

# **CHAPTER - IV**

## **LAND REVENUE**



## **Highlights**

### **Why CAG did this Audit**

In terms of the MP Land Revenue Code, 1959 (MPLRC), land revenue includes all moneys payable to the State Government for holding land, and includes premium, rent or lease money, quit rent or any other cognate variation of these expressions.

When agricultural land is diverted for residential/ commercial purposes, land revenue and premium for diverted use of land are assessed by the Sub-Divisional Officers (SDO). Ground rent, premium and interest are levied on the *Nazul* Government land allotted on permanent and temporary lease in the State. Fines, penalties, processing fee and interest are also levied under MPLRC 1959, Revenue Book Circular (RBC) and executive instructions issued from time to time.

Moreover, *Panchayat Upkar* (Cess) is also levied on land revenue in respect of land situated in *Panchayat* area.

This Audit was conducted to assess whether cases relating to diversion of land were being assessed, and premium rent and *Panchayat Upkar* were being collected in accordance with the MPLRC, 1959.

### **What CAG Found**

***During a test check of records of the Office of Principal Revenue Commissioner (PRC) and 28 out of 47 Collectorates, Audit found system deficiencies and non-compliance with various provisions of the Act/Rules, as discussed below:***

- *Non-compliance with the provisions of the Upbandh and Government Notifications, resulted in Under-assessment of Diversion Rent, Premium and Panchayat Upkar,*
- *Issuance of diversion orders without recovering the land revenue, Premium, Panchayat Upkar and penalty resulted in non-realisation of land revenue*

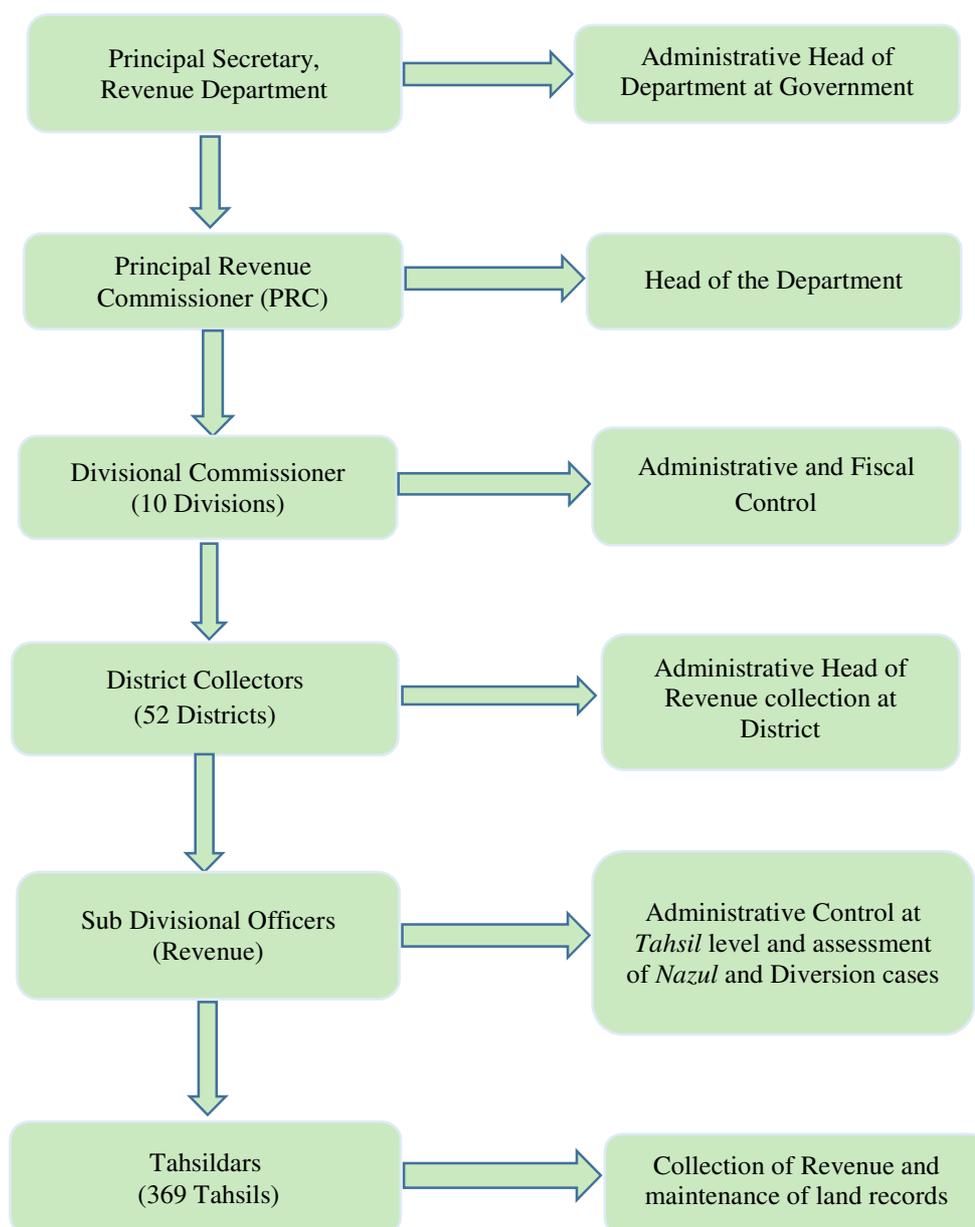
***These shortcomings, in aggregate, have an overall revenue impact of ₹4.85 crore.***

