district level. The district collectors are assisted by the territorial tahsildars at the taluk level who are empowered, in respect of Government lands, to inspect, propose, revise and collect lease rentals, with reference to RSOs and Government orders (GO) issued from time to time.

**Scope of audit**

**3.2.3** To examine the efficiency in overall administration of leasing of Government lands, fixation and collection of lease rent, records pertaining to the period from 1999-2000 to 2003-2004, in respect of 70 out of 209 taluks in

10<sup>26</sup> out of 29 districts, were test checked between July 2004 and January 2005.

The findings were reported to the Government/Department in June 2005 with a request for attending the meeting of ARC so that the views of Government/Department could be taken into account before finalising the review. The ARC meeting was held on 25 August 2005. This review has been finalised taking into account the Department/Government's view-point that emerged during the ARC meeting.

### ***Audit Objectives***

**3.2.4** The review was conducted with a view to examine whether:

- the Department had streamlined the management of the leases of Government lands;
- adequate system exists for watching the realisation of revenue from Government lands leased out and
- there is any deficiency/lacuna in the system/rules on the subject.

### ***Audit Constraint***

**3.2.5** In order to update data on leased lands in the state and to streamline management of leased lands, Special Commissioner and Commissioner of Land Administration proposed in September 1996 to set up a team for inspecting the lease registers and connected records in field office. The same has not been set up till date. The details regarding extent of land actually leased, the total amount realised as lease rent, lease rent realisable were not available with the Government. The above details were called for from the CLA as early as in August/October 2004 and followed by reminders in January/March 2005. The details are yet to be received (September 2005). The review was therefore conducted with reference to files made available to audit at taluk -and district levels.

### ***Non leasing of Government lands***

**3.2.6** Under the provisions of RSO 24-A, Government land can be leased to individuals, private organisations, trusts, companies and other Government bodies for a specified period with certain conditions.

It was noticed in three<sup>27</sup> taluks that, Government land to an extent of 0.63 lakh sq. feet was encroached by three entities. The Department decided to

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<sup>26</sup> Chennai, Dharmapuri, Kancheepuram, Kovai, Krishnagiri, Madurai, Salem, Tiruvallur, Trichy and Vellore.

<sup>27</sup> Hosur, Madurai (North), Mylapore-Triplicane.

regularise encroachment and proposals were sent between 1998 and 2003 to the Government for approval. The same have not yet been approved by the Government. This resulted in delay in realisation of revenue of Rs.6.31 crore, of which Rs.3.55 crore pertains to the last five years.

### ***Non renewal of leases***

**3.2.7** According to standing instructions of the Government, the renewal proposal should be sent by district administration to the competent authority six months prior to the expiry of the existing lease.

- According to the details/information furnished by the Department out of 1,090 cases, renewal had been effected only in 165 cases as on 31 March 2004 throughout the state. In the remaining cases, the leases have not been renewed. The period in which these leases expired was not on record.

Out of these cases, 434 cases pertain to Chennai district, of which 215 cases are marginal leases including less than 50 sq.ft. of Government land, 131 and 47 cases involve less than a ground of land. These were pending with tahsildar and CLA respectively. The reasons for delay in renewal were not on record. Thirteen cases were pending in court. Further, in the remaining districts test checked, 144 cases are pending for renewal, out of which 18 cases are pending in court.

- In nine<sup>28</sup> taluks in respect of 22 cases involving an area of 9.03 lakh sq.ft., leases were not renewed in time and the delay ranged from two to 28 years. This resulted in non levy of lease rent amounting to Rs.33.68 crore, of which Rs.20.30 crore pertains to the last five years as detailed in Annexure I. It was, however, seen that out of these 22 cases, applications for renewal were not received from the lessees in five cases (Sl.No.6,7,8,9 and 17 of annexure I), proposals were not sent to the Government for approval in two cases (Sl.No.10 and 20 of annexure I) and in remaining 15 cases though proposals were sent to Government, renewal orders were awaited (September 2005). The records scrutinised in respect of all the 22 cases at all levels did not reveal any recorded reason for delay in renewal.

