

CHAPTER-VI: LAND REVENUE AND BUILDING TAX

6.1 Tax administration

Revenue department is under the control of the Principal Secretary (Revenue) at Government level and the Land Revenue Commissioner is the head of the department. The revenue collection of the department includes collection of basic tax, plantation tax, lease rent, building tax etc. The department realises arrears of public revenue under the Kerala Revenue Recovery Act with interest and cost of process prescribed.

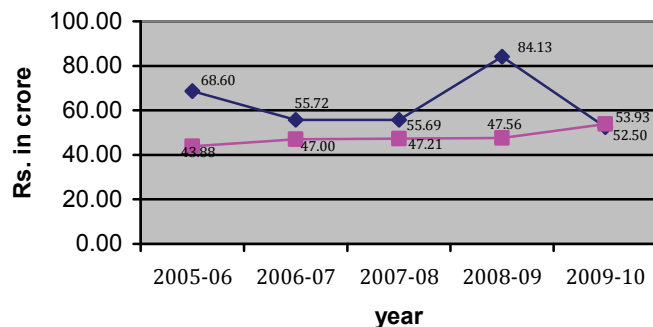
6.2 Trend of receipts

Actual receipts from land revenue and building tax during the last five years (2005-06 to 2009-10) along with the budget estimates during the same period is exhibited in the following table and graph.

(Rupees in crore)

Year	Budget estimates	Actual receipts	Variation excess (+)/shortfall (-)	Percentage of variation	Total tax receipts of the State	Percentage of actual receipts vis-à-vis total tax receipts
2005-06	68.60	43.88	(-) 24.72	(-) 36.03	9,778.62	0.45
2006-07	55.72	47.00	(-) 8.72	(-) 15.65	11,941.82	0.39
2007-08	55.69	47.21	(-) 8.48	(-) 15.23	13,668.95	0.35
2008-09	84.13	47.56	(-) 36.57	(-) 43.47	15,990.18	0.30
2009-10	52.50	53.93	(+) 1.43	(+) 2.72	17,625.02	0.31

Budget estimates and Actual receipts



◆ Budget estimates

■ Actual receipts

Thus, the percentage of variation which was 36.03 in 2005-06, came down to a level of around 15 during 2006-07 and 2007-08 but again rose to a level of about 43 *per cent* in 2008-09. However, during 2009-10 the receipts exceeded the budget estimates by three *per cent*.

We observed that the land revenue remained between 0.3 and 0.45 *per cent* of the total tax receipts. We also noticed that after four years (2005-06 to 2008-09) the actual collection have marginally exceeded the budget estimates during 2009-10.

We recommend the department to continue the realistic budget process of 2009-10 in future.

6.3 Impact of audit

Revenue impact

During the last four years, we pointed out underassessment of building tax, short levy of lease rent, short realisation of collection charges, non-levy of luxury tax etc., with revenue implication of ₹ 348.96 crore in 358 paragraphs. Of these, the department/Government accepted audit observations involving ₹ 9.47 crore and had since recovered ₹ 1.82 crore. The details are shown in the following table:

(Rupees in lakh)

Year of Audit Report	Paragraphs included		Paragraphs accepted		Amount recovered	
	No.	Amount	No.	Amount	No.	Amount
2005-06	63	1,681.00	39	69.97	16	9.41
2006-07	91	323.00	28	47.58	28	35.91
2007-08	113	330.00	83	607.05	50	102.00
2008-09 Vol. I	91	32,562.00	16	222.05	16	35.04
Total	358	34,896.00	166	946.65	110	182.36

We noticed that the government failed to recover even the amount it has accepted.

We recommend that the Government may revamp the recovery mechanism to ensure that at least the amount involved in accepted cases is promptly recovered.

6.4 Working of internal audit wing

The Internal Audit Wing was constituted in Land Revenue Department under the control of Commissioner of Land Revenue and the functioning of the wing is monitored by Senior Finance Officer. The department has not prepared a separate internal audit manual. The IAW is having strength of one Senior Superintendent, six Junior Superintendents and six Upper Division Clerks. As informed by the department, audit of 63 *taluk* offices are conducted once in two or three years. Selection of offices is done according to the periodicity of audit determined for each office. IAW fixed target of 36 units during 2009-10, but the wing could complete audit of only 26 units during the year due to shortage of man power.

18,546 paragraphs involving ₹ 68.28 crore relating to 192 Inspection Reports remained outstanding at the end of March 2010.

We noticed that, the clearance of internal audit paragraphs during 2009-10 was only 0.01 *per cent* of the outstanding paragraphs.

