

## Chapter-V Land Revenue

### 5.1 Tax administration

The receipts from Land Revenue are regulated under Karnataka Land Revenue (KLR) Act, 1964, and the rules made thereunder and administered at the Government level by the Principal Secretary, Revenue Department. The Principal Secretary is assisted by four Regional Commissioners, 30 Deputy Commissioners (DCs), 44 Assistant Commissioners and 179 Tahsildars.

### 5.2 Internal Audit

The objective of an Internal Audit Wing (IAW) is to have a deterrent and reforming effect by pointing out mistakes and ensuring remedies without loss of time.

IAW has not been constituted under the Department, which leaves it vulnerable to the risk of control failure.

Audit recommends setting up of IAW in the Department to examine and evaluate the level of compliance with the rules and procedures so as to provide a reasonable assurance on the adequacy of the internal controls.

### 5.3 Results of Audit

In 2015-16, test check of the records of 69 units of Land Revenue revealed non/short realisation of cost of land, conversion fine, compounding fee and other irregularities amounting to ₹ 171.15 crore raised through 154 paragraphs, which fall under the following categories as given in **Table 5.1**.

**Table 5.1**  
**Results of Audit**

(₹ in crore)			
Sl No	Category	No. of paragraphs	Amount
1	Short / non levy of cost of land	44	131.40
2	Short / non levy of lease rent	32	7.60
3	Short / non levy of conversion fine and compounding fee	49	1.81
4	Other irregularities	29	30.34
	<b>TOTAL</b>	<b>154</b>	<b>171.15</b>

During the course of the year, the Department had accepted under assessments worth ₹ 3.44 crore in cases pointed out through 42 paragraphs. An amount of ₹ 1.20 crore was also recovered in cases pointed out through 54 paragraphs pertaining to earlier years. A few illustrative cases involving ₹ 43.86 crore are discussed in the following paragraphs.

### 5.4 Irregular refund of bid amount

According to Section 174 of the KLR Act, 1964, in all cases of sale of immovable property, the party declared to be the purchaser shall be required to deposit immediately 25 per cent of the amount of his bid, and the balance within fifteen days from the date of the sale. Further, under Section 175(2) of the KLR Act, in cases of default of payment of the balance of the bid amount within the period prescribed in Section 174, the deposit, after defraying

therefrom expenses of the sale, shall be forfeited to the State Government and the property shall be resold.

During test check of records in the office of the Tahsildar, Bengaluru North Additional, Bengaluru, it was noticed that land to an extent of 32 acres and 14 guntas in Sy.No.21 of Hosahalli Village, Jala Hobli, Bengaluru North (Additional) Taluk was put up for public auction as per auction notification<sup>1</sup> on 22 February 2007. After due procedure, M/s.MVR Securities Private Limited, won the bid for a price of ₹ 36.50 crore and the sale was confirmed on 28 March 2007. M/s.MVR Securities paid ₹ 9.13 crore which was one fourth of the total bid amount as per conditions of the auction sale and were liable to pay the remaining bid amount within 15 days from winning the bid. This amount was, however, not paid by the successful bidder within the due date.

The Deputy Commissioner (DC), Bengaluru passed orders<sup>2</sup> on 23 May 2011 for forfeiture of the deposit, stating that M/s.MVR Securities Private Limited had not paid the remaining amount even on repeated requests, citing inability to continue with the transaction due to issues of conversion of land use, even though the auction was conducted on 'as is where is basis'.

Meanwhile, M/s.MVR Securities Private Limited approached the department for cancellation of the bid and requested for refund of the amount already deposited. Overlooking the relevant provisions of KLR Act, 1964, DC vide order dated 27 July 2011 had recommended that the issue of refund may be considered by the Government which in turn was recommended to be issued by Government vide letter dated 22 December 2011.

The Department, based on the recommendation of the Government, acceded to the request of M/s.MVR Securities Private Limited and refunded the deposit through notification<sup>3</sup> on 31 December 2011.

Thus, refund of the deposit was in contravention to the KLR Act, 1964, and conditions of the auction, and resulted in incorrect refund of ₹ 9.13 crore.

This case was brought to the notice of the Department and Government during February and March 2016 respectively. Reply is still awaited (December 2016).

## **5.5 Short collection of the cost of land granted due to adoption of incorrect guidance value**

According to Rule 23 of the Karnataka Land Grant Rules, 1969, the agricultural lands which were leased temporarily to any person for purposes of cultivation before the commencement of Rules *ibid*, such lands may be granted to the lessee by the DC on payment of price fixed by him in accordance with rules under which the lands were granted. In respect of the lands which have been leased out after the commencement of the Rules *ibid*, such land may be granted to the lessee on payment of the price fixed by the DC.

