

***CHAPTER-VI***  
***LAND REVENUE***

## CHAPTER VI LAND REVENUE

### 6.1 Tax administration<sup>168</sup>

At the apex level, Chief Commissioner of Land Administration (CCLA) is responsible for administration of Board's Standing Orders (BSO), Andhra Pradesh (AP) Water Tax Act, 1988, AP Agricultural land (Conversion for non-agricultural purpose) Act, 2006 and Rules and orders issued thereunder. Telangana State is divided into 10 districts, each of which is headed by a District Collector who is responsible for the administration of the respective district. Each district is divided into revenue divisions and further into Mandals, which are kept under administrative charge of Revenue Divisional Officers (RDOs) and Tahsildars respectively. Each village in every Mandal is administered by a Village Revenue Officer (VRO) under the supervision of the Tahsildar. VROs prepare tax demands under all the Acts mentioned above for each Mandal from the village accounts and get it approved by the concerned *Jamabandi* officers. VROs/Revenue Inspectors are entrusted with work of collection of revenue/taxes such as water tax, conversion fee for agricultural lands etc. At Government level, Principal Secretary (Revenue) is in charge of overall administration of Revenue Department.

### 6.2 Internal audit

The Department did not have a structured internal audit wing that would plan and conduct audit in accordance with a scheduled audit plan.

### 6.3 Results of audit

Test check of records of 21 Land Revenue Offices conducted during the year 2014-15 revealed that conversion tax amounting to ₹ 3.79 crore was not/short levied in 10 cases. A few illustrative cases involving ₹ 1.69 crore are mentioned in the succeeding paragraphs.

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<sup>168</sup> Acts pertaining to Land Revenue Department which were in force in the unified state of Andhra Pradesh are still in force in Telangana State.

## **6.4 Land acquisition by Revenue Department**

### **6.4.1 Introduction**

The Land Acquisition Act, 1894 (Central Act), as amended in 1984, empowers the State Governments to acquire land for public purpose. This Act is also supplemented by Andhra Pradesh Board's Standing Orders, Andhra Pradesh Land Acquisition (Negotiation Committee) Rules, 1992 and executive instructions issued by the Government. The subject of land administration in Telangana is dealt with by the Revenue Department headed by the Principal Secretary, Revenue Department.

#### **6.4.1.1 Land acquisition process**

Revenue Divisional Officers (RDOs) and Special Deputy Collectors (SDCs) function as Land Acquisition Officers (LAOs). The acquisition process starts with receiving requisition proposals from requisitioning Department by the RDO/SDC.

Under Section 4 and 6 of Land Acquisition Act 1894 (LA Act) and Andhra Pradesh Board's Standing Orders (BSO), on receipt of the proposal, LAO conducts joint inspection of land proposed to be acquired with the officials of the requisitioning Department and sends land cost estimate to it. After receipt of funds, the LAO submits feasibility report to the District Collector. The District Collector then issues Preliminary Notification<sup>169</sup> (PN) and Draft Declaration<sup>170</sup> (DD). For preparing the Preliminary Valuation Statement<sup>171</sup> of the land under acquisition, the LAO obtains details of sales of land in the village of acquisition for three years preceding the date of notification from the office of the Sub-Registrars. Based on it, the market value of the land is fixed and allowances viz. 30 per cent solatium<sup>172</sup>, 12 per cent Additional Market Value (AMV) and increase towards time lag may be added to it. The LAO submits the statement to the Collector for approval. After approving of the statement, the District Collector passes an Award<sup>173</sup>. The Award has to be passed within two years of draft declaration.

As per Andhra Pradesh Land Acquisition (District Level Negotiations Committee) Rules, 1992 and Andhra Pradesh Land Acquisition (State Level Negotiations Committee) Rules 1998, if the valuation is not accepted by the pattadars, they may convey their willingness to settle through the District Level Negotiation Committee (DLNC), headed by the District Collector as Chairman. The DLNC may enhance the compensation by a maximum of

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<sup>169</sup> Meant for information of the pattadars and shows the intention of the Government to acquire land. Also empowers authorised officers to enter the land and conduct survey.