We recommend that the IAW may be strengthened so that they are able to achieve their planned audit target. Besides, a mechanism needs to be installed for timely settlement of the audit observations raised by the IAW.

6.5 Results of audit

We test checked the records of 57 units relating to land revenue and building tax. We detected underassessment of tax and other irregularities involving ₹ 17.22 crore in 104 cases which fall under the following categories:

(Rupees in crore)			
Sl. No.	Categories	No. of cases	Amount
1.	Underassessment and loss under building tax & luxury tax	73	3.61
2.	Underassessment and loss under other items	31	13.61
Total		104	17.22

The department accepted underassessment and other deficiencies of ₹ 69.41 lakh in 33 cases, of which three cases involving ₹ 2.65 lakh were pointed out in audit during the year 2009-10 and the rest in earlier years. An amount of ₹ 59.34 lakh was realised in 33 cases during the year 2009-10. A few illustrative audit observations involving ₹ 5.23 crore are mentioned in the following paragraphs.

6.6 Audit observations

We scrutinised records of various Taluk Offices and found several cases of non-compliance of the provisions of the Rules for Assignment of Land within Municipal and Corporation Areas 1995 (RALMCO) and Kerala Revenue Recovery Rules 1968, (KRR Rules), Kerala Building Tax Rules (KBT) and other cases as mentioned in the succeeding paragraphs in this chapter. These cases are illustrative and are based on a test check carried out in audit. Such omissions on the part of the tahsildars are pointed out in audit each year, but not only the irregularities persist; these remain undetected till an audit is conducted. There is need for the Government to improve the internal control system including strengthening of internal audit.

6.7 Non-compliance of provisions of Acts/Rules

The provisions of the KBT Act/Rules, RALMCO and KRR Rules require:-

- i) levy of lease rent on land assigned to various persons at the prescribed rates;*
- ii) levy of collection charges on the amount recovered under RR Act; and*
- iii) assessment of building tax and luxury tax at prescribed rates.*

We noticed that the tahsildars, did not observe some of the above provisions at the time of levying tax. This resulted in short levy of lease rent/building tax/collection charges of ₹5.23 crore as mentioned in the paragraphs 6.7.1 to 6.7.5.

6.7.1 Non-levy of revised lease rent

(Collectorate, Thiruvananthapuram; March 2010)

As per Rule 12(5) of the Rules for assignment of land within Municipal and Corporation areas, 1995, land held under lease either current or time expired, and granted under any rules or orders shall be granted fresh lease for a period not exceeding three years subject to the conditions laid therein. The Government, vide an order issued in May 2004 had fixed the rate of lease rent of land leased to educational institution at two per cent of the market value for minimum extent required for the essential functioning of the institution and at 10 per cent for the excess holding and used for commercial purposes.

We noticed that an Arts and Science College was holding 18.49 acres of leased land in Kadakampally village and was paying lease rent fixed by the Government in February 1996 when the area was in the jurisdiction of *panchayat*. Kadakampally *panchayat* was brought under the jurisdiction of Thiruvananthapuram Corporation with effect from 1 October 2000. The revenue authorities had not revised the lease rent accordingly and the college was paying the nominal rent⁴⁰ fixed earlier.

⁴⁰ ₹ 8,030 paid for the period from 16 November 1964 to 31 March 2004.

The lease rent payable at the minimum rate of two *per cent* for 18.49 acres worked out to ₹ 3.24 crore. This resulted in short levy of ₹ 3.24 crore.

We pointed out the matter to the department in April 2010 and to the Government in May 2010. We have not received their replies (December 2010).

6.7.2 Non-assessment/realisation of building tax

(14 *Taluk* Offices⁴¹; between February 2009 and March 2010).

Every village officer shall transmit to the assessing authority within five days of the expiry of each month a monthly list of buildings liable to assessment, together with extracts from the building tax application register of the local authority within whose area the buildings included in the list are situated as per Rule 3 of the KBT (Plinth area) Rules.

We conducted cross verification of the records of 14 *Taluk* Offices with those of the corresponding village offices/municipalities and it revealed that 357 buildings escaped from building tax assessment as under:

Sl. No.	Nature of objection	No. of cases	Amount involved
1.	Cases reported by the village officers during 2007-08 and 2008-09 were not assessed by the <i>Tahsildars</i> .	305	₹ 1,60,42,050
2.	Cases in which the building tax assessment records of the local authorities were not verified by the village officers.	13	₹ 7,95,000
3.	Cases in which demand of building tax was not entered in the form B register by the village officers.	39	₹ 6,71,688

This resulted in non-assessment/non-realisation of building tax of ₹ 1.75 crore calculated at the prescribed rates on the basis of plinth area.

