

CHAPTER-V STAMP DUTY AND REGISTRATION FEE

5.1 Tax administration

Receipts from Stamp Duty and Registration Fee in the State are regulated under the Indian Stamp Act (IS Act) 1899, Indian Registration Act (IR Act) 1908, the UP Stamp (Valuation of Property) (SVOP) Rules, 1997 and circulars and orders of the Government of Uttar Pradesh, issued from time to time. Stamp duty is leviable on the execution of instruments at the prescribed rates. Evasion of stamp duty is commonly effected through under valuation of properties, non-presentation of documents in the office of the registering authority and non/short payment of stamp duty by the executants on the documents submitted before the registering authorities.

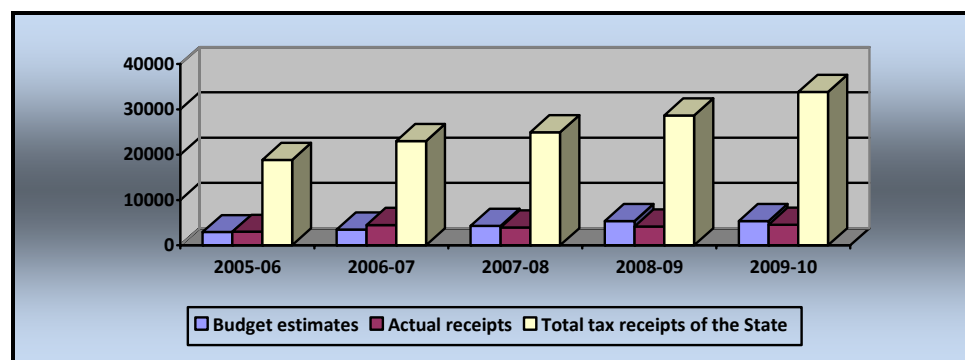
The determination of policy, monitoring and control at the Government level is done by the Principal Secretary, *Kar evam Nibandhan*. The Inspector General is the head of the Registration Department (IGR) and exercises overall superintendence and control over the working of the Department. He is assisted by an Additional Inspector General (Addl. IG), 17 Deputy Inspector Generals (DIGs) at the divisional level, 63 Assistant Inspector Generals (AIGs) at the district level and 347 Sub-Registrars (SRs) at the district and *tehsil* level.

5.2 Trend of receipts

Actual receipts from Stamp and Registration Department during the years 2005-06 to 2009-10 along with the total tax/non-tax receipts during the same period is exhibited in the following table and graph:

(₹ 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/non-tax receipts
2005-06	2,928.00	2,996.78	68.78	2.35	18,857.90	15.89
2006-07	3,500.00	4,513.67	1,013.67	28.96	22,997.97	19.63
2007-08	4,276.00	3,976.68	(-) 299.32	(-) 7.00	24,959.32	15.93
2008-09	5,370.53	4,138.27	(-) 1,232.26	(-) 22.94	28,658.97	14.44
2009-10	5,351.02	4,562.23	(-) 788.79	(-) 14.74	33,877.60	13.47



5.3 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2010 amounted to ₹ 594.83 crore. The details of arrears outstanding for more than five years were not available with the Department. The following table depicts the position of arrears of revenue during the period 2005-06 to 2009-10.

(₹ in crore)

Year	Opening balance of arrears	Amount collected during the year	Closing balance of arrears
2005-06	216.38	61.55	215.02
2006-07	215.02	60.03	246.50
2007-08	246.50	101.06	213.25
2008-09	213.25	109.08	553.05
2009-10	553.05	129.87	594.83

Source: Figures provided by the Department (November 2010).

It is evident from the above table that during the years 2005-06 to 2009-10, the amount of arrears was increasing but the collection of arrears by the Department was very low.

We recommend that the Government may consider taking appropriate steps for early recovery of the arrears.