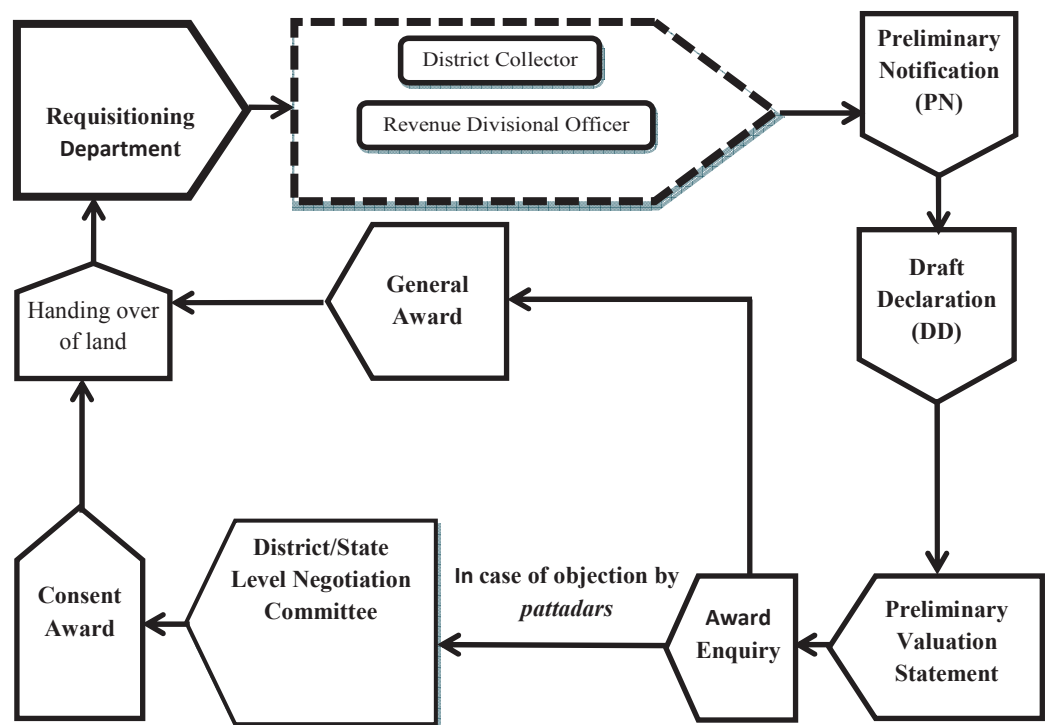
<sup>170</sup> A declaration shall be made to the effect that the particular land is needed for a particular purpose (like dwelling house for the poor) under the signature of a Secretary to such Government or of some officer duly authorised to certify its orders.

<sup>171</sup> It is a statement showing the value of the land under acquisition approved by the Collector.

<sup>172</sup> It is a sum awarded on market value of land, in consideration of the compulsory nature of the acquisition.

<sup>173</sup> It contains the true area of the land, compensation to be allowed and the apportionment allowed (Section 11(1) of the LA Act, 1894).

50 per cent. (Any further increase has to be referred to the Government or State Level Negotiation Committee). In such cases, Consent Award is passed by the LAO after its approval by the Chairman of DLNC and payments are made as per the Award. In case of dispute over ownership or apportionment of compensation, reference is to be made to a Civil Court and the disputed amount deposited with the Court. In case of urgency, advance possession can be taken after issuing Preliminary Notification under Section 17 of LA Act. In case of advance possession of land, 80 per cent of estimated compensation shall be paid to the pattadars. The process is shown in the following flow chart:



#### 6.4.2 Scope and methodology of audit

Audit was conducted during July 2014 to February 2015 in the offices of 12<sup>174</sup> out of 43 LAOs under Land Revenue Department, selected on the basis of expenditure incurred on land acquisition during the period 2012-15. The audit findings and observations that appeared in Local Audit Reports of 14 Revenue Divisions in the years 2013-15 but could not be included in earlier Audit Reports, have also been included in this Report. Audit findings on the records on Land acquisition collected from the SDC (LA), Hyderabad Metro Rail Project (Hyderabad Metro) are also included in this Report.