### ***Non revision of lease rent***

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<sup>28</sup> Ambattur, Coimbatore (South), Egmore-Nungambakkam, Fort-Tondiarpet, Madurai (North), Mambalam-Guindy, Mylapore-Triplicane, Purasawakkam-Perambur and Trichy.

**3.2.8** As per RSO 24-A, lease rent is to be revised once in three/five years. In seven<sup>29</sup> taluks, in respect of eight lease cases involving an area of 1.02 crore sq.ft, revision of lease rent was not made between 1987 and 2002, the delay ranging from three to 18 years. Out of these cases, in four cases revision proposals have not been sent by the Tahsildar, in the remaining four cases though the revision proposals were sent to Government, their approval was awaited (September 2005). The reasons for delay at all levels were not on record. This resulted in non levy of lease rent amounting to Rs.17.45 crore, of which Rs.10.72 crore pertains to the last five years. A few illustrative cases are given below:

(Rupees in crore)

Sl. No.	Name of the lessee	Area in Sq.ft.	Amount		Remarks
			Total	Last five years	
1	2	3	4	5	6
1	M/s. Protec Ltd.	57,000	0.29	0.29	Lease rent has not been revised from 20 October 2002.
2	M/s.Madras Craft Foundations	4,36,700	3.65	2.97	Lease rent was fixed in 1995. However, the same was not revised from 1998 onwards.
3	M/s.Devasakayam Matric School	1,31,010	0.30	0.21	Lease rent has not been revised with effect from 9 June 1996.
4	M/s.Tamil Nadu Petro Products Ltd.	27,82,652	9.29	6.17	Lease rent has not been fixed from 1993 onwards.
5	M/s. SPIC Organic Chemicals Ltd.	19,02,702	3.59	0.97	Lease rent was not revised from 1989 onwards. Proposal for revision was sent only in April 2003.

**Short levy of lease rent**

**3.2.9** Government by an order (1998), reduced the rate of lease rent from seven/14 per cent of the market value for non commercial and commercial purposes respectively to one/two *per cent* of the market value in respect of lands situated in panchayat areas.

In four<sup>30</sup> taluks, in respect of six lease cases involving an area of 78.97 lakh sq.ft. situated in municipal/corporation area, besides revising the lease rent belatedly (the delay ranged between seven and 30 years), the department have adopted incorrect rates for computation of lease rent. This resulted in short-levy of lease rent of Rs.568.18 crore, of which Rs.477.51 crore pertains to the last five years. The details are given below:

<sup>29</sup> Ambattur, Chingleput, Dharmapuri, Madurai (South), Saidapet, Tambaram and Trichy.  
<sup>30</sup> Ambattur, Fort-Tondiarpet, Mambalam-Guindy and Mylapore-Triplicane.

(Rupees in crore)

Sl.No.	Name of the lessee	Extent held in Sq.ft.	Amount involved		Remarks
			Total	Last 5 years	
1	2	3	4	5	6
1	Madras United Club	52,136	2.35	1.53	Revision of lease rent for the period from 1993 to 2004 was made (February 2004) incorrectly by adopting the rate applicable to panchayat area instead of municipal/corporation area. Further the demand for lease rent for the period 1990 to 1993 was not raised.
2	Rane Engine Valves	3,588	1.18	1.00	Revision for the period from 1985 to 2004 was made (June 2004) incorrectly by adopting the rate applicable to panchayat area instead of municipal/corporation area.
3	Tamil Nadu Cricket Association and Madras Cricket Club	7,48,453	8.26	8.26	Lease rent for the years from 1995 to 2004 was revised (March 2004) by adopting incorrect rate per square foot.
4	Gandhi Nagar Cricket Club	10,533	1.70	1.45	Revision of lease rent for the period from 1989 to 2004 was made (March 2004) by adopting incorrect rate per square foot.
5	Kalakshetra Foundations	63,709	3.84	3.28	Lease rent for the period from 1992 to 2004 was revised (January 2004) incorrectly by adopting the rate applicable to panchayat area instead of municipal/corporation area
6	Madras Race Club	70,19,287	546.85	456.99	As stated below the table.
<b>Total</b>		<b>78,97,706</b>	<b>568.18</b>	<b>477.51</b>	

