

## CHAPTER-V - OTHER TAX RECEIPTS

### 5.1 Results of audit

Test check of records of concerned departmental offices, conducted in audit during the year 2003-04, disclosed short realisation or losses of revenue of Rs. 498.50 crore in 1,435 cases under the following broad categories:

| (Rupees in crore)                      |  |                 |               |
|--|--|-----------------|---------------|
| Sl.No                                  | Categories   | Number of cases | Amount        |
| <b>Stamp Duty and Registration Fee</b> |  |                 |               |
| 1                                      | Short levy of stamp duty and Registration fee due to under valuation of properties | 1,147           | 39.74         |
| 2                                      | Short levy due to misclassification of documents                                   | 114             | 187.59        |
| 3.                                     | Incorrect computation of lease period  | 48              | 1.09          |
| 4.                                     | Non levy of additional stamp duty  | 4               | 90.13         |
| 5.                                     | Non recovery of stamp duty   | 21              | 0.63          |
| 6.                                     | Other irregularities   | 8               | 0.01          |
| 7.                                     | Review on "Stamp duty"   | 1               | 173.66        |
| <b>Total:</b>                          |  | <b>1,343</b>    | <b>492.85</b> |
| <b>Land Revenue</b>                    |  |                 |               |
| 1.                                     | Non/short realisation of collection charges  | 47              | 3.19          |
| 2.                                     | Non-recovery of fees for supplying Kishan Bahis                                    | 8               | 0.30          |
| 3.                                     | Non/short realisation of land revenue  | 17              | 1.72          |
| 4.                                     | Other irregularities   | 20              | 0.44          |
| <b>Total:</b>                          |  | <b>92</b>       | <b>5.65</b>   |
| <b>Grand Total</b>                     |  | <b>1,435</b>    | <b>498.50</b> |

During the year 2003-04, the Department accepted under-assessment etc of Rs. 47.00 lakh in 80 cases of which Rs. 6.32 lakh has been recovered in 47 cases of land revenue.

A few illustrative cases and one review on "Stamp duty" involving Rs. 286.76 crore are given in the succeeding paragraphs:

### 5.2 Review on Stamp duty

#### Highlights

- Discrepancy of Rs 133.63 crore between figures of receipts and those shown in Finance Account and the department for the year 1993-94 to 2002-03 was noticed.
 

**(Paragraph 5.2.6)**
- The excess and short receipt of stamps from ISP Nasik to the tune of Rs. 390 crore and Rs. 807.90 crore respectively was not reconciled during 1993-2003
 

**(Paragraph 5.2.8)**
- Cross verification of stamp papers sold by treasuries with the value of stamp papers registered in registering offices showed that there was excess utilisation of stamp papers worth Rs. 404.68 crore in execution of documents in forty six districts and judicial stamps worth Rs. 48.17 crore in eighteen districts.
 

**(Paragraph 5.2.9)**

- There was loss of revenue of Rs. 19.03 crore to the state government due to procurement of insurance stamps from unauthorised agencies located in other states.

**(Paragraph 5.2.11)**

- Total lack of internal control facilitated excess usage of stamp papers over sales from treasuries.

**(Paragraph 5.2.14)**

## **Introduction**

**5.2.1** The Indian Stamp Act, 1899 read with Uttar Pradesh Stamp (UPS) Rules, 1942 and the notifications issued by Government from time to time provide for levy of stamp duty on various instruments specified in the schedule to the Act. The stamp duty is paid either using impressed stamps or affixing adhesive stamps of proper denominations, which are available in form of labels. The stamp duty may also be paid in cash to treasury under the provisions of the Act where the Collector is satisfied that there is temporary shortage of stamps or where stamps of required denomination are not available. Stamps are procured from India Security Press (ISP), Central Stamp Depot (CSD), Nasik by treasuries who sell them to vendors and individuals. Rajaswa Parishad (BOR) is the nodal authority for sending the annual forecast of indent and the quarterly requirement of stamps to ISP, Nasik. IGR who is also Upar Sachiv, Rajaswa Parishad is responsible for periodic inspection of treasuries and user departments. The overall responsibility of demand and supply management and control vests with BOR. For the purpose of procurement, eleven treasuries<sup>1</sup> have been designated as nodal treasuries who receive and transfer stamps to other treasuries as per their requirement besides selling locally. Kanpur treasury has been solely authorised for receiving and distributing stamps holding denomination of Rs. five thousand and above.

A flow-chart showing the entire process of indent, receipt and sale of stamps and stamped papers and collection of stamp duty in registration offices is given in Appendix-IX.

## **Organisational set up**

**5.2.2** The Inspector General of Registration (IGR)/Commissioner of Stamps/Joint Secretary, Board of Revenue (BOR) is the administrative head of Stamp and Registration Department. He is assisted by 15 Deputy Inspector General (DIG) of Registration/ Deputy Commissioner of Stamps at divisional level, 56 Assistant Inspector General (AIG) of Registration/Assistant Commissioner of Stamps, 70 District Stamp Officers/District Registrars (DR's) at district level and 461 Sub-Registrars (SR's) at Sub-district (Tehsil) level. The Collector through District Stamp Officers issues licenses for purchase and sale of stamps to vendors. The treasuries designated as depot for stocking and sale of stamps, functions under the control of Director of Treasuries. The detailed organizational chart alongwith functions are given in Appendix-X.

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<sup>1</sup> Allahabad, Agra, Bareilly, Faizabad, Gorakhpur, Jhansi, Kanpur, Lucknow, Meerut, Moradabad and Varanasi

**Scope of audit**

**5.2.3** The review was conducted between February 2004 and August 2004 covering the period from 1993-94 to 2002-03 during which records of stamps and registration department and treasuries of 28<sup>2</sup> districts were test checked. Statistical data were collected for ten years from 1993-94 to 2002-03 to assess the extent of variation between value of stamp papers sold by treasuries and those registered in the registration department. Data from Life Insurance Corporation of India ( LIC ) and Judicial Department were also obtained for the purpose.