<sup>174</sup> RDOs Gadwal, Mahbubnagar, Medak, Miryalguda, Mulug, Nalgonda, Nirmal, Nizamabad, Peddapally, Sangareddy, Warangal and SDC, LA (Industries), Rangareddy.

## Audit findings

### 6.4.3 Parking of land acquisition deposits outside the Government account and unauthorised utilisation of interest funds

As per Article 262 of AP Financial Code, compensation for lands acquired under LA Act comes under Revenue Deposits. Further as per Article 261, Revenue Deposits come under Civil Deposits head of Government Accounts.

During the course of Audit of 20 LAOs<sup>175</sup>, it was observed from the records that in contravention to the provisions, land acquisition deposits were deposited in various nationalised and private banks. The LAOs intimated during the period from August 2013 to February 2015 that an amount of ₹ 294.78 crore was lying in various bank accounts. It was also observed that out of these 20 LAOs, in four LAOs<sup>176</sup> interest accrued on land acquisition deposits, amounting to ₹ 2.93 crore, was utilised for payment of utility charges and purchases of laptops and Xerox machines, protocol charges etc.

Keeping the funds outside the Government account takes them out of the budgetary control and expenditure monitoring system of the Government.

On parking of funds in banks, 11 LAOs<sup>177</sup> out of 20 accepted (October 2013 to February 2015) that the deposits were made in banks instead of depositing them in treasuries. The remaining nine RDOs<sup>178</sup> replied (August 2013 to January 2015) that the matter would be examined and a detailed reply furnished in due course. On the utilization of interest, all the four RDOs accepted the fact (August 2013 to February 2014) but did not give any reasons for non-compliance.

### 6.4.4 Excess payment due to non-compliance with the prescribed procedure and rules

It was noticed that non-compliance with the prescribed procedure and rules by the LAOs resulted in additional burden of ₹ 15.31 crore to the Government exchequer as discussed in the subsequent paragraphs.

#### 6.4.4.1 Discarding of sale statistics obtained from Sub-Registrar

As per Order 90(3) of BSO, for valuing lands, details of preceding three years land sales obtained from Sub Registrar offices in the locality should be taken into account. This is known as 'comparative sales' method. In case it is not possible to get comparable sale statistics, capitalization method, in which valuation is done by multiplying annual yield by a factor of, say 10, is to be

<sup>175</sup> Asifabad, Bodhan, Bhongir, Gadwal, Jangaon, Karimnagar, Khammam, Malkajgiri, Mancherial, Medak, Miryalaguda, Mulug, Nalgonda, Nizamabad, Peddapalli, Saroornagar, Utnoor, Vikarabad, Warangal and SDC, LA (Industries) Rangareddy.

<sup>176</sup> Karimnagar, Medak, Nizamabad and Saroornagar.

<sup>177</sup> Bodhan, Gadwal, Karimnagar, Medak, Miryalaguda, Mulug, Nalgonda, Nizamabad, Peddapalli, Vikarabad and Warangal .

