

CHAPTER – 7

LAND REVENUE

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7.1 Tax administration

The Revenue Department is headed by the Principal Secretary at the Government level. The Principal Revenue Commissioner (PRC) is the Head of the Department and is assisted by the Commissioner, Settlement and Land Records (CSLR). Commissioners of Divisions exercise administrative and fiscal control over the districts included in the Division. In each district, the Collector administers the activities of the Department and is assisted by one or more sub-divisional officers in the rank of Assistant Collectors/ Joint Collectors/ Deputy Collectors as the case may be. Superintendents/Assistant Superintendents, Land Records (SLR/ASLR) are posted in the Collectorate for maintenance of revenue records and settlement. *Tahsildars/ Additional Tahsildars* are deployed in the *tahsils* as representatives of the Revenue Department. There are 10 revenue divisions (each headed by a Commissioner), 51 districts (each headed by a Collector) and 335 *tahsils* in the State.

As per provisions of Sections 58, 59 and 60 of the Madhya Pradesh Land Revenue Code, 1959, all land is liable to the payment of revenue to the State Government notwithstanding that such revenue may be described as premium¹, rent² or lease money³. When agricultural land is diverted to residential/ commercial purposes, diversion rent and premium are assessed and collected by the Sub Divisional Officers (SDO) and respective *Tahsildars*. *Nazul*⁴/ Government land are allotted on permanent and temporary lease on payment of premium and ground rent. *Panchayat upkar*⁵ (cess) is also levied on land revenue in respect of land situated in *panchayat areas*.

Land Revenue is regulated under the following Acts and Rules and notifications issued thereunder:

- Madhya Pradesh Land Revenue Code (MPLRC), 1959;
- Madhya Pradesh *Panchayat Raj Adhiniyam* (MPPRA), 1993;
- Madhya Pradesh *Upkar Adhiniyam*, 1982;
- Madhya Pradesh *Lokdhan (Shodhya Rashiyon Ki Vasuli) Adhiniyam* (MPLA), 1987; and
- Revenue Book Circular (RBC).

¹ Premium is lump sum amount payable for diversion of land use and for allotment of Government land on lease basis.

² Rent means whatever is paid or is payable in money or in kind - (i) by an occupancy tenant to his *bhumiswami* or (ii) by a Government lessee to the Government.

³ Lease money is the money given to the lessor by the lessee as per terms of the lease.

⁴ *Nazul* land is Government land which is used for the purpose of construction of public utilities viz., *bazaars* or entertainment places.

⁵ *Panchayat upkar* is levied on land situated in *gram panchayat areas*.

7.2 Trend of receipts

Trend of land revenue for the period 2012-13 to 2016-17 are given in Table 7.1.

Table 7.1
Trend of receipts of Land Revenue

(₹ in crore)

Year	Budget estimates	Actual receipts	Percentage of variation
2012-13	550.00	443.59	(-) 19.35
2013-14	572.00	366.23	(-) 35.97
2014-15	700.10	243.10	(-) 65.28
2015-16	500.00	276.86	(-) 44.63
2016-17	500.00	406.65	(-) 18.67

(Source: Finance Accounts and Budget Estimates of Government of Madhya Pradesh)

The Department attributed (March 2018) the significant increase of land revenue in 2016-17 to recovery of land revenue arrears by targeting large defaulters. Audit test checked the records of *Tahsil Huzur*, Bhopal, *Tahsil Vidisha* and *Tahsil Damoh* and confirmed that recovery of arrears of ₹ 92.59 lakh in 40 cases was made during 2016-17.

The Department intimated (April 2018) that the efforts were to be made by the District Collectors and the details of district wise recovery of arrears were not available with the PRC. Further, specific reasons for higher revenue receipts during 2012-13 were not intimated by the Department.

7.3 Internal Audit

The Department informed (September 2017 and May 2018) that there was no separate Internal Audit Wing (IAW) at PRC office. Divisional Commissioner offices perform internal audit of District offices including follow up of Internal Audit Inspection Reports. Further, higher authorities constitute inspection team for inspection of District offices and review the inspection reports submitted and issue directions for corrective actions. Further, through RCMS (Revenue Case Management System) software the inspection programmes and inspection notes uploaded by the inspection staff were being monitored at the PRC office and necessary instructions were issued by the higher authorities to the subordinates.