5.4 Cost of collection

The gross collection in respect of Stamp Duty and Registration Fee, expenditure incurred on collection and percentage of such expenditure to the gross collection during the years 2007-08, 2008-09 and 2009-10 along with the relevant all India average percentage of expenditure on collection to gross collection for 2008-09 are mentioned below:

(₹ in crore)

Head of revenue	Year	Gross collection	Expenditure on collection	Percentage of cost of collection to gross collection	All India average percentage of cost of collection 2008-09
Stamp duty and registration fee	2007-08	3,976.68	72.71	1.83	2.77
	2008-09	4,138.27	76.01	1.84	
	2009-10	4,562.23	120.73	2.65	

The cost of collection of Stamp Duty and Registration Fee is below the all India average.

5.5 Revenue impact of audit

During the last five years (excluding the report of the current year), our Audit Reports had pointed out non/short levy, non/short realisation, underassessment/loss of revenue, incorrect exemption, application of incorrect rate of tax, incorrect computation etc. with revenue implication of ₹ 121.90 crore in 1,506 cases. Of these, the Department/Government had accepted audit observations in 20 cases involving ₹ 7.73 lakh which has since been recovered. The details are shown in the following table:

(` in crore)

Year	No. of units audited	Amount objected		Amount accepted		Amount recovered	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
2004-05	241	195	3.76	--	--	--	--
2005-06	122	150	3.06	--	--	--	--
2006-07	186	233	7.08	--	--	--	--
2007-08	210	320	93.30	--	--	--	--
2008-09	329	608	14.70	20	0.08	20	0.08
Total	1,088	1,506	121.90	20	0.08	20	0.08

5.6 Results of audit

Test check of the records of 325 units during 2009-10 relating to Stamp and Registration Department revealed under assessment of stamp duty and other irregularities involving ` 13.52 crore in 620 cases which fall under the following categories:

(` in crore)

Sl. No.	Categories	Number of cases	Amount
1.	Short levy of stamp duty due to misclassification of documents	297	5.75
2.	Short levy of stamp duty and registration fee due to under valuation of properties	255	5.90
3.	Other irregularities	68	1.87
Total		620	13.52

During the course of the year, the Department accepted underassessment and other deficiencies of ` 3.56 lakh in 19 cases, pointed out in audit in earlier years. An amount of ` 3.56 lakh was realised in 19 cases during the year 2009-10.

A few illustrative cases involving ` 68.61 lakh are mentioned in the following paragraphs.

5.7 Audit observations

Our scrutiny of records in the offices of Stamp and Registration Department revealed cases of short levy of stamp duty due to incorrect valuation and misclassification of documents as mentioned in succeeding paragraphs in this chapter. These cases are illustrative and are based on a test check carried out by us. Such omissions are pointed out by us each year, but not only do the irregularities persist; these remain undetected till we conduct an audit. There is need for the Government to improve the internal control system so that recurrence of such lapses in future can be avoided.

5.8 Short levy of stamp duty due to incorrect valuation

Ten Sub-Registrars

Under the Indian Stamp 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 the Uttar Pradesh Stamp (Valuation of Property) Rules 1997, market rates of various categories of land situated in a district are to be fixed biennially by the Collector concerned for the guidance of the Registering Authorities.

We observed that in 10 cases deeds of conveyance were registered for considerations at lower rates than at what they should have been registered. Of them seven deeds relating to non-agricultural land were registered at agricultural rates, one deed relating to residential land and building was registered at industrial rate and two deeds of road side land were registered at away from road sides rates. The incorrect valuation of property resulted in short levy of stamp duty amounting to ₹ 59.95 lakh as shown in Appendix-XXIII.

We reported the matter to the Department and Government between May 2008 and December 2009; their reply has not been received (October 2010).

5.9 Short levy of stamp duty due to misclassification of document

Sub-Registrar Unchahar, Raibareilly

The Indian Stamp Act, 1899, provides for correction of purely clerical error in an instrument, chargeable with duty and in respect of which the proper duty has been paid. Further, the Act provides that stamp duty shall be charged on documents relating to transfer of property right as “conveyance”.

We observed in October 2009 that a deed¹ of conveyance was misclassified as correction deed by the Department. The Department charged stamp duty of ₹ 1,000 instead of ₹ 8.67 lakh on the document which resulted in short levy of stamp duty of ₹ 8.66 lakh.

We reported the matter to the Department and the Government in December 2009; their reply has not been received (October 2010).

¹ Deed No. 383 registered on 9.4.2009.