<sup>178</sup> Asifabad, Bhongir, Jangaon, Khammam, Malkajgiri, Mancherial, Saroornagar, Utnoor and SDC LA (Industries) Rangareddy.

adopted. Audit checked the files related to land acquisition in 12 RDOs/SDCs and observed that in 19 cases, though in the Awards it was stated that value as per comparative sales was used, the provisions for valuation were disregarded while acquiring 462.41 acres of land. This resulted in excess payment of ₹ 12.18 crore towards compensations. Audit worked out preliminary value on the basis of sales statistics obtained from the Sub-Registrars concerned and compared it with the value paid as tabulated below:

Office	Audit Observation	Replies of the offices/ Government	Remarks
RDOs Khammam, Mahabubnagar, Medak, Mulug, Nirmal and Nizamabad.	In seven cases in which 189.50 acres were acquired, ₹ 1215.97 lakh was paid against ₹ 614.70 lakh as allowed under provisions. In these cases, the market values of lands in other villages were considered for fixing preliminary value ignoring the sale statistics in the village where land was being acquired.	RDOs of Mahbubnagar, Medak, Mulug and Nirmal (July 2014 to February 2015) accepted the observation. Others replied (September 2013 to October 2014) that the matter would be examined.	Replies have not been received (January 2016).
RDOs Gadwal, Medak, Peddapally and Utnoor	In four cases in which 109.45 acres of land was acquired, ₹ 581.02 lakh was paid against ₹ 370.34 lakh allowed as per provisions. The market values of lands were adopted on local enquiry for fixing preliminary value and were not based on sale statistics.	RDO Gadwal replied (February 2015) that PV was fixed by the Joint Collector and Award approved by the Collector. RDOs of Medak and Peddapalli replied (August 2014 to February 2015) that the landowners were registering documents at less than the actual rates to avoid payment of stamp duty and prevailing market rates were higher than those furnished by the SR Office. RDO Utnoor stated (September 2014) that the matter would be examined.	In the absence of comparative sales, capitalisation method was to be adopted. The Act does not provide for discarding sale statistics on the grounds mentioned by the RDOs.

Office	Audit Observation	Replies of the offices/ Government	Remarks
RDO, Gadwal	In three cases, in which 50.90 acres of land was acquired, ₹ 336.27 lakh was paid as compensation as against ₹ 185.43 lakh payable. The values of lands were enhanced for fixing preliminary valuation as the lands were stated to be suitable for horticulture or cotton cultivation and were near Gadwal town.	RDO Gadwal stated (February 2015) that the JC, Mahbubnagar had fixed the PV during physical verification and that the Award was approved by the Collector.	The reply is not relevant. Moreover, nearness to town and suitability of land for cultivation usually gets accounted for in the value during normal sales transactions.
RDO, Mulug	In one case in which 12.55 acres of land was acquired ₹ 51.20 lakh was paid as compensation as against ₹ 42.07 lakh based on sale statistics. The value of land as was overstated by the Sub-Registrar while sending the sale statistics.	RDO Mulug accepted (July 2014) that excess payment was made.	
RDOs, Adilabad, Sangareddy, SDC, LA (Industries), Rangareddy	In four cases in which 101.80 acres of land was acquired, ₹ 1613.68 lakh was paid against ₹ 1367.75 lakh admissible based on the values calculated using sale statistics. No valid reason was given in these cases.	The offices replied (September 2014 to January 2015) that matter would be examined and detailed reply furnished in due course.	Replies have not been received (January 2016).

Further replies are awaited (January 2016).

#### 6.4.4.2 Violation of prescribed procedures

Land compensation was to be paid by adopting the procedures laid down in the LA Act and Government instructions. However during the course of Audit, cases of non-compliance with the prescribed procedure at the time of fixing the compensation were noticed that resulted in excess payment of ₹ 3.13 crore as discussed below:

