

Chapter V
Land Revenue and Electricity
duty

CHAPTER-V LAND REVENUE AND ELECTRICITY DUTY

A. LAND REVENUE AND BUILDING TAX

5.1 Tax administration

The Revenue and Disaster Management (R&DM) Department is under the control of the Principal Secretary at the Government level and the Commissioner of Land Revenue is the head of the Department. The revenue collection of the Department includes collection of basic tax, building tax, lease rent and plantation tax. The Department realises arrears of public revenue under the Kerala Revenue Recovery Act, 1968 (KRR Act, 1968) with interest and cost of process prescribed.

5.2 Internal audit

The Internal Audit Wing (IAW) of the Department is supervised by the Senior Finance Officer under the control of the Commissioner of Land Revenue. The audit of *Taluk* offices, Revenue Divisional Offices and Revenue Recovery Offices, Offices of Vigilance Deputy Collectors and Central Stamp Depot is conducted once in a period of two to three years. The IAW is handled by one senior superintendent, three junior superintendents, one head clerk and six clerks. The Department stated that due to the shortage of staff and ceiling on travelling allowance, the sub units could not be audited in a year or two. The Department also stated that there is no regular training programme for the staff of IAW. During 2013-14, the IAW planned 42 units for internal audit which was covered during the year. During 2013-14, the Department had cleared only 52 paragraphs out of 20,541 paragraphs which is only 0.25 *per cent* of the outstanding objections as against 2.42 *per cent* of the previous year. Thus, the functioning of IAW was not effective.

5.3 Results of audit

The records of 51 units relating to land revenue and building tax were test checked during 2013-14. Under-assessment of tax and other irregularities involving ₹ 17.29 crore were detected in 147 cases which fall under the following categories as given in **Table - 5.1**.

Table – 5.1

(₹ in crore)			
Sl. No.	Categories	No. of cases	Amount
1	Under-assessment and loss under building tax	86	3.62
2	Under-assessment and loss under other items	61	13.67
	Total	147	17.29

During the course of the year, the Department accepted under-assessments and other deficiencies involving ₹ 4.60 crore in 96 cases. An amount of ₹ 3.19 crore was realised in 184 cases during the year. A few illustrative audit observations involving revenue of ₹ 1.50 crore are discussed in the following paragraphs.

Compliance Audit observations

5.4 Non-levy of building tax

Buildings were not assessed to building tax by the assessing authority though reported by Village Officers for assessment.

As per Section 5(1) of the Kerala Building Tax Act, 1975, building tax shall be charged on every building the construction of which is completed on or after 10 February 1992 based on the plinth area of the buildings at the rates prescribed. As per Rule 3 of the Kerala Building Tax (Plinth Area) Rules, 1992 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 building application register of the local authority within whose area the buildings included in the list are situated.

- (Seven *Taluk* offices¹)

Audit cross-verified the building tax assessment registers of seven *Taluk* offices with the booking registers and collection registers of 44 village offices² and found that 167 buildings completed between April 2007 and March 2013 and reported by Village Officers to the assessing authority for assessment of building tax were not assessed to tax. This resulted in non-assessment of building tax of ₹ 51.77 lakh.

The matter was pointed out (between May 2012 and January 2014) to Department and reported to Government in March 2014. The Government stated (August 2014/October 2014) that ₹ 10.98 lakh had been recovered in 98 cases, exempted in four cases involving ₹ 9,900 and action is being taken to realise the amount in remaining cases. Further reply has not been received (October 2014).

¹ Devikulam, Kannur, Mukundapuram, Muvattupuzha, Ottappalam, Pathanapuram and Taliparamba

² Kannur II, Velloorkunnam, Marady, Kalloorkad, Onakkur, Anchal, Alaymon, Edamalakkal, Punalur, Thenmala, Valakode, Kulathupuzha, Thalavoor, Piravanthoor, Pattambi, Mannakandom, Pattuvam, Chuzhali, Panniyoor, Kuttiyeri, Kurumathoor, Payyavoor, Kolachery, Kallyad, Malapattam, Ramantholi, Kooveri, Pariyaram, Madayikonam, Kallur, Mattathur, Kuruvilassery, East Chalakudy, West Chalakudy, Kodassery, Kalloor Thekkum Mury, Kalloor Vadakkum Mury, Kuttichira, Edathirinhi, Kadappassery, Trikur, Kakkulissery, Aloor and Manavalassery.

- (Six *Taluk* offices³)

Audit collected the details of buildings completed from the local authorities which were cross-verified with the building tax assessment registers of six *Taluk* offices, the booking registers and collection registers of 13⁴ village offices and found that 192 buildings completed between April 2008 and March 2013 were either not reported by Village Officers to the assessing authority for assessment or though reported for assessment were not assessed to building tax by the assessing authority. This resulted in non-assessment of building tax of ₹ 31.09 lakh.

The matter was pointed out (between April 2013 and January 2014) to the Department and reported to Government in March 2014. The Government stated (October 2014) that ₹ 4.97 lakh had been recovered in 43 cases, 15 cases involving ₹ 1.38 lakh had been exempted and action is being taken to realise the amount in remaining cases. Further reply has not been received (October 2014).

5.5 Non-realisation of luxury tax and non-demand of interest

Luxury tax was not assessed and demanded though building tax was assessed. Further, interest was not levied though luxury tax was paid after the prescribed dates

As per Section 5A of the Kerala Building Tax Act, 1975, a luxury tax at the rate of ₹ 2,000 is leviable each year on all residential buildings completed on or after 1 April 1999, having a plinth area of 278.7 square metres or more. The Act further stipulates that luxury tax is to be paid in advance on or before 31 March every year. As per Section 19 of the Act, in case of default, such amount shall be recoverable under the law relating to the recovery of arrears of public revenue due on land. Further, the arrears of tax shall attract interest at six per cent per annum from the date of default.