#### **4.1 Introduction**

Revenue Department functions as the custodian of Government lands and ensures proper maintenance of land records of the State. It also implements various provisions of Madhya Pradesh Land Revenue Code (MPLRC), 1959 relating to assessment and realisation of land revenue with reference to the use of land.

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 SDOs in the rank of Assistant Collectors/Deputy Collectors/Joint Collectors as the case may be. Superintendent/Assistant Superintendent, Land Records (SLR/ASLR) are posted in the Collectorates 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), 52 Districts (each headed by a Collector) and 369 *Tahsils* in the State. The organogram of the Department is given below in **Chart 4.1**.

Chart 4.1: Organogram



## 4.2 Trend of receipts

The trend of receipts of land revenue during the five-year period 2014-2019 is given below in **Chart 4.2**.

**Chart 4.2: Land revenue receipts**



Source: Finance Accounts of Government of Madhya Pradesh

As can be seen from the chart given above, there has been an increase in land revenue from year-to-year during the period 2014-2018. However, there was a steep decline of 21.81 *per cent* in land revenue receipts during 2018-19. Further, despite the annual increase during 2014-18, the actual receipts during this period have not matched the budgetary expectations in any of the years. In fact, at ₹ 383.91 crore, land revenue receipts during 2018-19 have fallen short of budgetary expectations by 68 *per cent*.

The Department attributed the significant increase of land revenue in 2016-17 to recovery of arrears by targeting large defaulters. While stating that the targets for 2017-18 were set high in the Budget, the Department stated that revenue receipts for 2017-18 were 20.74 *per cent* more compared to the receipts of 2016-17. As regards the decrease in receipts during 2018-19, the Department attributed (November 2019) it to shortage of officers and staff at District level and engagement in other Government works.

### **4.3 Results of Audit**

Audit of land revenue receipts was conducted through a test check of records relating to assessment and collection of land revenue and premium in diversion cases in 28 Collectorates (out of 47) and 28 SDO offices (selected on the basis of highest amount of Diversion rent receipts) for the three-year period 2016-17 to 2018-19 to gain assurance that the taxes were levied, collected and accounted for in accordance with the relevant Acts, Codes and Manuals, and the interests of the Government are safeguarded. Besides, information was also collected from PRC's Office and 10 Divisional Commissioners' offices<sup>31</sup>.

At the conclusion of audit, the findings were forwarded to the Department (January 2020) for comments/responses; despite repeated requests (between June to August 2020), exit meeting could not be held.

Audit brought out instances of deviations/non-compliance with the provisions of the Acts and Rules and non-recovery of land revenue receipts in 640 cases involving an amount of ₹ 4.85 crore, due to various reasons,

<sup>31</sup> In respect of Departmental Inspections.

as detailed in **Table 4.1**.