**Audit objectives**

**5.2.4** In order to evaluate the efficiency of Department and effectiveness of system and procedure adopted by Department in indenting, sale and utilisation of stamps besides locating failure in internal control system, a review was conducted to:

- ascertain how the annual demand for stamps were assessed;
- ascertain whether adequate supply of stamp papers to/from treasuries was maintained;
- examine flaw in the system of assessment of requirement/indenting/accounting of stock, sale proceeds etc. that could enable detection of fraud, if any, and
- ascertain leakage of revenue under stamp duty.

**Trend of revenue**

**5.2.5** The position of budget estimates (BEs) and actuals under stamp duty during the years 1998-99 to 2002-2003 is given below:

| (Rupees in crore) |                  |          |           |                         |
|-------------------|------------------|----------|-----------|-------------------------|
| Year              | Budget Estimates | Actuals  | Shortfall | Percentage of shortfall |
| 1                 | 2                | 3        | 4         | 5                       |
| 1998-1999         | 1,350.00         | 1,031.78 | 318.22    | 23.57                   |
| 1999-2000         | 1,450.00         | 1,177.57 | 272.43    | 18.79                   |
| 2000-2001         | 1,472.42         | 1,269.75 | 202.67    | 13.77                   |
| 2001-2002         | 1,750.50         | 1,429.29 | 321.21    | 18.35                   |
| 2002-2003         | 2,084.04         | 2,078.68 | 5.36      | 0.26                    |

It would be seen from the above that the actual receipts against the BEs was less in all the years and the shortfall ranged between 23.57 and 0.26 *per cent*. Reasons for shortfall though called for has not been received. (November 2004).

**Discrepancies between departmental figures of receipts (actuals) and per Finance Account**

**5.2.6** As per information furnished by Department, revenue worth Rs. 10849.70 crore was realised during the year 1993-94 to 2002-03 whereas as per Finance Account revenue realised by Department was Rs. 10716.07 crore as detailed below:

<sup>2</sup> Agra, Aligarh, Azamgarh, Bareilly, Bijnore, Bagpat, Barabanki, Chittrakut Deoria Faizabad, Fatehpur, Ghaziabad, Ghazipur, Gorakhpur, G.B. Nagar, Hameerpur, Kanpur, Kannauj, Kheri, Lucknow Meerut, Mainpuri, Moradabad, Pratapgarh, Sonbhadra, Sant Kabir Nagar, Sitapur, Shahjahanpur

| (Rupees in crore) |                                    |   |   |
|-------------------|------------------------------------|---|---|
| Year              | Revenue realised as per department | Revenue realised as per Finance Account | Difference<br>Shortfall (-)<br>Excess (+) |
| 1993-94           | 521.62                             | 531.62                                  | (+) 10.00                                 |
| 1994-95           | 631.00                             | 631.54                                  | (+) 0.54                                  |
| 1995-96           | 751.82                             | 734.78                                  | (-) 17.04                                 |
| 1996-97           | 882.40                             | 875.06                                  | (-) 7.34                                  |
| 1997-98           | 972.70                             | 956.00                                  | (-) 16.70                                 |
| 1998-1999         | 1,074.61                           | 1,031.78                                | (-) 42.83                                 |
| 1999-2000         | 1,239.44                           | 1,177.57                                | (-) 61.87                                 |
| 2000-2001         | 1,264.01                           | 1,269.75                                | (+) 5.74                                  |
| 2001-2002         | 1,473.88                           | 1,429.29                                | (-) 44.59                                 |
| 2002-2003         | 2,038.22                           | 2,078.68                                | (+) 40.46                                 |
| <b>Total</b>      | <b>10,849.70</b>                   | <b>10716.07</b>                         | <b>(-) 133.63</b>                         |

Above table indicates that sales of Rs. 133.63 crore were either not accounted for in the Government Account or treasuries challans were actually not routed through the Bank. As such, possibility of short accounting of sale proceeds in Government Account cannot be ruled out.

**Unrealistic assessment and indenting of requirement and short supply of stamps**

**5.2.7** The Commissioner of Stamps has designated 11 nodal treasuries at division level in the state to assess requirement of various types of stamps and submit quarterly indents to the Commissioner of Stamps who in turn prepares consolidated indents and sends it to ISP for supply of stamps direct to these nodal treasuries. ISP supplies stamps with a denomination of Rs. five thousand and above only to Kanpur treasury which transfers them to other 10 nodal treasuries/points as per their requirement. Similarly each nodal treasury transfers stamps to all the treasuries in their division according to the requirements.

Under the provisions of UPS Rules, a consolidated annual forecast on the basis of forecasts received from treasuries will be forwarded by Joint Secretary, BOR to Controller of Stamps, Nasik by 15 June each year. All forecasts shall show in a separate column for each denomination of stamps, whether a supply is required or not, the actual issues during each of the preceding three years, the average annual consumption based on the issues of the preceding three years, balance in hand on 01 April each year, estimated issues for the current year and the forecast of stamps which the CSD will be required to supply during the ensuing year. Under the UPS Rules, quarterly indents based on consumption of last year should be sent to Joint Secretary, BOR by nodal treasuries in time.

It was noticed in audit that no annual forecast was prepared and sent to CSD by the BOR. The nodal treasuries had submitted quarterly indents in time but these were also found not based on the prescribed procedure. BOR did not supply indent figure prior to 2000-01 indicating that this vital document was not maintained. As can be seen from the table below the indents were not based on actual consumption of the preceding year. Moreover, BOR placed huge indents with ISP Nasik even though there was adequate stock available in the treasury making the whole exercise of indenting and supply futile.

The department accepted the lapse for not sending the forecast.

The figures of indents as per records of BOR and those figures in statement of indents and supply obtained from ISP did not reconciled as can be seen from the table below. This indicates that department did no reconciliation and there was no co-ordination between department and ISP in managing the demand and supply.