Violation	Reply of the offices/Department	Remarks
Section 17 (3A) (a) of the LA Act states that before taking possession of any land in cases of urgency, the Collector shall tender payment of 80 per cent of compensation as estimated by him. However no such advance payment was made in three cases in RDOs Mulug, Nizamabad and Warangal. Hence when final payment was made, interest of ₹ 2.21 crore had to be paid at nine per cent	RDO, Mulug replied (July 2014) that due to non-receipt of funds and advance not being insisted upon by the pattadars at the time of taking possession, 80 per cent advance was not paid. RDO, Warangal replied (August 2015) that the requisitioning Department had taken over the possession of the land without depositing the amount of 80 per cent of the cost of the land as per LA Act. Hence the acquisition	Reply of RDO Mulug is not tenable as advance was to be paid compulsorily as per the Act provisions. RDO Warangal should have insisted that the requisitioning Department deposit the amount as the amount was to be paid in any case.

for first year and 15 <i>per cent</i> for second year on 80 <i>per cent</i> of the amount for acquisition of 29.18 acres, which could have been avoided if the advance payment was made.	was made without payment of advance. RDO, Nizamabad replied (October 2014) that the matter would be examined and a detailed reply would be furnished in due course.	
As per Section 4(1) of LA Act, among the various modes of publications <sup>179</sup> , date of last publication of notification for acquisition of land was to be treated as the final date of publication for all purposes during the process of acquisition of that land. Under Section 23(1A) of the Act, Additional Market value at 12 <i>per cent</i> per annum was to be paid from the date of publication of Notification to the date of Award or date of taking possession of land, whichever is earlier. However due to non-reckoning of the date of the last publication as the final date of publication, AMV was paid for excess periods, ranging from three days to 167 days in 13 cases of SDC, LA (Industries), Rangareddy, SDC, (LA), Hyderabad Metro, Hyderabad and RDOs Medak, Nalgonda, Sangareddy and Warangal. There was excess payment of ₹ 75.12 lakh in these cases whereby 60.90 acres of land was acquired.	RDO, Medak replied (February 2015) that the date of publication of notification in newspaper was taken as date of notification and accordingly award was passed. RDO, Nalgonda replied (November 2014) that date of Gazette Notification was taken into account. RDO, Warangal (August 2014) replied that date of public notice in local areas was not taken as date of publication of notification but the date of notification in the District Gazette. In four (₹ 8.62 lakh) out of seven cases, SDC (LA), Hyderabad Metro stated (January 2015) that the Audit observation would be noted for future guidance. In three cases (₹ 36.71 lakh), SDC (LA), Hyderabad Metro and in one case, SDC LA (Industries) Rangareddy replied (January 2015) that matter would be examined and detailed reply would be furnished in due course.	The replies are not tenable as in all these cases, dates of notification adopted were not the dates of last publication of notification. The Act clearly specifies that the date of last publication is to be taken as the final date of publication for calculation of AMV.
As per Section 23 of LA Manual in Andhra Pradesh, payment for wells should not be made. However, payment for compensation of ₹ 16.54 lakh for wells in four cases in an Award was made under which 19.48 acres were acquired by RDO Peddapalli.	No specific reply was furnished.	Replies have not been received (January 2016).

Further replies have not been received (January 2016).

#### **6.4.5 Blocking of State Funds**

The RDO, Sangareddy, in the bill of estimates for acquisition of 4.10 acres of land, estimated the cost of acquisition as ₹ 5.69 crore. The requisitioning Department, deposited the amount as per the estimates made by the RDO. However, actual expenditure incurred on acquisition of 7.38 acres was only ₹ 1.02 crore. State funds amounting to ₹ 4.67 crore were blocked in Revenue

<sup>179</sup> Gazette Notification, two daily newspapers, public notice in the locality.



Division for over 50 months i.e. from March 2010 to May 2014 due to incorrect estimates.

On this being pointed out, RDO, Sangareddy replied (October 2014) that the matter would be examined and a detailed reply furnished in due course.

Reply of the Department has not been received (January 2016).

#### **6.4.6 Conclusion**

Parking of funds outside Government account and making excess payments in violation of laid down rules were observed. Procedure prescribed for land acquisition was not followed in many cases. Wrong estimation of expenditure resulted in blocking of State funds.