- (16 *Taluk* offices⁵)

Audit observed after scrutiny of luxury tax assessment records of 16 *Taluk* offices, that in 1,392 cases, the assesseees did not pay luxury tax during the period 1999-2000 to 2012-13. Failure of *Tahsildars* of the *Taluk* Offices concerned to take action under Section 19 resulted in non-realisation of luxury tax and interest amounting to ₹ 63.78 lakh.

³ Devikulam, Kozhikode, Muvattupuzha, Pathanapuram, Thalassery and Vadakara.

⁴ Munnar, Poolakode, Thazhekcode, Muvattupuzha, Velloorkunnam, Marady, Punalur, Valacode, Paniyannur, Manathana, Kolayad, Vadakara and Nadakuthazha.

⁵ Changanassery, Kannur, Karthikappally, Kochi, Koyilandy, Mavelikkara, Meenachil, Ottappalam, Ranni, Palakkad, Thalappilly, Thalassery, Thaliparamba, Thiruvananthapuram, Vadakara and Vythiri

The matter was pointed out (between December 2012 and December 2013) to the Department and reported to Government in March 2014. The Government stated (August 2014) that in 738 cases, ₹ 23 lakh had been realised and action is being taken to recover the amount in the 632 cases and no reply has been furnished for the remaining cases. Further reply has not been received (October 2014).

- (Seven *Taluk* offices⁶)

As a result of scrutiny of luxury tax registers of seven *Taluk* offices, Audit found that in 642 cases, the assesseees paid luxury tax for the years 2002-03 to 2011-12 after the prescribed due dates. The delay in payment of tax ranged between 2 to 165 months. The assessing authority accepted the delayed payment of luxury tax without collecting the interest prescribed. The non levy of interest under Section 19 in the above 642 cases amounted to ₹ 3.04 lakh.

The matter was pointed out (between January and May 2013) to the Department and reported to Government in March 2014. The Government stated (August 2014) that ₹ 0.42 lakh had been realised in respect of 242 cases, 16 cases have been exempted from payment of interest and action is being taken to recover the amount from the remaining cases. Further report has not been received (October 2014).

⁶ Kannur, Koyilandy, Kozhikode, Ranni, Thalappilly, Thiruvananthapuram and Vadakara

B. Electricity Duty

5.6 Tax administration

The Kerala Electricity Duty Act, 1963 and Kerala State Electricity Surcharge (Levy and Collection) Act, 1989 and Rules made thereunder govern the levy of duty on the sale and consumption of electrical energy. Power Department is under the control of the Secretary (Power) at the Government level and the Chief Electrical Inspector administers the Act with the assistance of Additional Chief Electrical Inspector, Deputy Chief Electrical Inspectors, Electrical Inspectors, Deputy Electrical Inspectors and Assistant Electrical Inspectors on technical matters in Headquarters office.

5.7 Internal audit

The details called for (June 2014) from the Department have not been received (October 2014).

5.8 Results of audit

Test check of the records of nine units in 2013-14 relating to the Power Department showed non/short levy of tax involving ₹ 51.93 lakh in five cases as given in **Table - 5.2**.

Table – 5.2

(₹ in lakh)			
Sl. No.	Categories	Number of cases	Amount
1.	Non/short levy of tax	5	51.93

During the course of the year, the Department did not accept any cases of underassessment and other deficiencies which were pointed out in audit during the year 2013-14. No amount was realised during the year 2013-14. An illustrative case involving ₹ 18.26 lakh is discussed in the following paragraph.

Compliance Audit observations

5.9 Short levy of electricity duty

Licensees collected electricity duty only at 10 paise per unit of energy consumed from the low tension consumers instead of at 10 *per cent* of invoice price.

(Chief Electrical Inspectorate, Thiruvananthapuram)

As per the tariff of the Kerala State Electricity Regulatory Commission, supply of electrical energy at a voltage exceeding 33 KV under normal conditions is classified as Extra High Tension (EHT) consumer and supply at 33 KV and 22 KV or 11 KV is considered as High Tension (HT) consumer. As per schedule of the Kerala Electricity Duty Act 1963, electricity duty at 10 paise per unit is to be charged from industrial consumers taking supply of energy at 11 KV and above and in all other cases electricity duty at the rate of ten *per cent* of the price of energy indicated in the invoice including industrial consumers taking supply of energy at points below 11 KV. As per Section 8 of the Act, any sum due on electricity duty, if not paid shall be deemed to be in arrears and interest not exceeding eighteen *per cent per annum* shall be payable on such sums. Thrissur Municipal Corporation and M/s Kannan Devan Hills Plantations Co. (P) Ltd (KDHP) are licensees for distributing electric energy in their area of operation. Consumers/licensees are liable to collect and pay electricity duty stipulated under Section 5(1) of the Kerala Electricity Duty Act 1963.

Audit scrutiny of details of monthly remittance statements in the Chief Electrical Inspectorate, Thiruvananthapuram revealed that the above licencees had collected electricity duty at 10 paise per unit of energy consumed instead of at the rate of 10 *per cent* of invoice price from low tension consumers for the period from July 2012 to March 2013. This resulted in short levy of electricity duty of ₹ 18.26 lakh including interest as shown in **Appendix XI**.

When the case was pointed out, the Department stated (February 2014) that inspection of accounts maintained by the licensees had not been conducted and action would be initiated to realise the electricity duty short levied. Further report has not been received (October 2014).

The matter was reported to the Government in June 2014; their reply has not been received (October 2014).