A comparison of copies of indents sent by Commissioner of Stamps and the indents shown by ISP in their statement with the supply position during the period from 1993-1994 to 2002-03 revealed that supply as compared to indent intimated by Commissioner varied from 26 to 48 *per cent* whereas comparison of supply with quantum of indent shown by ISP ranged from 10 to 94 *per cent* and comparison of supply with consumption of stamp papers ranged from 47 to 160 *per cent*.

(Rupees in crore)

| Year    | Indent as per ISP | Indent as per BOR | Difference between column 2 and 3 | Value of stamps supplied by ISP | Value of stamps used in state | Opening balance | Closing balance |
|---------|-------------------|-------------------|-----------------------------------|---------------------------------|-------------------------------|-----------------|-----------------|
| 1993-94 | N.A.              | N.A.              | -                                 | N.A.                            | 531.62                        | 742.86          | 576.88*         |
| 1994-95 | N.A.              | N.A.              | -                                 | N.A.                            | 631.54                        | 532.34*         | 370.14*         |
| 1995-96 | 5,304.34          | N.A.              | -                                 | 1,162.23                        | 734.78                        | 393.42*         | 970.01*         |
| 1996-97 | 5,227.24          | N.A.              | -                                 | 573.63                          | 875.06                        | 909.88*         | 953.45*         |
| 1997-98 | 4,553.09          | N.A.              | -                                 | 1,490.84                        | 956.00                        | 945.27*         | 1,620.12*       |
| 1998-99 | 2,345.70          | N.A.              | -                                 | 743.30                          | 1,031.78                      | 1,654.16*       | 1,681.23*       |
| 1999-00 | 1,762.94          | N.A.              | -                                 | 1,668.25                        | 1,177.57                      | 1,719.97*       | 2,387.17        |
| 2000-01 | 1,885.40          | 2,045.00          | (-)159.60                         | 602.49                          | 1,269.75                      | 2,387.17        | 2,003.78        |
| 2001-02 | 4,569.50          | 4,571.30          | (-) 1.80                          | 1,190.58                        | 1,429.29                      | 2,002.16        | 2,013.94        |
| 2002-03 | 7,049.64          | 6,916.63          | 133.01                            | 3,317.38                        | 2,078.68                      | 2,013.94        | 3,459.52        |

### Non-reconciliation of stamps with ISP

**5.2.8** Under the UPS Rules, nodal treasuries are required to send a copy of invoice duly acknowledged to ISP in support of the receipt of stamps within 15 days of the receipt. In case of any discrepancy officer in charge of the local depot shall enter the shortage in red ink on the invoice and shall attach a certificate noting therein the number and date of the invoice with full detail of the discrepancy before forwarding copy of the invoice to ISP. A test check of records in all the nodal treasuries revealed that there were wide variations between figures of supply of General Stamp Papers as intimated by ISP and figures of receipt of stamps shown at treasuries as detailed below: -

(Rupees in crore)

| Year    | Value of supply intimated by ISP | Actual receipt at nodal treasuries | Difference                            |
|---------|----------------------------------|------------------------------------|---------------------------------------|
| 1993-94 | Not available                    | 178.06                             |                                       |
| 1994-95 | Not available                    | 224.34                             |                                       |
| 1995-96 | 1,162.23                         | 765.81                             | (-)396.42                             |
| 1996-97 | 573.63                           | 668.06                             | (+) 94.43                             |
| 1997-98 | 1,490.84                         | 1,624.06                           | (+) 133.22                            |
| 1998-99 | 743.30                           | 860.81                             | (+) 117.51                            |
| 1999-00 | 1,668.25                         | 1,592.76                           | (-) 75.49                             |
| 2000-01 | 602.49                           | 647.33                             | (+) 44.84                             |
| 2001-02 | 1,190.58                         | 1,040.06                           | (-)150.52                             |
| 2002-03 | 3,317.38                         | 3,131.91                           | (-)185.47                             |
|         |                                  | <b>Total</b>                       | <b>(+) 390.00</b><br><b>(-)807.90</b> |

Scrutiny of records further revealed that the treasuries had submitted the copy of invoice in support of receipt of stamps after a delay ranging between 20 and

\* Difference in opening and closing balance is due to non availability of records and discrepancies in Plus and Minus memorandum.

700 days and in case of Allahabad treasury, acknowledgement pertaining to July 2001 has not been sent till date. This resulted in non-reconciliation of figures of Rs. 58 crore. As verified from the records supplied by ISP, treasuries reported no loss in transit to them for the year 2001-02 and 2002-03.

As is evident from the above table, excess or short receipt was never reported to ISP and no efforts were made to reconcile the difference. This resulted in excess and less receipts of stamps of Rs. 390 crore and Rs. 807.90 crore respectively.

After this was pointed out in audit, the Department accepted the observation and stated (October 2004) that Director of Treasury had been requested for reconciliation with ISP, Nasik. Further progress is awaited (November 2004).

#### **5.2.9 Excess uses of stamp papers over sale**

- **General stamp paper (Registered)**

As per UPS Rules, the sale position of stamp and stamped papers by treasuries was received by the IGR in form of Plus and Minus Memorandum. DRs / SRs provide an annual report on total value of stamp duty collected. But no reconciliation of the sale of the stamp papers with the sale of stamps used in the registration offices at the level of IGR was being done thereby detection of fake stamp papers could not be conducted. Cross verification of the value of stamp papers sold by treasuries in forty six districts with the value of stamped paper registered in registering offices revealed that there was excess uses of stamp papers of Rs. 404.68 crore over sale of stamp papers by the treasuries as detailed below. The treasury wise details are given in Appendix-XI.

| (Rupees in crore) |                    |                              |               |
|-------------------|--------------------|------------------------------|---------------|
| Year              | Sale from treasury | Usage in Registration Deptt. | Excess        |
| 1993-94           | 91.16              | 108.46                       | 17.30         |
| 1994-95           | 88.07              | 123.41                       | 35.34         |
| 1995-96           | 130.31             | 175.81                       | 45.50         |
| 1996-97           | 171.02             | 292.35                       | 121.33        |
| 1997-98           | 130.01             | 167.60                       | 37.59         |
| 1998-99           | 209.93             | 270.81                       | 60.88         |
| 1999-00           | 141.54             | 149.64                       | 8.10          |
| 2000-01           | 100.00             | 111.59                       | 11.59         |
| 2001-02           | 189.86             | 238.07                       | 48.21         |
| 2002-03           | 240.23             | 259.07                       | 18.84         |
| <b>Total</b>      | <b>1492.13</b>     | <b>1896.81</b>               | <b>404.68</b> |

Since the stamp paper sold is used for both registered and non-registered documents, the difference would further increase, if the value of unregistered documents also is taken into account. The use of take stamp papers could not be ruled out.