**Table 4.1: Category of Audit Observations on Revenue Receipts**

(₹ in crore)			
Sl. No.	Category of Audit observations	No. of Audit deviations	Amount
1	Short levy of diversion rent, premium and <i>Panchayat Upkar</i> due to (i) adoption of incorrect market value of land for assessment; (ii) incorrect application of rates and, (iii) non-levy of <i>Panchayat Upkar</i> etc.	527	2.94
2	Non-realisation of Land Revenue in diverted cases	113	1.91
	<b>Total</b>	<b>640</b>	<b>4.85</b>

The broad categories of audit findings under land revenue are discussed in detail in the succeeding paragraphs. Similar irregularities, errors/omissions may also exist in other units not covered in the test audit. The Department may, therefore, examine all the units to ensure that land revenue are assessed, levied and collected as per provisions of the Acts and Rules.

### **Audit findings**

As per the provisions of MPLRC, Revenue Book Circular and executive instructions issued from time to time, when agricultural land is diverted for residential/commercial purposes, rent and premium for diverted purpose of land are assessed by the SDO. Ground rent, premium and interest are levied on the *Nazul*<sup>32</sup>/Government land allotted on permanent and temporary lease in the State. Moreover, *Panchayat Upkar* (Cess) is also levied on land revenue in respect of land situated in *Panchayat* area.

#### **4.4 Short levy of Land Revenue and Premium**

As per Section 59 of the MPLRC, 1959, if land assessed for one purpose is diverted for any other purpose, the land revenue and premium payable on such land shall be revised and assessed, in accordance with the purpose for which it was diverted. The rates of land revenue and premium for diverted use shall be payable at the rates prescribed in the Rules<sup>33</sup> on the basis of market value of land. Further, the market value of land is assessed under the *Upbandh* (provision) of Market Value Guidelines issued by the Chairman, Central Valuation Board and Inspector General, Registration (April 2015).

Test-check (between June 2019 to December 2019) of 8,313 (19.60 *per cent*) out of 42,408 diversion cases assessed between April 2015 and March 2019 by the SDOs in 28 selected Collectorates revealed non-compliance/deviations in assessment of market value of land for levy of land revenue and premium in 527 cases in 26 units. This resulted in short levy of land revenue and premium of

<sup>32</sup> *Nazul* land is Government land which is used for construction or public utility purpose, viz. *bazar* or entertainment places.

<sup>33</sup> Rules made under section 258 and section 59 of the MPLRC, 1959.

₹ 2.89 crore, besides non levy of *Panchayat Upkar* of ₹ 0.05 crore, aggregating ₹ 2.94 crore (**Appendix XIII**).

The Department intimated (September 2020) that compliance was being sought from Districts.

The details of Audit observations regarding these 527 cases are as follows:

#### **4.4.1 Adoption of incorrect market value of land**

(a) As per para 4 of *Upbandh of MVG 2015*, lands situated either within *Nagar Nigam limits of Bhopal, Indore, Gwalior and Jabalpur, Nagar Nigam and Nagar Palika limit of other cities* and *Nagar Parishad/Vishisht Gram* limits or in the specified investment areas, were to be assessed at the rates prescribed for developed land for first 1,000 square metre (m<sup>2</sup>), 500 m<sup>2</sup> and 300 m<sup>2</sup> respectively as specified in *ibid Upbandh* and then rest of the land was to be assessed at the rates prescribed for agricultural land.

In 436 cases (24 Collectors<sup>34</sup>), specified area of land was not assessed as developed land as per the *Upbandh*. The SDOs assessed the entire land at the rates applicable to agricultural land only, which resulted in short levy of rent, premium and *Panchayat Upkar* on rent amounting to ₹ 2.58 crore.

(b) As per para 1 of *Upbandh*, in the villages/ area, where separate rates are not provided for land situated near roads<sup>35</sup>, land shall be valued at 100 per cent, 50 per cent and 20 per cent higher than the market value of land for national highways and its bypass, state highways and its bypass and district roads respectively.

In 24 cases (six Collectors<sup>36</sup>), higher rates as per para 1 of *Upbandh* was not applied although the land was situated near the road. This resulted in short levy of rent, premium and *Panchayat Upkar* amounting to ₹ 6.08 lakh.