In Mambalam-Guindy Taluk, it was noticed that in respect of Madras Race Club (MRC) the lease was granted for 99 years from 1945. The lease rent was fixed at Rs.614-13-0 per annum. The lease rent was, however not revised periodically eventhough the policy of the Government is to revise lease rent once in three or five years.

Further when a supplemental lease deed was executed in 1977, the policy (Government Order issued in 1970) of adopting seven/14 per cent in respect of lease cases in Chennai was not considered for inclusion.

The lease rent for the period from 1974 to 2004 was revised in June 2004 against which the lessee filed an appeal in the Honourable High Court of Madras. The reasons for appeal were (i) the extent of land actually held by MRC and (ii) levy for the period from 1986 to 1996, during which the club was in Government's possession by passing of a separate Act. The Honourable High Court of Madras, set aside the order of June 2004 revising the lease rent in October 2004 and directed that if the Government want to pass orders by demanding higher lease rent from the petitioner, it is open to them to do so in accordance with law. The fact, however, remains that revision has not been made till date.



### 3.2.10 Non assignment and non/belated resumption of government lands

- As per Government Order dated 20 December 1966, if the encroachment is objectionable, the encroacher should be evicted and if the encroachment is unobjectionable the Government may consider assigning the lands on collection of land cost.

It was noticed in Tambaram taluk, 29 leases involving 27.54 lakh sq.ft area in St.Thomas Mount village expired prior to 1963. The erstwhile Board of Revenue had suggested for resumption/assignment of lands in 1963 itself. The Government by an order issued in September 1994, ordered for regularisation of the leases either by resumption or by assignment with certain conditions. Even after 40 years from the date of order of Board of Revenue and 10 years from the date of order of the Government, no action has been taken, in these cases, resulting in land cost to the tune of Rs.281.74 crore (as per 2004 rate) not being realised till date. The details of lessee, extent held etc. are given in annexure-II.

- On the expiry of the lease period, lease is either to be renewed or the Government land is to be resumed. It was, however, noticed that in the following cases the Government lands were not resumed/resumed belatedly and the Government dues were not realised.

In five<sup>31</sup> taluks, in six leases involving an area of 14.92 lakh sq.ft. expired between February 1981 and June 2002, Government land was either not resumed or resumed belatedly. This resulted in non collection of lease rent of Rs.18.98 crore, of which Rs.14.32 crore was for the last five years as detailed below:

*(Rupees in crore)*

Sl. No.	Name of the lessee	Extent held (Sq. ft.)	Amount involved		Remarks
			Total	Last five years	
1	2	3	4	5	6
1	M/s. Sathya Studio	93,540	13.16	10.14	The land was ordered to be taken over in 1997. The lessee continues to be in possession of the land till date.
2	M/s.Tamil Nadu Distillery Limited (Alco Wines)	9,35,122	0.93	0.41	The land was ordered to be resumed in June 2002. The land was resumed only in January 2004 and lease rent upto the date of resumption is still due.

<sup>31</sup> Fort-Tondiarpet, Mylapore-Triplicane, Krishnagiri, Tambaram and Trichy.

1	2	3	4	5	6
3	Police Club, Trichy	7,200	0.65	0.30	Though the lease period expired in February 1981, the land has not been resumed till date.
4	Thomas Educational and Charitable Trust	10,276	0.77	0.40	The land was resumed on 5 April 2004. Lease rent due for the period from June 1990 to April 2004 has not yet been collected.
5	Institute of Financial Management and Research	4,36,360	3.37	2.97	The lease of land was ordered to be resumed in May 2000. Lease rent due for January 1994 to May 2000 has not been collected.
6	K.Loganathan	10,000	0.10	0.10	The lease was not renewed for the period from 1998 to 2003 (upto the date of eviction) and lease rent was not levied and collected.
<b>Total</b>		<b>14,92,498</b>	<b>18.98</b>	<b>14.32</b>	

### **Conclusion**

**3.2.11.** There was no proper control or monitoring at any level to ensure prompt renewal of leases/revision of lease rent/levy of lease rent/resumption of Government lands, etc., as the case may be.