After this was pointed out in audit, the IGR stated that the mater will be investigated and results thereof will be intimated to audit.

- **General Stamp Paper (non – registered)**

Non-registered stamp papers are used in departments other than registration department. Scrutiny of records at P W Division, Basti revealed that stamp papers worth Rs. 3.19 lakh were used that were not traceable in vendors' sale register indicating that these stamp papers were purchased from sources other than treasury.

After this was pointed out in audit, the Department accepted the observation and stated (October 2004) that action was being taken. Further progress is awaited (November 2004).

• **Judicial Stamps**

In case of court fee stamps, Department of judicature is the sole user. During audit, consumption figures from District Courts of 42 districts were obtained. In eighteen districts<sup>3</sup> out of 42, it was found that usage of court fee stamps exceeded sales by Rs 48.17 crore during the year 1993-94 to 2002-03, as given below: -

| (Rupees in crore) |                  |                      |                                    |                                 |
|-------------------|------------------|----------------------|------------------------------------|---------------------------------|
| Year              | No. of districts | Sale from treasuries | Consumption in judicial department | Excess uses of court fee stamps |
| 1993-94           | 4                | 1.12                 | 11.39                              | 10.27                           |
| 1994-95           | 3                | 0.68                 | 2.08                               | 1.40                            |
| 1995-96           | 4                | 2.18                 | 3.72                               | 1.54                            |
| 1996-97           | 5                | 2.14                 | 15.58                              | 13.44                           |
| 1997-98           | 2                | 3.22                 | 3.44                               | 0.22                            |
| 1998-99           | 4                | 3.83                 | 15.00                              | 11.17                           |
| 1999-00           | 7                | 4.93                 | 7.34                               | 2.41                            |
| 2000-01           | 4                | 4.63                 | 7.81                               | 3.18                            |
| 2001-02           | 4                | 4.52                 | 6.53                               | 2.01                            |
| 2002-03           | 4                | 5.63                 | 8.16                               | 2.53                            |
| <b>Total</b>      | <b>41</b>        | <b>32.88</b>         | <b>81.05</b>                       | <b>48.17</b>                    |

The excess usage of court fee stamps over sale indicated, possible circulation of fake court fee stamps.

After this was pointed out in audit, the Department accepted the observation and stated (October 2004) that the figures of cash deposit was not intimated. As such excess use of stamps could not be ascertained. The reply is not tenable as Department did not intimate amount paid in cash.

• **Discrepancies in plus minus memoranda**

The plus minus memorandum is a consolidated monthly return showing therein the monthly transaction of stamps by way of sale/transfer and receipt at a treasury. During test check of plus minus memorandum of Chitrakoot, Raibareli and Lalitpur treasuries it was noticed that there was a difference in the closing balance and opening balance of the subsequent year whereas the closing balance becomes the opening balance of the next year. This resulted in short accounting of stock of stamps of Rs. 3.64 crore as detailed below.

| (Rupees in crore) |               |                |              |
|-------------------|---------------|----------------|--------------|
| Name of treasury  | C.B. / Year   | O.B. / Year    | Difference   |
| Chitrakut         | 4.61(2000-01) | 3.00 (2001-02) | -1.61        |
| Raibareli         | 3.86(1997-98) | 1.93(1998-99)  | -1.93        |
| Lalitpur          | 5.74(2000-01) | 5.64(2001-02)  | -0.10        |
| <b>Total</b>      |               |                | <b>-3.64</b> |

No reply in this regard was received from the Department.

**Loss of revenue due to inadequate security arrangements in transportation of stamps**

**5.2.10** Under the UPS Rules, consignment of non-postal stamps should ordinarily be sent uninsured by goods train. In case of emergency, however, stamps may be sent by passenger train. As per government order (August 1998), transportation of stamps was to be done by road from September 1998.

<sup>3</sup> Allahabad, Aligarh, Azamgarh, Agra, Ballia, Bulandshahar, Chitrakut, G.B.Nagar, Ghaziabad, Gorakhpur, Hardoi, Mathura, Mahoba, Meerut, Muzaffarnagar, Shahjehanpur, S.R.Nagar and Sultanpur



Further, the consignment becomes the property of the state as soon as ISP dispatches it. As such it is exclusive responsibility of the consignee to protect against any loss in transit.

During test check of records of eight treasuries<sup>4</sup> it was noticed that stamps/ stamp papers of Rs. 20.74 crore were lost in transit. The claim for compensation was rejected. The department did not treat the stamps at par with cash and transported the stamps packed in paper packet/gunny bags which provided easy opportunity for occurrence of losses by way of theft/pilferage/damage or short delivery as detailed below:

(Rupees in crore)

| Year             | GSP           | Revenue      | Court fee    | Share Transfer | Total         |
|------------------|---------------|--------------|--------------|----------------|---------------|
| 93-94            | 0.85          | 0.001        | 0.003        | -              | 0.854         |
| 94-95            | 0.41          | 0.001        | 0.10         | -              | 0.511         |
| 95-96            | 2.46          | -            | 0.11         | -              | 2.57          |
| 96-97            | 6.66          | 0.001        | 0.02         | -              | 6.681         |
| 97-98            | 2.75          | 0.15         | -            | -              | 2.90          |
| 98-99            | 3.94          | 0.45         | 0.76         | 0.32           | 5.47          |
| 99-00            | 1.32          | -            | -            | -              | 1.32          |
| 01-02            | 0.006         | -            | -            | -              | 0.006         |
| 02-03            | 0.43          | -            | -            | -              | 0.43          |
| <b>Total (A)</b> | <b>18.826</b> | <b>0.603</b> | <b>0.993</b> | <b>0.320</b>   | <b>20.742</b> |

The Department accepted the lapse and issued instructions to Director of Treasuries in October 2004 to intimate the action taken in this regard.

