

**CHAPTER IV**  
**OTHER TAX RECEIPTS**

**4.1 Results of audit**

Test check of the records of the departmental offices during the period from April 2008 to March 2009 indicated non/short collection of tax, fees, penalty, licence fees, etc., and other audit observations amounting to Rs. 1,029.36 crore in 491 cases as mentioned below:

(Rupees in crore)

Sl. no.	Categories	No. of cases	Amount
<b>A</b>	<b>Entertainments Tax</b>		
1.	Assessment and levy of entertainments tax (A review)	1	142.92
2.	Incorrect grant of exemption	2	0.12
<b>Sub total</b>		<b>3</b>	<b>143.04</b>
<b>B</b>	<b>Land Revenue</b>		
1.	Short recovery of value and rent in respect of land assigned	81	192.04
2.	Non-levy of building licence fees	67	0.99
3.	Others	214	685.91
<b>Sub total</b>		<b>362</b>	<b>878.94</b>
<b>C</b>	<b>Taxes on Vehicles</b>		
1.	Non/short collection of penalty	14	3.24
2.	Non/short collection of tax	67	1.92
3.	Non/short collection of fees	19	0.29
4.	Others	26	1.93
<b>Sub total</b>		<b>126</b>	<b>7.38</b>
<b>Total</b>		<b>491</b>	<b>1,029.36</b>

During the year 2008-09, the concerned departments accepted and collected underassessments, non/short collection of tax, fees, penalty etc., amounting to Rs. 4.32 crore in 124 cases, which were pointed out in earlier years.

After the issue of two draft paragraphs, the Revenue Department recovered Rs. 24.24 lakh during the year 2008-09.

A review on “Assessment and levy of entertainments tax” involving Rs. 142.92 crore and few illustrative audit observations involving Rs. 0.58 crore are discussed in the succeeding paragraphs.

## A - ENTERTAINMENTS TAX

### 4.2 Assessment and levy of entertainments tax

#### Highlights

- Revenue of Rs. 141.74 crore was not realised by the department on account of non-registration of cable television operators during the years 2003-04 to 2007-08.

(Paragraph 4.2.7.1)

- Failure of the department to register and bring to tax net the amusements providers resulted in non-levy of tax of Rs. 14.15 lakh.

(Paragraph 4.2.7.3)

- Absence of system to enable cross verification of records resulted in short levy of tax of Rs. 24.90 lakh.

(Paragraph 4.2.8)

- There was excess assignment of funds to local bodies to the tune of Rs. 61.33 lakh.

(Paragraph 4.2.13)

#### 4.2.1 Introduction

The assessment, levy and collection of entertainments tax in Tamil Nadu is governed by the Tamil Nadu Entertainments Tax Act, 1939 (TNET Act) and the rules made thereunder, as amended from time to time. Under the TNET Act, tax is leviable on each payment for admission to any cinematograph exhibition in theatres, exhibition of cinematograph film on television screens, television exhibition through cable net work, payment for admission to amusement in amusement arcade or amusement park or theme park and on each payment to the recreation parlour. The tax on television exhibition through cable net work was under the control of local bodies upto June 2003; thereafter it was taken over by the State Government.

**A review of the system of assessment and levy of entertainments tax was conducted by audit. The system and compliance deficiencies observed during the course of the review are discussed in the subsequent paragraphs.**

#### 4.2.2 Organisational set up

The overall control of the department vests with the Secretary to Government, Commercial Taxes and Registration department. The Commissioner of Commercial Taxes (CCT) is the Head of the department. The CCT is assisted by 40 Deputy Commissioners and 317 Commercial Tax Officers (designated as Entertainments Tax Officers) in the discharge of duties relating to assessment, levy and collection of entertainments tax.

### **4.2.3 Audit objectives**

The review was conducted with a view to ascertain the

- efficiency and effectiveness of the existing system regarding the registration of dealers and the assessment and levy of tax;
- correctness of the exemption granted under the Act; and
- adequacy and effectiveness of the internal control system.