Scrutiny of inspection reports relating to internal audit conducted by the Divisional Commissioner, Bhopal in the offices of the *Tahsildar*, Raisen, *Tahsildar*, Khilchipur and the Collector, Raisen revealed that the observations on RRC cases, penalty cases and recovery of arrears were made during inspection by the Divisional Commissioner. However, observation like undervaluation of market value of land resulting in less realisation of diversion rent and premium, levy of cess on premium and ground rent, and deposit of process fees to Government account were not made during inspection.

Audit observed that there was no uniformity or consistency in the Department in the implementation of certain provisions of the MP Land Revenue Code including valuation of land and levy of *upkar* (cess) on land revenue that included both premium and rent.

7.4 Results of audit

Audit test checked during 2016-17, the records of 75 units (19 out of 51 Collectorates and 55 out of 335 *Tahsildar* offices and one office of the Principal Revenue Commissioner, Bhopal) out of 387 units relating to land revenue. Revenue generated by the Department during the year 2015-16 aggregated to ₹ 276.86 crore of which, the audited units collected ₹ 29 crore. Audit observed underassessment of revenue and other irregularities involving ₹ 759.65 crore in 1,97,028 cases which included arrears of Land Revenue of previous years also in respect of which the Department did not take appropriate action for recovery. These observations fall under the following categories as mentioned in **Table 7.2**.

Table 7.2
Results of Audit

(₹ in crore)

Sl. No.	Categories	No. of cases	Amount
1.	Incorrect application of rates resulting in loss of premium and ground rent and non-levy of <i>panchayat upkar</i> (cess) on premium or ground rent	250	3.08
2.	Lease in respect of <i>Nazul</i> land not renewed resulting in revenue loss to the Government	39,688	49.29
3.	Underassessment of diversion rent/premium	654	4.83
4.	Land revenue and <i>panchayat upkar</i> not deposited in the major head of accounts	113	122.00
5.	Failure to raise demands of diversion rent/ premium and penalty	17,497	5.99
6.	Process expense not levied/ realised	29,859	38.13
7.	Revenue recovery certificates not instituted	52	30.22
8.	Exemptions in land revenue without reasons	1,822	8.59
9.	Lease not executed or renewed	930	8.22
10.	Non-registration of leases of <i>Nazul</i> land	1,649	10.70
11.	Other observations (penalty not imposed on account of encroachment and unauthorised construction on agricultural land without diversion, inadequate action to recover arrears of land revenue after issue of RRCs)	1,04,514	478.60
Total		1,97,028	759.65

All observations were communicated to the Department between (May 2016 and May 2017). The Department accepted under-assessment and other irregularities of ₹ 23.21 crore in 2,066 cases. Demand notices have been issued in 393 cases and recovery of ₹ 78,610 has been intimated in two cases.

Recovery of ₹ 27.29 crore in 1,931 cases was made during 2016-17 in respect of Audit Report for the year 2010-11.

7.5 Follow up of previous Audit Reports

In the Audit Reports for the period from 2011-12 to 2015-16, Audit had pointed out various observations amounting to ₹ 270.18 crore in 43 paragraphs against which the Department recovered only ₹ 7.26 crore. Out of these 43 paragraphs, 32 paragraphs⁶ were selected by the Public Accounts Committee (PAC) between June 2014 and May 2017 for discussion, out of which, four paragraphs

⁶ 2011-12 (04), 2012-13 (01), 2013-14 (02), 2014-15 (24) and 2015-16 (01).

have been discussed. Reply of the Department in respect of 40 paragraphs has since been received through PAC. The PAC has already given its recommendations on similar paragraphs of ARs prior to 2011-12, compliance of which has still not been made by the Department as neither the time limit has been fixed for recovery in pending cases nor was persistence of such irregularities checked. Details of some observations which recurred despite being highlighted in previous Audit Reports and PAC recommendations are detailed in **Table 7.3**.

Table 7.3
Details of recovery by Department and PAC Recommendations in respect of previous Audit Reports

(₹ in crore)