#### **Loss of Revenue due to purchase of insurance stamps from unauthorised agencies located outside the states**

**5.2.11** Under Article 268 of the constitution of India, insurance stamps are to be collected from agencies within the state. The Life Insurance Corporation of India informed that insurance stamps worth Rs. 19.03 crore from unauthorised agencies located in other states during 1994-95 to 2002-03 resulting in loss of revenue of Rs. 19.03 crore to state exchequer as per details given below:-

(Rupees in crore)

| Name of vendor          | 94-95       | 95-96       | 96-97       | 97-98       | 98-99       | 99-00       | 00-01       | 01-02       | 02-03       | Total        |
|-------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| GG Guddeti (Pune)       | -           | -           | -           | -           | 0.19        | 0.87        | 0.99        | -           | -           | 2.05         |
| PH Godiya, Pune         | -           | -           | -           | -           | -           | -           | -           | 0.07        | -           | 0.07         |
| NP Gore, Pune           | -           | -           | -           | -           | 0.10        | -           | -           | -           | 0.22        | 0.32         |
| Rajesh K Tatkar Pune    | -           | -           | -           | -           | 0.39        | 0.75        | 0.90        | 0.36        | -           | 2.40         |
| VS Upalker, Mumbai      | -           | -           | 0.10        | 0.87        | 0.79        | 1.16        | 2.36        | 0.32        | -           | 5.60         |
| Somal Enterprises, Pune | 0.12        | 0.03        | 0.10        | 0.61        | 0.60        | 0.31        | 0.06        | -           | -           | 1.83         |
| US Vallal, Sholapur     | 0.21        | 0.01        | -           | 0.20        | -           | -           | -           | 0.12        | -           | 0.54         |
| MA Phoolwale, Pune      | -           | -           | 0.25        | 0.55        | 0.23        | 0.07        | 0.10        | 0.04        | -           | 1.24         |
| Amol Enterprises, Pune  | 0.94        | 0.80        | 112         | -           | -           | -           | -           | -           | -           | 2.86         |
| Divl. Office, Meerut*   | -           | -           | -           | 0.35        | 0.43        | 0.39        | 0.71        | 0.24        | -           | 2.12         |
| <b>Total</b>            | <b>1.27</b> | <b>0.84</b> | <b>1.57</b> | <b>2.58</b> | <b>2.73</b> | <b>3.55</b> | <b>5.12</b> | <b>1.15</b> | <b>0.22</b> | <b>19.03</b> |

Further audit scrutiny revealed that in two cases sales did not match procurements of these vendors.

After this was pointed out in audit, the department accepted the observations and stated (October 2004) that necessary instructions have been issued to Insurance Companies to purchase the stamps within the state and to lodge FIR's against defaulters, further progress is awaited (November 2004).

<sup>4</sup> Allahabad, Agra, Bareilly, Gorakhpur, Kanpur, Moradabad, Meerut and Varanasi  
\* vendor wise details were not available

**Irregularities in vendor's sale register**

**5.2.12** Under UPS Rules a licensed vendor shall maintain a sale register in the prescribed form and record details of each transaction therein. He will also endorse on the back of stamp paper the serial number, the value of stamp in full in words, the name, parentage and address of the purchaser, nature and value of instrument or document for which the stamps were sold.

- A comparison of vendors' sale account with details endorsed on the back of stamp papers used in registration department revealed that against a particular serial number stamp papers of a lower denomination was shown to be sold. In a few cases details of stamp paper used in registration department were not traceable in vendor sale register. The same serial number of vendors sale register stamp paper were sold to more than one purchaser as detailed under:

| District      | Value of stamp papers not traceable in sales register | Value of stamp papers with the same sl. No. sold to more than one person | Value of stamp papers under stated in sales register | Total (Rupees)  |
|---------------|---|--|--|-----------------|
| Aligarh       | 8,920   | -  | -  | 8,920           |
| Varansi       | 37,250  | -  | -  | 37,250          |
| Moradabad     | 41,820  | -  | 68,700   | 1,10,520        |
| Bareilly      | 500   | -  | 1,700  | 2,200           |
| Lucknow       | 10,720  | -  | -  | 10,720          |
| Kanpur N.     | 1,400   | -  | 7,550  | 8,950           |
| Agra          | -   | 9,060  | -  | 9,060           |
| G.B. Nagar    | -   | 31,550   | 18,100   | 49,650          |
| Meerut        | -   | -  | 15,230   | 15,230          |
| Muzaffarnagar | -   | -  | 10,290   | 10,290          |
| Basti         | 3,18,721  | -  | -  | 3,18,721        |
| <b>Total</b>  | <b>4,19,331</b>                                       | <b>40,610</b>  | <b>1,21,570</b>                                      | <b>5,81,511</b> |