After we pointed out the matter between March 2009 and April 2010, the department stated in September 2009 that in one case⁴², the dues of ₹ 4,050 were collected and in other two cases necessary instructions were issued to assess the building tax. We have not received further information (December 2010)

We pointed out the matter to the Government in March 2010 and May 2010. We have not received their reply (December 2010).

⁴¹ Taluk Office: Changanacherry, Chavakkad, Chittur, Hosdurg, Karthikapally, Kozhikode, Kunnathur at Sasthamkotta, Kunnathunad at Perumbavoor, Muvattupuzha, Neyyattinkara, Pala, Pathanapuram, Ranni and Udumbanchola at Nedumkandam.

⁴² Taluk office: Kozhikode.

6.7.3 Short levy of royalty due to erroneous calculation

(*Taluk* Office, Kunnathunadu at Perumbavoor; July 2009)

Section 6 (1) of the Kerala Land Conservancy Act provides that royalty and cost of rock is leviable for unauthorised quarrying on Government land. Royalty and cost of rock is leviable at the rate of ₹ 16/MT and ₹ 2.5/MT respectively.

We found in two cases that the quantity of granite extracted unauthorisedly, was incorrectly computed as 9,450 MT instead of 59,062.50 MT. This resulted in short levy of royalty and cost of rock of ₹ 9.18 lakh.

After we pointed out the defect, the *Tahsildar* stated in July 2009 that the error was due to incorrect conversion of cubic metre to metric tonne and that the error would be rectified and balance amount collected at the earliest. A report on recovery has not been received (December 2010).

We pointed out the matter to the department in August 2009 and reported to the Government in February 2010. We have not received their replies (December 2010).

6.7.4 Non-raising of demand/non-realisation of luxury tax

(Five *taluk* offices⁴³; between March and August 2009)

The Kerala Building Tax Act, 1975 (KBT Act) as amended by the Finance Act, 1999, provides that luxury tax at the rate of ₹ 2,000 is leviable each year on all residential buildings having a plinth area of 278.7 square metre or more and completed on or after 1 April 1999. The Act further stipulates that luxury tax is to be collected in advance on or before 31 March every year.

We noticed that luxury tax was not demanded/realised on 221 residential buildings of plinth area exceeding 278.7 square metres. This had resulted in short collection of luxury tax of ₹ 7.96 lakh.

After we pointed out the defect between April 2009 and January 2010, the department stated in September 2009 that in one case⁴⁴ notices have been issued to the parties to remit luxury tax and village officers were given direction to collect the amount. Further developments on the recovery and replies in other cases have not been received (December 2010).

We reported the matter to the Government in March 2010 and April 2010. We have not received their reply (December 2010).

⁴³ Kanjirappally, Kochi, Kunnathur at Sasthamkotta, Tirurangadi and Vadakara.

⁴⁴ Kanjirappally.

6.7.5 Short levy of building tax

6.7.5.1 Short levy due to failure to consider entire assessable area

(Four *taluk* offices⁴⁵; between March 2009 and February 2010)

Building tax based on the plinth area at the rate specified in the schedule to the Act is leviable on every building, as per Section 3(1) of the KBT Act. Further, the Act provides for tax exemption to the buildings used principally for religious, charitable or educational purposes or as factory or workshops.

We noticed that in eight cases while finalising the building tax assessment, the assessing authorities failed to levy building tax on the entire assessable area even though no portion of the building was eligible for exemption. This resulted in short levy of building tax of

₹ 4.75 lakh.

We pointed out the matter to the department between April 2009 and March 2010 and reported to the Government in March 2010 and May 2010. We have not received their replies (December 2010).

6.7.5.2 Short levy of building tax due to misclassification of special grade *panchayat* into ordinary *Grama Panchayat*

(*Taluk* Office, Kozhikode; March 2009)

Building tax based on plinth area, at the rate specified in the schedule to the KBT Act, is leviable on every building, the construction of which is completed on or after 10 February 1992 and the plinth area of which exceeded 100 sq.m. in the case of residential buildings and 50 sq.m in the case of other buildings as per Section 5 of the Act. Separate rates have been specified for buildings situated in *panchayats*, special grade *panchayats*/municipalities and corporations.

We noticed that 118 buildings coming under Chelannur village was assessed to tax at the rate applicable to the *grama panchayats* even though the village comes under special *grama panchayat*. This resulted in short levy of building tax of ₹ 2.12 lakh.

We pointed out the matter to the department between April 2009 and March 2010 and reported to the Government in

March 2010. However, we have not received their replies (December 2010).

⁴⁵ Quilandy, Taliparamba, Tirurangadi and Vadakara.