#### **4.4.2 Application of incorrect rates for assessing Land Revenue**

Government vide notification dated 28 September 2018 (applicable from 25 September 2018), revised the method for assessing the land revenue and premium. Under the new method, land revenue was to be calculated on the basis of per sq. mtrs rates prescribed for different purposes of use of land. Earlier, market value of land was first assessed as per Market Value Guidelines and thereafter, rate of diversion rent and premium were applied on the assessed market value.

Audit found that in 22 cases (eight Collectors<sup>37</sup>), correct rates as prescribed in the Government notification dated 28 September 2018 were not applied for calculation of land revenue and premium. This resulted in short levy of land revenue, premium and *Panchayat Upkar* amounting to ₹ 23.47 lakh.

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<sup>34</sup> Agar Malwa (35), Alirajpur (01), Chattarpur (01), Damoh (05), Dewas (02), Guna (02), Gwalior (51), Indore (36), Katni (20), Khargone (05), Mandla (02), Mandsaur (31), Morena (05), Panna (05), Ratlam (30), Rewa (10), Sagar (14), Satna (28), Sehore (18), Shahdol (57), Sheopur (58), Ujjain (10), Umariya (08) and Vidisha (02).

<sup>35</sup> Within the range of 20 metres from the road.

<sup>36</sup> Agar Malwa (15), Alirajpur (02), Chhindwara (02), Mandsaur (02), Sagar (02) and Ujjain (01).

<sup>37</sup> Bhopal (02), Damoh (04), Guna (01), Mandsaur (06), Morena (02), Panna (02), Ratlam (03) and Sheopur (02).

### 4.4.3 Panchayat Upkar not levied

As per Section 74(1) of *Panchayat Raj Avam Gram Swaraj Adhiniyam*, 1993, every tenure holder and Government lessee shall be liable to pay for each revenue year for the purpose of this Act, a cess (*Panchayat Upkar*) in respect of land held by him within the Gram Sabha area at the rate of 50 per cent of the land revenue or rent assessed on such land.

Audit found that in 45 cases (six Collectors<sup>38</sup>), *Panchayat Upkar* was not levied although the land was situated in *Gram Sabha* area. This resulted in short levy of cess amounting to ₹ 2.72 lakh. Further, in 16 out of these 45 cases, instances of short levy of rent and premium amount of ₹ 3.77 lakh were also noticed.

### 4.5 Non-realisation of Land Revenue in diverted cases

According to Section 59, read along with Section 172 of MPLRC 1959, where a land which has been assessed for a purpose has been diverted for another purpose, premium and rent on that land will be re-assessed by the SDO. Premium is a one-time payment and rent is an annual charge for land diverted for other purposes. The MPLRC does not clearly specify the advance remittances of rent and premium assessed, before issue of diversion orders to the land holder. Consequently, huge amount of rent and premium were outstanding. The Department had made the required changes in the procedural rules in June 2019 for prior payment of dues.

Audit scrutiny (June 2019 to December 2019) of records<sup>39</sup> revealed that four Collectors<sup>40</sup> issued diversion orders in 7,768 cases during the period from December 2014 to March 2019. Out of 1,255 cases test-checked in Audit, in 113 cases, order for diverted use of land were issued without recovering the diversion rent of ₹ 22.54 lakh, premium of ₹ 35.91 lakh, *Panchayat Upkar* of ₹ 1.86 lakh and penalty of ₹ 130.83 lakh. It was observed in Audit that action for recovery was also not taken by the Collectors in the cases of non-compliance/deviations pointed out in audit. As a result, an amount of ₹ 1.91 crore was still pending for recovery in these Collectorates as per details shown in **Appendix XIV**.

On this being pointed out in Audit, the Department replied that the *Tahsildars* would be instructed to recover the outstanding revenue.

Government replied (August 2020) that presently Section 172 of MPLRC of diversion had been quashed and assessment rule of land revenue under sections 59 and 60 of MPLRC 1959, had been published in the Gazette on 28 September 2018 and procedural rules for advance remittance of rent and Premium assessed had been issued on 07 June 2019.

Although the Department had amended the relevant rules and procedure w.e.f. June 2019, appropriate action is required for ensuring recovery of assessed rent and premium in old cases where diversion order has already been passed.