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<sup>1</sup> Notification No.LND(Govt. Land)Auction/CR/32/06-07 dated 22.02.2007.

<sup>2</sup> DC Order No.LND/Govt. Land/Auction/CR/42/06-07 dated 23.05.2011.

<sup>3</sup> Notification No.LND/Govt. Land/Auction/42/06-07 dated 31.12.2011.

During the review of land grant records in two<sup>4</sup> Tahsildar offices in Chikkamagaluru District between November and December 2015, Audit noticed that in three cases, plantations lands<sup>5</sup> which were temporarily leased for coffee cultivation during the year 1960 (before the commencement of the Karnataka Land Grant Rules, 1969) were granted to the existing lease holders or legal heirs of the lease holders by collecting the CVC guidance value of the land. The value collected was the guidance value for dry land whereas the actual classification of the lands granted was plantation land and value prescribed for plantation land under CVC was higher than the value for dry land. This incorrect adoption of guidance value resulted in short collection of cost of land of ₹ 89.75 lakh as given in **Table 5.2**.

**Table 5.2**  
**Short collection of cost of land**

(₹ in lakh)						
Sl. No.	Taluk/Hobli/Village/Survey No./Land Grant order No.	Extent of land (Acres)	Guidance value/acre adopted	Actual guidance value/acre for plantation lands	Difference in guidance value/acre	Resultant short collection of cost of land
1.	NR Pura / Kasaba/Badagabyly / 120,121 and 122/ No.M4: LCR: CR:2: 2014-15 dated 31.10.2014	25.00	1.40	4.00	2.60	65.00
2.	Mudigere / Kasaba/Kolagodu / 19/No.M3: LCR: 05/2014-15 dated 05.12.2014	5.00	1.30	4.90	3.60	18.00
3.	Mudigere / Banakal / Kundoor/205/No.M3:L CR:1/2011-12 dated 01.08.2011	5.00	0.70	2.05	1.35	6.75
<b>Total</b>						<b>89.75</b>

It is recommended to adopt guidance value appropriate to land usage while granting of Government lands to avoid revenue shortages.

After these cases were pointed out to the Tahsildars concerned (November and December 2015), it was replied that the cases would be referred to the DC, Chikkamagaluru.

These cases were brought to the notice of the Department and Government during April and June 2016 respectively. Reply is still awaited (December 2016).

## **5.6 Short assessment and non-demand of lease rent and interest**

Rule 19 of the Karnataka Land Grant Rules, 1969, states that subject to availability of land, the DC may give land on lease to Educational institutions, Co-operative Farming Societies, Grama Panchayaths, Taluk Panchayaths, etc. The Rule also stipulates that in respect of lands leased for non-agricultural

<sup>4</sup> Mudigere and N.R. Pura.

<sup>5</sup> As per the definition under KLR Act, 1964, "Plantation Land" means land in which a plantation crop that is, cardamom, coffee, pepper, rubber or tea, can be grown.

purposes, the DC shall fix the rent payable for lease of land taking into account the locality, the purpose for which the land is utilised, etc. Clause 6 of the lease deed for temporary occupation of land for non-agricultural purposes states that interest at 12 *per cent* per annum is payable for non-payment or delayed payment of lease rent.

Article 33(a) of the Karnataka Financial Code, 1958, states that every Government servant who is responsible for the collection of any moneys due to Government should see that demands are made at once as payments become due, that effective steps are taken to ensure the prompt realisation of all amounts due.

During test check of records in four<sup>6</sup> Offices of the Tahsildar between January 2014 and March 2016, Audit noticed that the DC, Bengaluru Urban, had issued orders, during the period from October 2004 to January 2014, granting lease of 18.20 acre of Government land to six<sup>7</sup> different Trusts / Societies for 30 years for educational purposes. In four cases, the annual lease rent payable was one *per cent* on the prevailing guidance market value fixed by the CVC, which has to be enhanced whenever the guidance market value is revised. However, in the remaining two cases, the annual lease rent was fixed at 10 *per cent* of the prevailing guidance market value with a condition of further up gradation of 10 *per cent* of the lease rent fixed every two years.

Audit noticed that while fixing lease rent, the Department had adopted guidance market value applicable to agricultural land whereas, in the cases mentioned aforesaid, the land was being leased out for a non-agricultural purpose<sup>8</sup>. Hence, while fixing lease rent, the rates applicable for non-agricultural purposes (usage of land) should have been adopted. Such incorrect fixation has resulted in short assessment of lease rent and consequent loss of revenue of ₹ 2.06 crore till the time of audit inspection. If not rectified on a priority basis, the incorrect fixation would cause an additional loss of ₹ 27.66 crore over the lease period of 30 years in the six leases referred here, thus causing a total of loss of revenue of ₹ 29.72 crore to the Government Exchequer.