The matter was reported to the Department and Government in June 2005; their reply has not been received (October 2005).

## **3.3 Administration of Revenue Recovery Act, 1864**

### **Introduction**

**3.3.1.** The Revenue Recovery Act, 1864 (RR Act) was enacted to consolidate the law for the recovery of arrears of revenue in the erstwhile Madras Presidency. Under the provisions of the RR Act, whenever revenue may be in arrear, it shall be lawful for the Collector or other officer empowered by him in that behalf, to proceed to recover the arrear together with penalty and costs of process by sale of the defaulter's movable and immovable property or by execution against the defaulter in the manner prescribed.

Collector or any other officer empowered by him in this regard, on receipt of a request from the Government departments, local bodies, boards, corporations, banks and other institutions may order recovery of any sums due, as arrear of land revenue from the person declared as defaulter.

The Revenue Recovery Certificates (RRCs) received from the departments are processed by the Collectors and sent to respective tahsildars, after recording them in the RRC register.

**Position of arrears**

3.3.2 The arrears pending under RR Act for the period from 1999-2000 to 2003-04 is given below:

<b>(Rupees in crore)</b>	
<b>Year</b>	<b>Arrears</b>
1999-2000	147.58
2000-2001	243.44
2001-2002	243.83
2002-2003	310.79
2003-2004	345.67

The above figures (excluding sales tax, urban land tax and land revenue) indicate that the arrears of revenue under RR Act is on the increase.

The position indicating progress of cases referred under RR Act during the last five years for the entire State is given below:

<b>(Rupees in crore)</b>							
<b>Sl.No.</b>	<b>Particulars</b>		<b>1999-00</b>	<b>2000-01</b>	<b>2001-02</b>	<b>2002-03</b>	<b>2003-04</b>
1	Opening balance	Cases	31,680	32,565	33,333	33,082	35,393
		Amount	105.62	116.05	127.94	149.30	200.32
2	Referred during the year (inflow)	Cases	3,359	2,758	2,344	4,770	9,562
		Amount	19.15	23.11	27.35	61.14	78.32
3	Total	Cases	35,039	35,323	35,679	37,861	44,986
		Amount	124.77	139.16	155.30	210.44	278.64
4	Finalised during the year (outflow)	Cases	2,474	1,990	2,597	2,468	3,401
		Amount	8.71	11.22	6.00	10.12	12.77
5	Percentage of inflow to Opening balance	Cases	10.60	7.09	7.03	14.41	27.01
		Amount	18.13	19.91	21.37	40.95	39.09
6	Percentage of outflow to total cases pending	Cases	7.06	5.63	7.27	6.51	7.56
		Amount	6.98	8.06	3.86	4.80	4.58
Inflow/outflow figures include requisitions received from all departments, Government undertakings and other outside agencies.							

The above table reveals that, the outflow remained stagnant at around seven *per cent* during the period which is indicative of ineffectiveness of the collection machinery.

**Difference in figures of arrears furnished by departments and CRA**

3.3.3 The Commissioner of Revenue Administration (CRA) compiles monthly statements of demand, collection and balance received from the Collectors, district wise as well as department wise. A comparison of figures of the arrears under RR Act, as furnished by major departments with that of the figures furnished by the CRA revealed huge difference as detailed below:

(Rupees in crore)