Categories	Amount of paras printed during 2011-12 to 2015-16	Amount or recovery effected in respect of AR Paras	Previous recommendations ⁷ by PAC (26 th and 387 th Recommendation Reports on ARs 2008-09 and 2009-10 respectively)	Units in which observation recurred
Incorrect application of rates resulting in loss of premium and ground rent	1.06	0.19	The PAC instructed the Government and the Department to make available the revised assessment of objected properties and action taken thereon.	Gwalior
Under assessment of diversion rent/premium	115.40	0.27	The PAC instructed the Government and the Department to make available the revised assessment of objected properties and action taken thereon.	Bhopal, Chhindwara, Ratlam, Ujjain
Lease in respect of <i>Nazul</i> land not renewed resulting in revenue loss to Government	15.57	0	The PAC showed discontent on indifference of Departmental officers to its previous recommendations on the same issue and instructed the Department to issue necessary instructions to check repetition of this irregularity.	Bhopal
Process expense not levied/ realised	0.77	0.04	The PAC expressed its discontent on indifferent attitude of the Departmental officers towards revenue realisation. Further, PAC recommended that action be initiated against the officers responsible for non-recovery and establish monitoring system in collector offices.	Chhindwara, Indore
<i>Panchayat upkar</i> on diversion rent and premium not levied	16.81	2.6	The PAC recommended that the Government issue necessary orders to ensure that <i>panchayat upkar</i> is levied on premium in rural areas and time limit should be fixed to effect recovery.	Ujjain

⁷ 26th and 387th Recommendation Reports were made during the years 2014-15 and 2016-17 respectively.

Recommendation:

The Department is required to initiate measures to ensure that the recommendations of the PAC are complied with and similar instances of short-recovery/ non-recovery do not recur.

A few illustrative cases involving loss of Government revenue of ₹ 8.96 crore are mentioned in the following paragraphs:

7.6 Premium, ground rent, interest and penalty on *Nazul* permanent lease not recovered

Failure to recover premium of ₹ 2.24 crore in three cases, ground rent of ₹ 2.61 crore in 108 cases, interest of ₹ 42.20 lakh and penalty of ₹ 26.06 lakh on unpaid ground rent, resulted in short realisation of revenue of ₹ 5.53 crore.

The Revenue Book of Circulars (RBC) of Madhya Pradesh governs the allotment of government lands by the District Collector on full payment of lease premium in advance and annual ground rent. The Land Revenue Code (LRC) stipulates that if any instalment of land revenue is not paid within one month after the prescribed date, penalty not exceeding 100 *per cent* may be imposed in the case of wilful defaulter. Further, Government notification (11 July 2014) prescribes imposition of 15 *per cent* interest and 10 *per cent* penalty on belated payments of outstanding ground rent.

Audit test check (April 2016) of records⁸ 155 leases of *Nazul* land in Collector (*Nazul*) Ratlam revealed that in four lease agreements, the Collector allotted (between 1987-88 to 2012-13) government lands without deposit of full amount of premium by the lessee, resulting in premium of ₹ 2.68 crore pending for recovery besides penalty of ₹ 5.55 crore. After this was pointed out by Audit, one lessee deposited premium of ₹ 44.21 lakh (September 2016).

Audit further observed that ground rent of ₹ 2.61 crore was outstanding (October 2017) in respect of 108 lessees for which penalty at the rate of 10 *per cent* amounting to ₹ 26.06 lakh was also leviable. Audit calculated leviable interest on outstanding amount of annual ground rent (as on September 2017) in respect of 13 major defaulters (for the period from August 2014 to September 2017) which worked out to ₹ 42.20 lakh.

Thus, allotment of land by the Collector without deposit of premium by the lessees and failure of the *Tahsildar* to recover ground rent resulted in short recovery of premium of ₹ 2.24 crore and short/ non-recovery of ground rent of ₹ 2.61 crore besides interest of ₹ 42.20 lakh and penalty of ₹ 26.06 lakh on ground rent.

During the exit conference (November 2017), the Department replied that compliance report from the Collector, Ratlam was awaited. However, no recovery in objected cases was effected (May 2018) by the Collector, Ratlam.

⁸ Demand and collection register, individual case files and challans.

7.7 Underassessment of premium and ground rent

In four cases value of *Nazul* land was not assessed as per guidelines issued by the Collector which resulted in undervaluation of diversion rent and premium of ₹ 1.77 crore. Further, there was underassessment of diversion rent and premium amounting to ₹ 72.15 lakh in 86 other cases due to undervaluation of market rate of private land. Thus undervaluation of land resulted in short realisation of revenue amounting to ₹ 2.49 crore to the Government.

The RBC stipulates that, in all the cases of allotment of *Nazul* land on lease, premium and ground rent should compulsorily be calculated at the guideline rates approved by the Collector and allotment at lower rates would not be acceptable in any case. Further, the RBC provides for allotment of *Nazul* land to the Municipal Corporation/ Council for planned construction of market, complexes etc., and get regular income from these constructions, on payment of premium at 50 per cent and annual ground rent at 7.5 per cent of the value of land so assessed. In case of private land also, valuation of land is to be done on the basis of the market value guidelines of the Collector.