### **4.2.4 Scope of audit**

The review was conducted from June 2008 to April 2009 and the records relating to the period 2003-04 to 2007-08 were test checked in 108 out of 317 assessment circles. It was ensured that the sample selected was representative geographically, covered the top revenue earning units and the areas with concentration of amusement and entertainment providers. The assignment of revenue/compensation to the local bodies was checked in 22 out of 40 territorial Deputy Commissioner's offices. Besides, the files maintained in the Secretariat and in the Office of the CCT were also scrutinised.

### **4.2.5 Acknowledgment**

The Indian Audit and Accounts Department acknowledges the cooperation of the CT department in providing necessary information and records for audit. An entry conference was held on 21 May 2008 with the Joint Commissioner of Commercial Taxes in which the scope and methodology of audit was explained. The review report was forwarded to the Government in June 2009 and was discussed in the exit conference held in November 2009. The exit conference was attended by the Commissioner of Commercial Taxes. Response of the department to the audit observations furnished during the exit conference and at other points of time has been appropriately incorporated in the respective paragraphs.

### **Audit findings**

#### **4.2.6 Trend of revenue**

As per the budget manual, whenever the budget is prepared, the aim is to achieve as close an approximation to the actuals as possible. The details regarding the budget estimates (BE) prepared for entertainments tax and the basis for framing the same were not furnished (January 2010) despite being requested for (September 2009). Hence, the method of the preparation of BE and achievement of the targets could not be analysed in audit. Analysis of the total tax revenue raised by the State and the revenue realised under the TNET Act for the last five years is given below.

Year	Tax revenue (Rupees in crore)	Entertainments tax receipts (Rupees in crore)	Percentage of entertainments tax receipts to tax revenue	Percentage of increase/decrease (-) of entertainments tax over previous year
2003-04	15,944.97	106.97	0.67	(-) 31
2004-05	19,357.04	61.06	0.32	(-) 43
2005-06	23,326.03	12.58	0.05	(-) 79
2006-07	27,771.15	40.37	0.12	221
2007-08	29,619.10	9.09	0.03	(-) 77
<b>Total</b>	<b>1,16,018.29</b>	<b>230.07</b>	<b>0.20</b>	

Thus, the entertainments tax revenue, which was Rs. 106.97 crore in 2003-04, had sharply fallen to Rs. 9.09 crore in 2007-08 registering a decline of 92 per cent during the five year period. The share of entertainments tax receipts in the total tax revenue has fallen from 0.67 per cent in 2003-04 to 0.03 per cent in 2007-08. The reasons for the decrease in entertainments tax revenue, though called for from the department, have not been received (January 2010).

### System deficiencies

#### 4.2.7 Inadequate provision in the Act to detect unregistered entertainment provider

Section 12-A of the TNET Act empowers the officer authorised by the State Government to inspect the places of entertainment, if he has reasonable ground to suspect that any contravention of the provision of this Act or the rules made thereunder has been committed. **The Act, however, does not provide for conducting street survey or the like to bring into tax net the unregistered entertainment providers**, which has resulted in non realisation of revenue as detailed below:

##### 4.2.7.1 Registration of cable television operators

The Government took over the functions of levy and collection of tax on the cable television network from the local bodies with effect from 1 June 2003. The Government anticipated a revenue of Rs. 150 crore over the period of five years from 2003-04 to 2007-08. The revenue earned by the department was, however, only Rs. 24.38 crore for the same period.

Under the Cable Television Network (Regulation) Act, 1995 and the rules made thereunder, the cable television operators are required to register themselves with the Department of Posts and obtain a certificate for conducting their business. Rule 21-B of the TNET Rules stipulates that the proprietor of every place from where television exhibition is provided shall, within 30 days from the date of commencement of such television exhibition, submit to the entertainments tax officer, an application for registration.