- All instruments chargeable with duty and executed by any person in India shall be stamped before or at the time of execution under section 17 of the Indian Stamp Act. Audit scrutiny revealed that stamp papers worth Rs. 19.83 lakhs were purchased after the date of execution/registration of the relevant deed, which indicates that they were, in fact, fakes as detailed below:

| S.R.                 | 1998-99  | 1999-00  | 2000-01   | 2001-02      | 2002-03     | Total (Rupees) |
|----------------------|----------|----------|-----------|--------------|-------------|----------------|
| S.R. II Aligarh      |          |          |           |              | (2)-8000    | (2)-8000       |
| S.R. II Bulandshahar |          |          |           |              | (4)-66700   | (4)-66700      |
| S.R. Hathras         | (1)-8900 | (2)-2420 |           | (2)-17280    | (1)-100     | (6)-28700      |
| S.R. Sikandrara      |          |          | (2)-13700 |              | (2)-46800   | (4)-59500      |
| S.R. Budaun          |          |          | (1)-5360  | (8)-52600    | (6)-19040   | (15)-77000     |
| S.R. I Noida         |          |          |           | (3)-65270    | (4)-99500   | (7)-164770     |
| S.R. II Noida        |          |          |           | (6)-548650   | (8)-369310  | (14)-917960    |
| S.R. III Noida       |          |          | (1)-16650 | (20)-509780  |             | (21)-526430    |
| S.R. Dadri           |          |          | (1)-600   | (8)-118223   |             | (9)-118830     |
| S.R. Faizabad        |          |          |           |              | (1)-15000   | (1)-15000      |
| S.R. Unnao           |          | (1)-100  |           |              |             | (1)-100        |
| <b>Total</b>         | (1)-8900 | (3)-2520 | (5)-36310 | (47)-1311810 | (29)-623550 | (85)-1983090   |

Note : - Figures in ( ) denote number of documents involved.

- Under UPS Rules, licensed vendors shall be allowed to sell court fee stamps or non-judicial stamps not exceeding the aggregate value of Rs

15000 for one document or instrument as the case may be, and to an individual member of the public. Audit found cases of violation in the Bareilly district where fourteen vendors sold stamp papers worth Rs. 1,28,720 (Rs. 3,38,720-Rs. 2,10,000) in excess of limit were involved in such irregularity as given below:

| Year         | Number of cases | Stamp paper sold in each case | Limit prescribed (case x Rs.15000) | Excess (Rupees) |
|--------------|-----------------|-------------------------------|------------------------------------|-----------------|
| 1998-99      | 2               | 44,000                        | 30,000                             | 14,000          |
| 1999-00      | 1               | 17,000                        | 15,000                             | 2,000           |
| 2000-01      | 1               | 17,000                        | 15,000                             | 2,000           |
| 2001-02      | 2               | 33,100                        | 30,000                             | 3,100           |
| 2002-03      | 8               | 2,27,620                      | 1,20,000                           | 1,07,620        |
| <b>Total</b> | <b>14</b>       | <b>3,38,720</b>               | <b>2,10,000</b>                    | <b>1,28,720</b> |

After this was pointed out in audit, the Department accepted the observations and stated (October 2004) that instructions has been issued to DSOs for settlement of irregularities. Further progress is awaited (November 2004).

### **Procedural Deficiencies**

**5.2.13** Cross checking of records of registration department and stock account of vendors available in the office of DSO, following procedural irregularities were noticed.

As per provisions of rule 178 of U. P. Stamp Rules, 1942 every vendor shall endorse on the back of each impressed sheet sold by him to public in English, Hindi or Urdu character, the serial no., the value of stamp in full (in words), the name, parentage and residence of the purchaser, the nature and value of the instrument or document for which the stamp is sold. Audit found that these instructions were not strictly followed by the vendors prior to the year 2002-03.

Under rule 179 in cases of sale of stamps holding denomination of Rs. 5 or more, signature of the purchaser in column 5 of sale register must be obtained. Audit found that prior to the year 2002-03, the vendors did not take signatures of purchaser.

Sale registers of vendors should have been deposited at the DSO office at the close of each year regularly. But this was not done prior to 2002-03. Serial numbers were not provided on stamp papers on denominations of Rs.5000 and below by the treasury and DSO did not take notice of it. Though there is no provision in the rule for this the treasuries are now doing the numbering manually. If this had been done earlier, it would have facilitated tracing of the fake stamp papers.

### **Lack of Internal Control**

**5.2.14** Control over indenting, procurement, sale and usage of stamps is exercised at three levels; collector's level, DSO's level and IGR's level.

- During test check in 28 districts it was found that no inspections of the various record rooms of the district were carried out by the DSOs. No records of inspection were maintained by these DSOs.
- Under Rule 327 of ISR, IGR through his subordinate officers was required to make periodical inspection of user departments, stamp vendors and treasuries. It was found in audit that no inspection was carried out from 1993-94 to 2002-03 in any of the districts test checked.

No internal audit wing exists in stamps and registration department indicating that this vital aspect of internal control mechanism.

At the instance of State Government in July 2002, Commissioner of stamps organised a Task Force in March 2003 to examine the use of fake and forged stamp paper in various user departments. The findings of the task force revealed that fake stamp papers worth Rs 6.13 Crore were used in many user departments. The task force consisted of the authorities responsible for inspection of the stamps as their regular duty. Had the officers inspected the user departments as part of their regular duty, use of forged stamps would have been detected much earlier.

### **Recommendations**

**5.2.15** In order to eliminate the irregularities/deficiencies as pointed out above, the State Government may consider taking following measures.

- There should be proper and realistic assessment of requirement of stamps and placement of indent to ISP, Nasik in time.
- Close monitoring of indenting and receipt of stamps must be ensured in order to avoid any short receipt, detect loss of stamps and its reporting thereof to ISP, Nasik and police authorities.
- Effective reconciliation mechanism should be devised to point out excess usage of stamps over sales at the district level to detect usage of fake stamps at an early stage.
- Appropriate security arrangements should be ensured while transporting stamps from ISP, Nasik.
- Inspection wing should be strengthened in order to have an effective check on the records of treasuries and the stamp paper users.
- Steps should be taken to stop purchase of insurance stamp by LIC authorities from outside the state.

### **5.3 Short levy of stamp duty due to under valuation of property**

Under the Indian Stamp (IS) Act, 1899 (as amended in its application to Uttar Pradesh), stamp duty on a deed of conveyance is chargeable either on the market value of the property or on the value of consideration set forth therein, whichever is higher. As per Uttar Pradesh Stamp (Valuation of Property), Rules 1997 (UPS-VOP), market rates of various categories of land/property situated in a district are to be fixed biennially by the Collector concerned for the guidance of the Registering Authorities.