Audit observed (March 2017) during the audit of the Collector's office, Shivpuri that *Nazul* land was allotted (between October 2016 and December 2016) to Municipal Council, Shivpuri for the planned construction of four markets. The value of *Nazul* land in respect of all the four markets was not assessed as per the Collector's guidelines for market value calculation which resulted in revenue loss of ₹ 1.77 crore (premium of ₹ 1.54 crore and rent of ₹ 0.23 crore). In all the cases, the value of the first 500 square metre (m²) land was to be calculated at the rate of ₹ 8,500 per m² and the remaining land at the rate of ₹ 0.63 crore per hectare on the basis of Collector's guidelines. However, the Collector approved the proposed calculation of land at the rate of ₹ 0.63 crore per hectare for the entire land. This resulted in short realisation of ₹ 1.77 crore.

Further, audit test check of diversion case records in 10 Collectorates⁹ and 10 *Tahsil*¹⁰ offices decided between July 2016 and April 2017, revealed underassessment of diversion rent and premium in 86 cases out of total 1,385 diversion cases, resulting in short realisation of premium of ₹ 60.33 lakh and diversion rent of ₹ 11.82 lakh. In 80 cases, the market value of the entire land was assessed on the rates applicable to agricultural land in hectares, in three cases value was not assessed for the purpose for which the land was diverted and in three cases normal rates were applied on lands situated at the state/national highway, resulting in short realisation of revenue of ₹ 72.15 lakh.

In the exit conference (November 2017), the Department informed that compliance report from the Collectors and *Tahsildars* was awaited.

Audit had pointed out similar observations in all the previous Audit Reports but the Department had not issued necessary instructions to the revenue staff to adhere strictly to the market value guidelines issued by the Collector and

⁹ Agar Malwa, Anuppur, Ashoknagar, Dewas, Narsinghpur, Raisen, Sagar, Shivpuri, Ujjain and Umaria.

¹⁰ Alot (Ratlam), Aron (Guna), Bada Malhera (Chhatarpur), Damoh, Dewas, Guna, Khaniyadhana (Shivpuri), Kurwai (Vidisha), Piparia (Hoshangabad) and Rahatgarh (Sagar).

coordinate with the Department of Stamps and Registration to get the value of land assessed correctly.

Recommendation:

The Department may ensure that market value guidelines issued by the District Collectors are strictly adhered to while calculating premium and rent.

7.8 Panchayat upkar on diversion rent and premium not levied

In 311 cases relating to diversion of land situated in gram panchayat areas, the Collectorates and Tahsil offices did not levy and demand panchayat upkar on premium and in 42 cases upkar was not levied on diversion rent as well as premium, thus depriving the Government of revenue amounting to ₹ 96.59 lakh.

As per MP *Panchayat Raj Adhiniyam* read with the Land Revenue Code (LRC), land holders and Government lessees are required to pay *panchayat upkar* on premium as well as diversion rent on lands held by them in the *gram panchayat* area.

Audit test check of diversion cases decided between October 2010 and September 2016 in seven Collectorates¹¹ and nine *Tahsil*¹² offices revealed that, in 353 cases (out of 2,418 cases test-checked), *upkar* of ₹ 96.59 lakh on diversion rent and premium was not levied though the land was situated in *gram panchayat* area. Out of these 353 cases, in 311 cases, *upkar* was levied on diversion rent but not on premium, while in 42 cases it was not levied either on diversion rent or premium.

In the exit conference (November 2017), the Department informed that compliance report from the concerned Collectors and *Tahsildars* was awaited.

In this connection, it is to be pointed out that though similar observations were made in the Audit Reports of 2014-15 and 2015-16, and the Department also accepted the findings during the respective exit conferences (September 2015 and September 2016), no action to enforce the levy and collection of *panchayat upkar* has been taken. Further the PAC had also recommended (387th Recommendation Report for Audit Report 2009-10) that the Government should issue necessary orders to ensure that *panchayat upkar* is levied on premium in rural areas and time limit should be fixed to effect recovery. Such orders are yet to be issued by the Department.

¹¹ Ashoknagar, Burhanpur, Damoh, Jhabua, Narsinghpur, Raisen and Shivpuri.

¹² Ashta (Sehore), Badnagar (Ujjain), Damoh, Hujur (Rewa), Kasrawad (Khargone), Moman Badodiya (Shajapur), Pipariya (Hoshangabad), Tikamgarh, and Thikri (Barwani).