#### **6.5 Short levy of conversion tax due to undervaluation**

As per Section 3(1) of Andhra Pradesh Agricultural Land (Conversion for non-agricultural purposes) Act, 2006, no agricultural land in the State shall be put to non-agricultural use without the prior permission of the Revenue Divisional Officer.

Section 4(1) of the Act provides that every owner<sup>180</sup> or occupier of agricultural land shall pay conversion tax at nine *per cent* of the basic value<sup>181</sup> of the land converted for non-agricultural use.

Audit noticed (September and October 2014) in three Revenue Divisional Offices<sup>182</sup> that in 25 cases, individuals applied for conversion of agricultural land for non-agricultural uses and paid conversion tax. However, conversion tax was arrived at by applying the general basic value<sup>183</sup> instead of specific basic value<sup>184</sup> fixed for the particular survey number in all these cases. Due to incorrect adoption of basic values which were less than the rates specified by the Registration and Stamps Department conversion tax was short levied. In all these cases, conversion tax of only ₹ 29.64 lakh was levied instead of ₹ 160.69 lakh. This resulted in short levy of conversion tax of ₹ 1.31 crore.

After Audit pointed out the cases, RDOs, Nizamabad and Sangareddy replied (October 2014) that conversion tax was levied based on the basic values furnished by Sub Registrar and matter would be taken up with them. RDO, Adilabad stated (September 2014) that the matter would be examined and Audit intimated.

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<sup>180</sup> As per Section 2(m) of the Act, 'owner' includes any lessee/local authority to whom lands have been leased out by State Government or the Central Government.

<sup>181</sup> 'Basic value' means the land value entered in the Basic Value Register notified by Government from time to time and maintained by the Sub-Registrar.

<sup>182</sup> Adilabad, Nizamabad and Sangareddy.

<sup>183</sup> Applicable to the area covered under a survey number in general.

<sup>184</sup> Rate applicable to specific portions of area covered under a survey number, which is usually more than the general basic value due to proximity to amenities, road, etc.

The matter was referred to the Department in January 2015. Their replies have not been received (January 2016).

### **6.6 Lack of Co-ordination between Revenue and Panchayat Raj Departments resulted in non-levy of conversion tax and penalty**

Under Section 5 of the Act, Revenue Divisional Officer (RDO) is competent to convert the land use from use for agricultural to non-agricultural purposes. Under Section 6(2) of the Act, if any agricultural land has been put to use for non-agricultural purpose without obtaining permission, the competent authority shall impose fine of 50 *per cent* over and above the conversion tax. As per Rule 6 of Andhra Pradesh Gram Panchayat Land Development (Layout and Building) Rules, 2002, Gram Panchayats are the administrative sanctioning authorities for layouts. Division Level Panchayat Officers (DLPOs) exercise supervision and control and provide guidance to the Gram Panchayats and their executives in their jurisdiction.<sup>185</sup>

Audit noticed (September 2014) during cross verification of the layouts approved by the Gram Panchayats coming under DLPOs' jurisdiction<sup>186</sup> with the conversion granted in two RDOs<sup>187</sup>, that in seven cases layouts were approved by the Gram Panchayats and 30.02 acres of land was converted without authorisation from the RDO. Neither had the individuals/organisations approached the RDOs concerned nor did the Department make any effort to levy conversion tax in these cases. Due to lack of co-ordination between the RDOs and DLPOs/Gram Panchayats, conversion tax and penalty amounting to ₹ 37.46 lakh could not be levied.

After Audit pointed out the cases, the RDOs replied (September 2014) that the matter would be examined and Audit intimated in due course.

The matter was referred to the Department in January 2015. Their replies have not been received (January 2016).

<sup>185</sup> G.O.Ms.No. 70, PR&RD (Rules) Department., Dated. 29 February 2000.

<sup>186</sup> Audit collected the information of layouts approved by GPs through the DLPOs.

<sup>187</sup> Adilabad, Bodhan.