Audit of 49 Sub-Registrar Offices (SROs),<sup>▼</sup> conducted between July 2002 and April 2004 revealed that 1,031 deeds of conveyance relating to non-agricultural land/property were registered between April 1998 and March 2003 for a consideration of Rs. 39.52 crore at rates as shown in documents

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▼ S.R., Firojabad, Talbehat (Lalitpur), Amroha, Bagpat, Akbarpur (Ambedkar Nagar), Jhansi., SR Sadar Allahabad, SR-I, II, III, IV Kanpur Nagar, SR-I, II, III Aligarh, SR-III, IV Lucknow, SR Azamgarh, SR-I, II, Buland Shahar, SR-I, II Gorakhpur, SR-III,IV Ghaziabad, SR-I,III Saharanpur, SR Grater Noida, SR Sultanpur, SR Badohi- SRD Nagar, SR Deoria, SR Jaunpur, SR-I,II Barailly, SR-I,II Varanasi, SR-I,II Mathura, SR-I,II Meerut, SR-I,II M. Nagar, SR Rampur, SR Badaun, SR-I,II,III Noida, SR Raibareli, SR Faizabad, SR Mirzapur and SR Pratapgarh.

instead of at Rs 238.54 crore at non-agricultural/commercial rates fixed by the Collector. This resulted in short levy of stamp duty and registration fee of Rs. 19.76 crore. A few illustrative cases are given in Appendix-XII.

#### 5.4 Incorrect computation of lease period

Under the Indian Stamp Act, the stamp duty on a lease or on an agreement to lease is chargeable at the same rates. While computing the period of lease, the expressed period of lease and period of agreement to lease is to be clubbed for the purpose of levy of stamp duty. Further where the lease purporting to be for a term exceeding 30 years or in perpetuity or not purporting to be for any definite term, the same duty as a conveyance for consideration equal to the market value of the property which is the subject of the lease is leviable.

- During test check of records of 19 SRs<sup>∨</sup> between July 2002 and April 2004 it was noticed that 33 lease deeds were registered during the years 1998-99 to 2002-03 in favour of certain individuals/institutions but the registering authorities had failed either to add the expressed extension period of lease while computing the total period of lease and/or did work out the consideration taking into account the total area covered under the leases as per the provisions of the Act. This has resulted in short levy of stamp duty and registration fees of Rs. 63.75 lakh. A few illustrative cases are given in the following table:

| Unit                | Document No. Year    | Area Location                         | Consideration set forth in document (in Rupees) | Market value as per rate list (in Rupees) | Stamp Duty/Reg. Fee           |                          | Total Short levy (Rupees in lakh) |
|---------------------|----------------------|---------------------------------------|---|---|-------------------------------|--------------------------|-----------------------------------|
|                     |                      |                                       |   |   | Leviable (in Rupees)          | Levied (in Rupees)       |                                   |
| SR Sultanpur        | <u>586</u><br>2002   | 1,036 Sqr Fit Jaishingh Pur Sultanpur | 44,000  | 6,02,71,000                               | <u>48,21,68</u><br>0<br>5,000 | <u>3,520</u><br>880      | 48.22                             |
| SR-III Kanpur Nagar | <u>6,047</u><br>1999 | 1,731 Sqr Fit Latoosh Road Kanpur     | 1,00,000  | 29,85,000                                 | <u>2,98,500</u><br>5,000      | <u>10,000</u><br>5,000   | 2.89                              |
| SR-II Meerut        | <u>3,309</u><br>2001 | 2,500 Sqr Fit Sotiganj Meerut         | 15,00,000                                       | 37,50,000                                 | <u>3,75,000</u><br>5,000      | <u>1,50,000</u><br>5,000 | 2.25                              |

- Test check of records of nine SRs,<sup>∧</sup> conducted between July 2002 and March 2003 revealed that in 15 lease deeds executed between 2000-01 and 2002-03, extension period of agreement to lease was not clubbed with the original period of lease while computing the total period of leases for the purpose of levy of stamp duty as on a conveyance. Incorrect application/non-observance of the provision of the Act, as above, resulted in short levy of stamp duty and registration fees of Rs. 45.48 lakh. A few illustrative cases are given in the table.

<sup>∨</sup> SR Sadar Allahabad, SR-I,III Kanpur Nagar, SR-I,III Aligarh, SR-IV Lucknow, SR-I, Buland Shahar, SR-III Ghaziabad, SR-III Noida, SR Deoria, SR Sultanpur, SR Badohi (SRD Nagar), SR-I,III Saharanpur, SR-I,II Meerut, SR-I,II M Nagar and SR Faizabad.

<sup>∧</sup> SR Sadar Allahabad, SR-I,III Kanpur, SR-III Aligarh, SR-IV Lucknow, SR-I Buland Shahar, SR-III Ghaziabad, SR-I,III Saharanpur.

*Audit Report (Revenue Receipts) for the year ended 31 March 2004*

| Unit                 | Document No./Year | Area Location   | Consideration set forth in document (in Rupees) | Market value as per rate list (in Rupees) | Stamp Duty/Reg. Fee  |                    | Total Short levy (Rupees in lakh) |
|----------------------|-------------------|---|---|---|----------------------|--------------------|-----------------------------------|
|                      |                   |   |   |   | leviable (in Rupees) | levied (in Rupees) |                                   |
| SR. Sadar, Allahabad | 1,866<br>2003     | 522.76 SqMTR Gulati Buildings Chauk, Alld.              | 15,40,000                                       | 1,41,15,000                               | 14,11,500<br>5,000   | 1,54,000<br>3,080  | 12.59                             |
| SR-III, Ghaziabad    | 4,000<br>2002     | 1264.16 SqMTR Mohalla-Baunjua                           | 21,62,000                                       | 75,85,000                                 | 7,58,500<br>5,000    | 2,16,200<br>5,000  | 5.42                              |
| SR-I, Saharanpur     | 2,912<br>2001     | 1.3161 Hect. or 13161 SqMTR Mauja Dara Ali Swad Bairoon | 9,000   | 59,23,000                                 | 5,92,300<br>5,000    | 900<br>100         | 5.96                              |

**5.5 Non levy of additional stamp duty**

Under Uttar Pradesh Urban Planning and Development Act, 1973 read with UPS-VOP, development charges at the rate of two percent was leviable in the form of additional stamp duty over and above the stamp duty imposed by the Indian Stamp Act on any deed of transfer of immovable property situated within the area of any development authority on the amount of value of consideration with reference to which the duty is calculated.