Audit noticed that no street survey or cross verification was done by the department to ensure registration of all cable television operators. The information regarding the number of cable television operators in Tamil Nadu during the years 2003-04 to 2007-08 as obtained by audit from the Department of Posts and the number registered with the CT department during the said period are mentioned in the following table:

(Rupees in crore)

Year	Number of cable television operators registered with		Number of cable television operators omitted to be brought to tax net	Revenue not collected
	Department of Posts	CT department		
2003-04	14,591	3,203	11,388	27.97
2004-05	14,457	3,405	11,052	27.15
2005-06	14,518	3,398	11,120	27.32
2006-07	14,476	3,210	11,126	27.68
2007-08	15,821	2,948	12,873	31.62
	<b>Total</b>			<b>141.74</b>

The table indicates that 12,873 operators had not got themselves registered with the CT department and consequently had not paid the requisite tax. **The department made no effort to obtain the list of cable television operators from the Department of Posts and bring all of them under the tax net. The failure of the CT department resulted in non-realisation of revenue of Rs. 141.74 crore.**

The Government, to whom the matter was reported, stated in November 2009 that most of the cable operators registered with the Department of Posts had obtained sub leases from major cable operators and were not individual service providers. It added that even if any demand is raised in future, it would not serve any purpose as tax on cable television exhibition had been exempted with effect from 1 April 2008 and the arrears outstanding as on 31 March 2008 had also been waived.

The public interest served by foregoing revenue by exempting the cable television operators from tax and waiving the arrears payable were not on record. Cable television operations are taxed in all the major States like Andhra Pradesh, Gujarat, Kerala, Madhya Pradesh, Maharashtra and Orissa. The present action of the Government, besides conferring financial benefit to the cable television operators, is also fraught with the risk that such operators will not even register themselves with the Government and, consequently, it would not be able to exercise any oversight on their operations including the content provided. Further, the reply that the sub-lessees are not liable to pay tax is not tenable as they provide individual connections to the place of the customers and TNET Act and the rules stipulate that the proprietor of every place from where television exhibition is provided shall get himself registered and pay tax. In fact, the annual revenue of Rs. 30 crore anticipated by the Government had been worked out on the basis of 13,043 cable television operators who were in existence as on 31 May 2003.

#### **4.2.7.2 Levy of tax in respect of games provided in clubs**

Section 4-G of the TNET Act provides for levy of tax in respect of games provided in recreation parlours. The term “recreation parlour” has been defined to mean any place where games such as bowling, billiards, snooker, etc. are provided for which persons are required to make payment for admission or participation.

It was ascertained through media and internet websites that a number of clubs provide the facilities of games like billiards, snooker, etc to the members as well as the guests of the clubs. The information gathered from the web sites was cross verified with the details of accounts of seven clubs obtained from the Registrar of Companies and Registrar of Societies. Scrutiny of records in the CT department indicates that these **clubs are not registered with the department and hence levy of tax in respect of the games provided in the clubs is not being made.** The department had also not taken steps to levy and collect tax from these clubs after getting them registered under the TNET Act.

**The Government may take steps for registration of the clubs so as to bring them under the ambit of the TNET Act and facilitate the levy of entertainments tax on games provided in clubs.**

#### **4.2.7.3 Levy of tax on amusements provided in trade fairs**

The Tamil Nadu Tourism Development Corporation (TTDC) has been providing amusement through private operators at the Trade Fairs conducted by them and also at the Ooty Boat House. The TTDC has earned an income of Rs. 97.71 lakh through award of monopoly rights to private operators for conducting amusement operations at India Tourist and Industrial Fair for the financial years 2004-05 to 2007-08. Similarly, the earnings through amusement operations organised through private operator at Boat House were Rs. 43.84 lakh for the years 2004-05 to 2007-08. Audit noticed that these private operators had not obtained registration in their respective assessment circles and consequently, tax was not paid on the amounts collected by them for admission to the amusement. **The department had also not taken steps to levy and collect tax from these operators in respect of the amusements provided by them after getting them registered under the TNET Act. The failure of the department had resulted in non levy of tax of Rs. 14.15 lakh.**

After this was pointed out, the Government stated in November 2009 that there were no provisions in the existent Act to levy tax on the amusements provided in trade fairs and exhibition grounds which were on small scale. The reply is untenable as the TNET Act provides that all amusement providers should register themselves and pay tax.

#### **4.2.8 Absence of system to enable cross verification of records**

Under Section 4 of the TNET Act, entertainments tax is leviable at the rate of fifteen *per cent* of the gross payment for admission inclusive of the amount of the tax for new films in respect of the theatres situated within the limits of the areas of the municipal corporations. **The Act does not specifically provide for cross verification of departmental records with the records of other departments** to ensure the correctness of the theatre collections furnished by

the proprietors of cinema theatres to the CT department for the purpose of payment of entertainments tax.