Sl. No	Name of the Department	1999-00		2000-01		2001-02		2002-03		2003-04	
		DF*	CRA	DF	CRA	DF	CRA	DF	CRA	DF	CRA
1	Industries (Mines and Minerals)	96.80	35.79	188.35	37.87	163.30	37.92	172.39	37.19	199.30	40.23
2	Commercial Taxes (SD & RF)	35.02	17.13	39.49	17.11	64.52	17.40	76.10	19.10	137.36	23.15
3	Home (Prohibition & Excise)	13.25	2.03	13.40	1.69	11.87	1.87	11.13	1.81	11.27	2.02
4	Home (Transport)	2.51	1.56	2.20	1.84	4.14	1.84	1.76	2.32	2.19	2.22
	<b>Total</b>	<b>147.58</b>	<b>56.51</b>	<b>243.44</b>	<b>58.51</b>	<b>243.83</b>	<b>59.03</b>	<b>261.38</b>	<b>60.42</b>	<b>350.12</b>	<b>67.62</b>

\*DF – Figures as given by the respective departments  
CRA – Figures as furnished by the Revenue Department

Since there is no system to reconcile the figures either at apex level or unit offices level at regular intervals, the authenticity of pendency of arrears at the close of each year could not be ascertained by audit.

#### *Non issue of demand notice*

**3.3.4** As per Section 8 of RR Act, the Collector or any other officer empowered by the Collector in that behalf, shall furnish to the person employed to distrain the property of the defaulter, a demand (in Form 4) in writing and signed with his name, specifying the name of the defaulter, amount of arrears for which the distress may be issued and the date on which the arrears fall due.

In 18<sup>32</sup> taluks in respect of 6,794 cases, though requisitions for collection of arrears under RR Act were received between 1999-2000 and 2003-2004, no action has been taken to issue demand notices till date. This resulted in arrears of Rs.19.84 crore remaining uncollected.

After this was pointed in audit between June 2004 and March 2005, the Department replied that the notices would be issued. Further report is awaited (September 2005).

<sup>32</sup> Avinashi, Bhavani, Chingleput, Coimbatore (South), Egmore-Nungambakkam, Erode, Fort-Tondiarpet, Gobichettipalayam, Kancheepuram, Kangeyam, Madurai (South), Mettupalayam, Palladam, Pollachi, Sankagiri, Trichy, Tiruppur and Udumalpet.

The matter was reported to the Government in June 2005; their reply is awaited (September 2005).

### ***Non-tracing of defaulters***

**3.2.5** In three<sup>33</sup> taluks, it was noticed that the village administrative officers (on directions from concerned tahsildars) reported, between January 2000 and August 2002, in 18 cases involving Rs.20.35 lakh that the defaulters were not available at the given addresses. Even after 24 to 48 months, no action either to refer these cases back to concerned departments to seek further directions or trace out the defaulters and effect recovery was taken by the tahsildars. This resulted in non realisation of arrears of Rs.20.35 lakh.

The matter was reported to the Department between June 2004 and March 2005 and to the Government in June 2005; their replies have not been received (September 2005).

## **3.4 Non-collection of land cost**

According to Board's Standing Order 24(1), Government can grant land to a local body, ordinarily free of cost for unremunerative public purpose and in cases of grant of land to local bodies, for remunerative purposes, the question of collecting market value of the land could be considered.

In the office of Tahsildar (Land Revenue) Perundurai, land to an extent of 9,692 sq.ft was alienated to President, Panchayat Board in 1942 for unremunerative purpose (for use as a daily market) on the condition that market value of the land shall be collected if, at any time, it was, found that the grantee had derived substantial income from it. It was however, noticed from the jamabandhi check memos for the years 2001 and 2002 that the daily market was shifted from the said land and a commercial complex built on it and the board is deriving substantial income from it. Failure of the Department to invoke the condition in the alienation order and recover the land cost, resulted in non realisation of land cost of Rs.41.67 lakh.

After this was pointed out in January 2004, the Department stated in August 2004 that action has been initiated to collect the amount. Further reply has not been received (September 2005).

The matter was reported to the Government in May 2005; their reply has not been received (September 2005).

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<sup>33</sup> Egmore-Nungambakkam, Purasawakkam-Perambur and Tambaram.