During test check of records of three Sub-Registrars at NOIDA and one at Greater NOIDA, it was noticed that additional stamp duty was not levied on the deeds of transfer of immovable property situated in the development areas of NOIDA and Greater NOIDA executed between April 1998 and March 2003 except in revenue villages-Hasanpur, Bhanpur, Mohiuddinpur Kanwasi, Chhajarssi and Makanpur. This resulted in non levy of additional stamp duty of Rs. 90.13 crore as detailed below:

(Rupees. in crore)

| Sl. No.      | Name of the unit             | Years/Amount of non-levy |              |              |              |              | Total        |
|--------------|------------------------------|--------------------------|--------------|--------------|--------------|--------------|--------------|
|              |                              | 1998-99                  | 1999-00      | 2000-01      | 2001-02      | 2002-03      |              |
| 1            | Sub-Registrar-I, NOIDA       | 3.40                     | 5.28         | 3.27         | 5.18         | 11.91        | 29.04        |
| 2            | Sub-Registrar-II, NOIDA      | 2.49                     | 3.32         | 2.83         | 4.13         | 7.21         | 19.98        |
| 3            | Sub-Registrar-III, NOIDA     | 1.68                     | 1.28         | 4.72         | 4.48         | 7.22         | 19.38        |
| 4            | Sub-Registrar, Greater NOIDA | 2.57                     | 2.00         | 3.59         | 7.42         | 6.15         | 21.73        |
| <b>Total</b> |                              | <b>10.14</b>             | <b>11.88</b> | <b>14.41</b> | <b>21.21</b> | <b>32.49</b> | <b>90.13</b> |

After this was pointed out in audit, the SRs stated that no instruction has been received from the Collector/Government for levy/realization of two percent additional development duty. The reply is not tenable as the orders are still in force. Final reply has not been received.

**5.6 Short levy of stamp duty due to misclassification of documents**

Under the provisions of the Indian Stamp Act, 1899 the stamp duty on an instrument depends upon the real nature or substance of the transaction recorded in the instruments and not on any title, description or nomenclature given to it by the parties which execute the instrument. Under Section 156 of U.P. Zamindari Abolition and Land Reforms Act, 1950, unrestricted transfer

of Bhumidhari (Ownership of land) right by way of lease is not permissible. Further Article 23 of schedule 1-B of Indian Stamp Act provides that stamp duty shall be charged on documents relating to transfer of property right as "Conveyance".

- Audit of four SROs,<sup>♥</sup> conducted between March '2002 and November '2003, revealed that four lease deeds were registered for consideration of Rs. 7.13 lakh for a period of 30 years or less with levy of stamp duty/registration fees of Rs. 0.78 lakh. But the recital of deeds, however, show that ownership rights were transferred to the leasees. This attracts chargeability of stamp duty and registration fees under Article 23 of Schedule 1 B of the Act, which works out to Rs. 6.68 lakh. Thus mis-classification of instruments resulted in short-levy of stamp duty and registration fees amounting to Rs. 5.90 lakh.
- In audit of records of 25 SRs<sup>◇</sup> between July 2002 and March 2003 it was noticed that 25 deeds of conveyance of Bhumidhari land during the years 1998-99 to 2002-03 were registered as 'lease'. Misclassification of the documents resulted in short levy of stamp duty and registration fee of Rs. 1.73 crore. A few illustrative cases are given in Appendix-XIII.

The foregoing observations were reported to the Department and Government in June and August 2004; their replies have not been received (November 2004).

## LAND REVENUE

### 5.7 Non-recovery of collection charges

As per Uttar Pradesh Public Money (Recovery of dues) Act, 1972 and Government order's issued from time to time, the Revenue Authority on receipt of certificates of recovery from a corporation, banking company or local body, shall proceed to recover the amount stated therein, together with the cost of proceeding (collection charges) as arrears of land revenue. Collection charges at the rate of 10 percent of the due collected/to be collected are to be realized from the concerned units / bodies. In case the Requisitioning Authority withdraws the recovery certificate or the amount due is deposited directly by the defaulter, even then the collection charges are recoverable from the Requisitioning Authority.

Audit of the office of two Tehsils (Akbarpur District Kanpur Dehat and Hasanpur District J.P. Nagar), conducted in December '2002 revealed that in six cases the amount of Rs. 2.64 lakh as shown in the recovery certificate was collected by the Revenue Authorities and deposited with the Requisitioning authorities. In two cases the defaulters directly deposited the amount of Rs. 0.42 lakh with Requisitioning Authorities and in three cases recovery

<sup>♥</sup> S.R., Bakshi-Ka-Talab, Lucknow, S.R.-II, Agra, S.R., Alapur (Ambedkar Nagar), S.R.-III, Agra.

<sup>◇</sup> SR Sadar, Allahabad, SR-I,III Kanput Nagar, SR-I, III Aligarh, SR-III, IV Gorakhpur, SR Jaunpur, SR-III, IV Ghaziabad, SR-I,III Saharanpur, SR Bhadohi- SRD Nagar, SR Sultanpur, SR Raibareli, SR-I Mathura, SR-I Muzaffarnagar, SR Faizabad, SR Partapgarh, SR Firozabad, SR-I Varanasi, SR-III, IV Lucknow and SR-I, II Bulandshahar.

certificate for the amount of Rs. 320.45 lakh were returned to the concerned bodies on their own request. But, the collection charges of Rs. 32.35 lakh were not realized by the Department in these above cases.

The Matter was reported to the Department and Government (between June' 2003 and August ' 2004); their replies have not been received. (November '2004).