Audit cross checked the gross collections reported by theatre proprietors for payment of entertainments tax to the CT department with the details of theatre collections reported by the proprietors in their income tax returns. The verification indicated that the proprietors of six theatres in Ayanavaram and Triplicane I assessment circles had reported theatre collection of Rs. 22.24 crore in the income tax return during the years 2004-05 to 2006-07. However, the collection reported by the proprietors in the weekly returns to the entertainments tax officers during the said period was Rs. 20.58 crore. This resulted in underreporting of gross collection of Rs. 1.66 crore involving a tax of Rs. 24.90 lakh.

**The Government may consider providing a suitable monitoring system to identify the unauthorised cable television operators, amusement/entertainment providers through survey and coordination with Department of Posts and other agencies to bring them under the tax net.**

The Government stated in November 2009 that in order to eliminate the lack of provisions in the Act, necessary proposals shall be considered for introduction of provisions for conduct of street survey, etc. to bring the unregistered entities into the net of taxation.

#### **4.2.9 Scheme of grant of exemption to tamil films that carry titles in tamil**

Section 4 of the TNET Act provides for levy and collection of entertainments tax on each payment for admission to any cinematographic film in the theatres at the prescribed rates.

With a view to encourage the usage of tamil in film titles and as a measure of offering incentives to the tamil film industry, new films that carry tamil titles were granted total exemption from levy of tax by the Government in July 2006. With effect from November 2006, the exemption was extended to old films also. The exemption could be availed of after obtaining a certificate from the CCT that the title of the film was in tamil. A committee consisting of three members was constituted in August 2007 to review the applications for grant of exemption. Based on the recommendations of the committee, the CCT was empowered to grant sanction for exemption from levy of entertainments tax. **Audit noticed that on the basis of the application filed by the producers, the proprietors of theatres continue to avail of the benefit of exemption.**

**4.2.9.1** Test check of the records in 45 assessment circles<sup>34</sup> indicated that producers whose films were screened by the proprietors of 109 theatres

<sup>34</sup> Alandur, Arisipalayam, Ayanavaram, Avinashi Road, Bodinayakanur, Big Bazaar , Chapauk, Chidambaram-I, Chengalpet, Chintadripet, Dindigul-II & V, Gandhipuram, Kodaikanal, Koyambedu, Kilpauk, Loansquare-I, Mettupalayam, MTP Road, N.H. Road, Ooty (South) & (North), Palayamkottai, Perur, Pollachi (West), Porur, Ramnagar, Rasipuram, R.S. Puram (East), Saidapet, Salem (Rural), Salem (Town)(North), Saligramam, Singanallur, Tambaram-I, Tenkasi, Theni I & II, Tirunelveli (Bazaar) & (Town), Tiruvanmiyur, Triplicane-I, Vaniyambadi & West Veli Street Circle, Madurai.

applied for grant of exemption. The proprietors were allowed to avail of exemption from payment of entertainments tax, in respect of films which were rejected by the CCT as not eligible for the grant of exemption. **The decision to accept or reject the application for grant of exemption filed by the producers was not taken before the release of the films for public screening.** The erroneous allowance of exemption on the gross collection of Rs. 71 lakh resulted in non levy of tax of Rs. 10.20 lakh upto March 2008.

**4.2.9.2** Test check of the records in 13 assessment circles<sup>35</sup> indicated that in 21 theatres, 31 films that were not in tamil were exhibited. Though these films were not exempted, the proprietors were erroneously allowed to avail of exemption from payment of entertainments tax amounting to Rs. 2.22 lakh.

After the cases of incorrect grant of exemption were pointed out, the entertainments tax officers, in 11 cases, collected the amount of Rs. 2.48 lakh in June/July 2009. Reply in respect of the other cases has not been received (January 2010).

The Government stated in November 2009 that the assessing authorities have been instructed to issue notices to the proprietors concerned and effect collection of demands after verification. Further report is awaited (January 2010).