Further, it is pertinent to note that even the lease rent fixed by the DC on the basis of rates applicable for agricultural land was not pursued and collected by the authorities concerned. Audit noticed that against a lease rent payable of ₹ 3.19 crore (calculated according to rate applicable for agricultural land and revised as per the conditions attached to the lease) in the six cases as per the order of DC for the period from 2004-05 to 2015-16, only ₹ 83.35 lakh was paid resulting in short payment of ₹ 2.36 crore. Hence, the Department failed to demand and collect the balance amount of ₹ 3.04 crore due as lease rent along with interest from the lessees.

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<sup>6</sup> Anekal , Bengaluru East, Bengaluru North and Bengaluru South.

<sup>7</sup> Karnataka Chittrakala Parishath, M/s Surya Education Trust, M/s Bangalore Institute of Higher Education and Research Trust, Sri Kanchi Kamakoti Medical Trust, Sri. Chimney Hills Education Society and Sri. Kanteerava Pragathi Vidya Samsthe.

<sup>8</sup> As per the special instructions of guidance market value, the lands used for commercial purposes, the rates of agricultural has to be enhanced by 60 *per cent* for the year 2007-08, 50 *per cent* for the years 2011-12 to 2013-14 and 60 *per cent* for the year 2014-15.

As per the provision of Karnataka Financial Code, 1958, the Controlling Officer of every department of Government should closely watch the progress of the realisation of the revenues under his control and check the recoveries made against the demands. Since the lease records are maintained by the Tahsildars, the responsibility for collection of lease rent vests with the Tahsildars. However, it was noticed that no efforts were made by the Tahsildars concerned to collect lease rents falling due periodically.

Further, the Department has to exercise utmost prudence while disposing valuable assets like land under its ownership. The rules and regulations prescribed in the disposal of such assets have to be strictly adhered to and followed up judiciously in the interest of safeguarding such assets and optimising the revenue realised from those assets.

On these being pointed out, Tahsildars, Bengaluru North and Bengaluru South stated that notices were issued on 13 January 2015 and 28 September 2015 to Karnataka Chitrakala Parishath and Kanteerava Pragathi Vidya Samsasthe respectively for non-payment of lease rent. Further, for short assessment of lease rent, it was stated that the matter would be referred to the DC for further action.

These cases were brought to the notice of the Department and to Government during July and August 2016 respectively. Reply is awaited (December 2016).

## **5.7 Short collection of cost of lands granted at concessional rates**

The Karnataka Land Grant Rules, 1969 provides for grant of lands for various purposes under Rules 20, 21 and 22. The Rules also provide for concessions in rates on the market value of the land. Besides, Rule 27 *ibid* vests the State Government with powers to relax any of the provisions of these Rules by recording the reason for the same.

During test check of records relating to grant of land in the offices of the DC, Chikkamagaluru and Tahsildars – Bengaluru North (Additional) and Karwar during August and November 2015, Audit noticed that lands were granted to three institutions<sup>9</sup> at concessional rates during the years 2011-12 to 2014-15 based on the decision of the State Government. On a scrutiny of these files, it was noticed that the State Government had ordered the grant of lands at 50 *per cent* of the prevailing guidance market value issued by the CVC.

In respect of one case, there was considerable delay between the order of the Government (12 January 2011) and the final grant order (7 January 2013) by the DC during which the guidance market value was revised. However, the resultant upward revision was not considered while calculating the cost to be collected which resulted in short collection of ₹ 57.50 lakh.

In respect of the other two cases, previous rates of guidance market value were adopted instead of prevailing rates at the time of issue of final grant order by DC. The resultant short collection in these two cases amounted to ₹ 49.78 lakh.

<sup>9</sup> Y.A.N. Charitable Trust, M/s. North Western Karnataka Road Transport Corporation and Kuvempu University.

Hence, the failure of the Department in ascertaining the market value of the land prevailing at the time of issue of final grant order by DC led to a total loss of revenue ₹ 107.28 lakh in the three cases mentioned above. Reasons, if any, for application of rates than what was applicable were not found on record in any of these cases.

In light of the above cases, it is recommended that the accurate prevailing guidance market value issued by CVC has to be ascertained from the respective Sub-Registrar offices before the issue of final order by DC.

On this being brought to notice, the DC, Chikkamagaluru District and Tahsildars – Bengaluru North (Additional) and Karwar replied that the matter would be examined.

These cases were brought to the notice of the Department and Government between March and June 2016. Reply is still awaited (December 2016).