<sup>38</sup> Alirajpur (03), Mandla (01), Mandasaur (15), Panna (01), Shahdol (10) and Sheopur (15).

<sup>39</sup> Periodical returns sent by *Tahsildars* to the Collectors regarding pending amount of recovery and records of Revenue Inspectors and SDO.

<sup>40</sup> Guna, Sagar, Satna and Vidisha.

## 4.6 Departmental Inspections

As per provisions of para 34 of Section II (1) of the Revenue Book Circular (RBC), the DC should conduct detailed inspection of each District under his administrative control once a year. However, if the number of districts is more than five, inspection should be so planned that all the Collectorates are inspected within a period of two years. The DCs should conduct inspection of *Tahsils* also in such a manner that each *Tahsil* is inspected at least once in a period of three years. Test-check of the records of 10 DC Offices revealed that there was a shortfall in inspections during 2016-17 to 2018-19. Details are given in **Table 4.2**.

**Table 4.2: Details of Inspections planned and conducted by DCs**

Year	Inspections required as per RBC norms		Inspections planned as per Roster		Actual Inspections conducted	
	Collectorate	<i>Tahsil</i>	Collectorate	<i>Tahsil</i>	Collectorate	<i>Tahsil</i>
2016-17	43	369	19	171	7 (63.16)	49 (71.34)
2017-18	43		22	103	8 (63.64)	35 (66.02)
2018-19	43		28	155	12 (57.14)	74 (52.25)
<b>Total</b>	<b>129</b>	<b>369</b>	<b>69</b>	<b>429</b>	<b>27 (60.86)</b>	<b>158 (63.17)</b>

Source: Data provided by Divisional Commissioner Offices

Note: Figures in parenthesis are percentage of shortfall vis-à-vis planned audits

As can be seen from the above table, there was a shortfall of 79 per cent (average) and 57 per cent (average) in inspection of Collectorates and *Tahsil* Offices respectively vis-à-vis norms prescribed for inspection in RBC and 61 per cent (average) and 63 per cent (average) in inspection of Collectorates and *Tahsil* respectively, even with regard to the planned inspections.

Thus, not only were the targets of inspection of Collectors' and *Tahsil* Offices required as per RBC not achieved by the DCs, they could not even achieve the inspections planned as per Roster which were much lower than the targets as per RBC indicating inadequate internal controls in monitoring compliance of Collectorates and *Tahsils* with prescribed procedures.

Further, IRs in respect of only 25 Collectorates and 147 inspections of *Tahsil* Offices were found to have been issued and compliance in respect of five IRs relating to only two Collectorates and 28 IRs of *Tahsil* Offices<sup>41</sup> were received by the DC Offices.

Government replied (August 2020) that PRC office was established in the year 2011 and the work of inspection is not included in the office setup. Offices of District Collector and Divisional Commissioner were established prior to independence and the responsibility of inspection of SDO and *Tahsil* Offices has been entrusted to the Divisional Offices. Government further stated that a letter was being issued to all the Divisional Commissioners and Collectors w.r.t. *ibid* para.

<sup>41</sup> Two *Tahsil* offices of Shahdol and 26 *Tahsil* offices of Ujjain.

#### 4.7 Conclusion

As brought out in the foregoing paragraphs, audit of land revenue receipts through a test check of the relevant records in 28 Collectorates revealed that the SDOs had not complied with the provisions of the *Upbandh* and Government notifications regarding valuation of market value of land, resulting in under-assessment of market value of land in 527 cases, with short levy of premium of ₹ 2.43 crore, diversion rent of ₹ 0.46 crore, besides short/non-levy of *Panchayat Upkar* of ₹ 0.05 crore.

Further, action was not initiated by four Collectors in 113 cases for recovery of ₹ 1.91 crore relating to premium, diversion rent and *Panchayat Upkar*, before issuing diversion orders. Moreover, internal oversight over the functioning of the Collectorates and *Tahsil* and their compliance with established codes/Acts/Rules etc. was not adequate.

Bhopal  
The 05 March 2021

  
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The 09 March 2021

  
(GIRISH CHANDRA MURMU)  
Comptroller and Auditor General of India