**The Government may consider instituting a system to ensure that the decision to grant exemption to the films is taken prior to the date of the screening of the films in theatres.**

#### **4.2.10 Scope for inclusion of certain types of entertainment under TNET Act**

Under the TNET Act, “entertainment” has been defined to mean a horse race or cinematograph exhibition or an amusement or a recreation parlour where a game such as bowling, billiards, snooker or the like is provided to which persons are admitted on payment. The levy of tax is being made on the above entertainments. The other entertainments such as IPL cricket matches, game shows, musical performances, fashion shows, etc. have gained considerable popularity among the public and have enough scope of bringing considerable revenue to the Government exchequer.

**4.2.10.1** The IPL matches are of a purely commercial nature and the franchisee owners of the teams comprise business tycoons and film stars who spend crores of rupees to buy the teams and players from all cricket playing nations for the world’s richest cricket tournament. The IPL has been conceived as an entertainment spectacle and also pitched as an ultimate destination of TV entertainment. The main objective of IPL is to provide entertainment and hence merits levy of entertainments tax on sale of tickets. It is also pertinent to mention that states like Delhi and Maharashtra have decided to treat IPL as a commercial venture and have accordingly decided to impose entertainments tax on the sale of tickets.

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<sup>35</sup> Avinashi Road, Big Bazaar, Chengalpet, Chidambaram-I & II, Dindigul-II, Gandhipuram, Kodaikanal, Porur, Rasipuram, Tambaram, Theni-I & West Veli Street Circle, Madurai.



**4.2.10.2** The concept of home based entertainment has undergone a sea change and there is an increasing shift towards Direct to Home (DTH) services and there are a number of players offering such services. DTH is an upmarket premium product, catering mostly to the affluent sections of the society. DTH services are also being subjected to levy of entertainments tax in other States. The Government may, therefore, consider bringing the DTH services under the ambit of the TNET Act.

**The Government may, therefore, consider enlarging the scope of the definition “entertainment” and bring these activities also under the ambit of the TNET Act.**

#### **4.2.11 Internal control mechanism**

Section 7A of the TNET Act prescribes that if the entertainment tax officer is satisfied that the return submitted by the proprietor is correct and complete, it shall assess the proprietor on the basis thereof. However, scrutiny in audit revealed that in 91 out of 108 assessment circles, the assessment of the weekly returns furnished by the theatre proprietors was not done. Similarly, the assessments of monthly returns furnished by the proprietors of amusement parks were not done in 10 out of 21 cases checked. **This is indicative of the control weakness in the system.**

Audit scrutiny also indicated that inspection of recreation parlours/clubs have not been undertaken by the department. The sharp decline in the number of cable television operators was not taken note of by the department and rectificatory measures were also not initiated. Further, internal audit has not been undertaken by the department due to vacancies in the internal audit wing. The above indicate the absence of proper internal control system.

**The Government may consider strengthening the internal control mechanism.**

#### **Compliance deficiencies**

##### **4.2.12 Application of incorrect rate of tax**

Section 4-G of the TNET Act was introduced with effect from November 2001 to provide for levy of tax at 20 *per cent* on each payment to the recreation parlour, where a game such as bowling, billiards, snooker or the like by whatever name called is provided, for which persons are required to make payment for admission or participation.

Test check of the records in Chengalpet assessment circle indicated that a dealer who had two registrations, one for an amusement arcade and the other for a recreation parlour had paid tax at 10 *per cent* even in respect of the collections pertaining to recreation parlour. The assessing authority, while finalising the assessments of the dealer for the years 2002-03 to 2004-05 between February 2004 and March 2006, had also assessed the entire turnover to tax at 10 *per cent*. The adoption of incorrect rate of tax on the turnover of Rs. 55.73 lakh pertaining to recreation parlour resulted in short levy of tax of Rs. 5.57 lakh.

After this was pointed out, the Government stated in November 2009 that the assessing officer has been instructed to issue notice and take action after due verification. Further report has not been received (January 2010).

#### 4.2.13 Excess assignment of funds to local bodies

The Government had issued orders to compensate the local bodies on account of exemption from entertainment tax granted to tamil films that carry titles in tamil. The amount of compensation was fixed at 90 per cent of the tax that was lost on account of the grant of exemption.

Audit scrutiny of the records in the offices of the Deputy Commissioners indicated that a sum of Rs. 59 lakh was assigned in excess of the eligible limit of 90 per cent to the local bodies as mentioned in the following table.

(Rupees in lakh)						
Sl. no.	Name of the office	Year	Amount of tax exempted	90 per cent of the amount mentioned in column 4	Amount assigned	Amount assigned in excess
1	2	3	4	5	6	7
1	Coimbatore Zone III	2006-07	42.26	38.03	84.19	46.16
2	Coimbatore Zone I	2006-07	101.54	91.39	94.54	3.15
3	Tiruppur	2006-07	100.66	90.59	94.70	4.11
4	Pollachi	2006-07	44.98	40.48	43.49	3.01
5	Villupuram	2007-08	12.72	11.45	14.00	2.55
<b>Total</b>			<b>302.16</b>	<b>271.94</b>	<b>330.92</b>	<b>58.98</b>

Further, audit scrutiny of the records in the office of the Deputy Commissioner, Madurai (West) indicated that while calculating the amount due to local bodies during 2007-08, the tax amount was erroneously adopted as Rs. 7.33 lakh as against the correct amount of Rs. 4.72 lakh. This resulted in excess assignment of Rs. 2.35 lakh. After this was pointed out in December 2008, the Deputy Commissioner (CT) Madurai (West) stated in June 2009 that necessary adjustment was made in the assignment made in the succeeding quarter.

The Government stated in November 2009 that the assessing authorities have been instructed to verify the issue and report the facts. Further reply has not been received (January 2010).

#### 4.2.14 Conclusion

Audit review revealed a number of deficiencies in the system of levy and collection of entertainments tax receipts leading to leakages of revenue. The deficiencies in the system led to non-detection of providing of entertainments/amusements by operators without registration. The review also revealed that the failure of the department to ensure the registration of all the proprietors providing television exhibition through cable net work resulted in non collection of revenue from these operators. The department has not specified any system for cross verification of returns filed by the proprietors of cinematographic exhibitions with the theatre collections reported by them in the income tax returns. The review also revealed that proper system had not been constituted to ensure that the decision to grant exemption or otherwise to

tamil films that carry titles in tamil is taken prior to the date of the screening of the films. The non finalisation of assessments had resulted in incorrect availing of exemption by the proprietors of theatres. There is considerable scope for generation of revenue by bringing other entertainments like IPL, DTH services, etc. under the ambit of the TNET Act.

#### **4.2.15 Summary of recommendations**

The Government may consider the following:

- providing a suitable monitoring system to identify the unauthorised cable television operators, amusement/entertainment providers through survey and coordination with other agencies to bring them under the tax net;
- registration of clubs so as to bring them under the ambit of the TNET Act and facilitate the levy of entertainments tax on games provided in clubs;
- instituting a system to ensure that the decision to grant exemption or otherwise to the films is taken prior to the date of the screening of the films in theatres;
- strengthening the internal control system to ensure that assessment is made on receipt of returns; and
- enlarging the scope of the definition “entertainment” for the levy of tax under the TNET Act.

### **4.3 Other audit observations**

*Scrutiny of the records in the offices of Revenue and Transport departments relating to revenue received from tax, fees, penalty, etc., indicated several cases of non-observance of the provisions of the Acts/Rules resulting in non/short levy of lease rent, cost of land, short levy of tax and other cases as mentioned in the succeeding paragraphs in this chapter. These cases are illustrative and are based on test check carried out in audit. Although such omissions are pointed out every year, the irregularities do persist; and remain undetected till the next audit is conducted. There is need for the Government to consider directing the department to improve the internal control system including strengthening internal audit so that such omissions can be avoided, detected and corrected.*

## **B - LAND REVENUE**

### **4.4 Short realisation of lease rent**

As per the Revenue Standing Order 24-A, Government lands can be leased to private bodies, companies, association of local bodies for use by them for commercial purposes. As per the Government order issued in June 1998, the lease rent shall be fixed at the rate of 14 *per cent* per annum on the market value of the land used for commercial purposes.

Test check of the records in the office of the Tahsildar, Karaikudi in January 2009 indicated that the Government land admeasuring 43.25 acres (18.84 lakh square feet) was leased to a company in June 2008 for a period of five years. The market value of the land adjacent to this land was Rs. 11 per square feet. However, instead of adopting the rate of Rs. 11 per square feet, the department incorrectly classified the land as agricultural land and worked out the cost of land at Rs. 1.34 per square feet. Adoption of lesser rate resulted in undervaluation of property by Rs. 1.82 crore and consequent short levy of lease rent of Rs. 25.48 lakh per annum. The short levy for the period from June 2008 to March 2009 amounted to Rs. 21.23 lakh.

The matter was reported to the department in March 2009 and the Government in April 2009; their replies have not been received (January 2010).

#### **4.5 Non-leasing of Government land**

Test check of the records in the office of the Tahsildar, Chengalpattu in August 2008 indicated that the Government lands measuring 149 cents were encroached upon by a limited company since April 1999. The encroacher used the encroached land as a parking area and also constructed a permanent structure for security rooms, canteen, etc. Neither the encroacher applied for grant of land on lease basis nor did the Government get him evicted till March 2003. In May 2003 the encroacher applied for grant of long term lease. The Tahsildar sent the proposal for grant of lease thrice to the district collector. The first proposal sent in February 2004 in which the proposed lease rent of Rs. 10.15 lakh per annum for 20 years was found incomplete and was returned to the Tahsildar. The second proposal was sent in January 2007 followed by the third proposal in January 2009 in which lease rent was proposed as Rs. 33.53 lakh per annum. The proposal has not yet been sent to Government for sanction of lease though a period of ten years has already elapsed.

The matter was reported to the department in October 2008 and the Government in March 2009; their replies have not been received (January 2010).

**The Government may consider taking appropriate steps for fixation of a time limit for sending the proposals by the collectors and also for disposal of the same at the level of the Government.**

#### **4.6 Delay in alienation of Government land**

As per the Revenue Standing Order 15, Government lands can be given on assignment to private persons on collection of the prevailing market value of such lands on the date of assignment.

Test check of the records in the office of the Tahsildar (Land Revenue), Tiruvallur in July 2008 indicated that Government lands measuring 1,872 cents in Remanjeri Village were under the possession of a Trust. The Trust requested for alienation of the said land as early as in August 2000 but the same has not been alienated till date. This has resulted in blockage of revenue of Rs. 25.27 lakh<sup>36</sup> being the cost of the land. The land was under possession and enjoyment of the Trust without remitting any cost to the Government for eight years due to delay in alienation of the land.

After this was pointed out in July 2008, the Tahsildar, Tiruvallur replied that the necessary alienation proposal was under preparation.

The matter was reported to the Government in January 2009; their reply has not been received (January 2010).

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<sup>36</sup> As per guideline rate of Rs.1,350 per cent prevailing in 2008

**C - TAXES ON VEHICLES**

**4.7 Short levy of tax on temporary permits issued to other state omni buses**

As per Schedule 6 of the Tamil Nadu Motor Vehicles Taxation Act, 1974, a temporary licence for a period not exceeding seven days or thirty days or ninety days at a time may be issued in respect of any class of motor vehicles specified in the First Schedule on payment of the tax. The amount of tax payable is 1/3<sup>rd</sup> in the case of temporary licence issued for a period between seven and thirty days and full quarterly tax in the case of temporary licence issued for a period exceeding thirty days.

Test check of the records of three Regional Transport Offices<sup>37</sup> (August 2008) indicated that 98 other state omni buses were allowed to run in the State by issue of temporary permits. The permits were initially for a period of 30 days on payment of tax at the rate of one third of quarterly tax. The vehicles were granted extension for a further period of 30 days on application. Since the combined period of temporary permits exceeds 30 days, they were liable to pay full quarterly tax. However the department levied again only one third of the quarterly tax on extension. This resulted in short levy of tax of Rs. 36.62 lakh.

The cases were pointed out to the department between August and October 2008 and the Government in December 2008/January 2009. The Government accepted (March 2009) the audit observation in the case of Dharmapuri and stated that the Transport Commissioner had been instructed to collect the entire difference of the tax pointed out in audit. The report on recovery details and reply in the remaining cases have not been received (January 2010).

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<sup>37</sup> Dharmapuri, Karur and Mettupalayam.