

CHAPTER-VII: Other Tax Receipts

Lands and Buildings Tax

7.1 Results of audit

Test check of records of the Department of Lands and Buildings Tax, conducted in audit during the year 2003-2004, revealed under-assessments of tax amounting to Rs.4.91 crore in 77 cases, which broadly fall under the following categories:

(Rupees in crore)

Sl. No.	Category	Number of cases	Amount
1.	Short levy due to under-valuation of properties	33	1.62
2.	Short levy due to mistakes in assessments	21	2.59
3.	Other irregularities	23	0.70
Total		77	4.91

During the year 2003-2004, the Department accepted under-assessments *etc.*, of Rs.1.80 crore in 15 cases pointed out in earlier years. The Department recovered Rs.1.47 lakh in five cases pointed out in earlier years.

A few illustrative cases involving Rs.1.81 crore highlighting important audit observations are given in the following paragraphs:

7.2 Short levy of tax due to undervaluation of land

Under the Rajasthan Lands and Buildings Tax Act, 1964 (RL & BT Act), tax shall be leviable on the market value of land or building, separately or on both to be calculated on the basis of rates as notified by the Government. The Director, Land and Building Tax Department, Jaipur issued an order in February 1991 that the land rates as decided by the Registration and Stamps Department will be applicable for valuation of land from 1 April 1991. The rate for commercial land was fixed for Rs.225 per square feet (sq.ft.) situated at Udai Sagar road, Udaipur for the year 1998-99.

It was noticed in March 2003 that Assessing Authority incorrectly assessed land of Prasar Bharti measuring 97,166¹ sq. m. (10,45,506 sq. ft.) at the

¹ 1 Square Metre= 10.76 Square Feet.

industrial rate of Rs.600 per sq. metre instead of Rs.225 per sq. ft. This incorrect application of land rate resulted in short levy of tax Rs.0.93 crore.

After this was pointed out in April 2003, the Department intimated in April 2004 that revised assessment order had been passed and demand raised accordingly.

Government confirmed the reply of the department in June 2004.

7.3 Short levy of tax due to incorrect assessments

The RL & BT Act provides that there shall be levied and collected with effect from 1 April 1973 an annual tax on land or building or both separately as units. This was subsequently also clarified by Director, Land and Building Tax in his circular dated 13 February 2001 that land and building purchased in more than one registered sale deed should not be accepted as separate units until they are separated by metes and bounds.

In Ajmer, it was noticed in January 2004 that the assessing authority re-assessed in June 2002 the property of Hindustan Machine Tools located in Ajmer as 15 units, though the property was located at a single place and was thus required to be assessed as single unit. The assessee paid tax of Rs.97.42 lakh instead of Rs.1.33 crore resulting in short levy of tax Rs.36 lakh for the period 1976-77 to 2002-03.

The omission was pointed out to the Department in February 2004 and reported to Government in April 2004; their reply had not received till September 2004.

7.4 Short levy of tax due to incorrect valuation of property

Under the RL & BT Act and Rules made thereunder, the Assessing Authority may at any time amend the order of assessment of market value and determination of tax in respect of any land or building where the use of such land or building has been changed or converted from residential to commercial. To calculate the market value of land for any subsequent year 10 *per cent* (for residential) or 20 *per cent* (for commercial) annual increase is to be added to it for each subsequent year depending on the purpose for which land and building is used.

In Jaipur, it was noticed in August 2003 that an assessee constructed a showroom on his open land measuring 3,617 sq. m. in April 2000. Based on the commercial rates, tax of Rs.26.11 lakh leviable on the property valued at Rs.10.07 crore. However, the Assessing Authority while finalising the assessment incorrectly levied tax of Rs.6.25 lakh on the property treating it as

a residential one since 1983 and valued at Rs.19.26 lakh. This resulted in short levy of tax Rs.19.86 lakh.

After this was pointed out in November 2003; the Government stated in August 2004 that revised assessment order for Rs.19.16 lakh had been passed and demand raised.

7.5 Short levy of tax due to undervaluation of property

Under the RL & BT Act, tax on lands or buildings or both is leviable on the market value of property determined under the Act and instructions issued (14 August 1991) thereunder. To calculate the market value of the plot 10 *per cent* addition is to be made for both corner plots as well as those standing on 75 feet wide road.

7.5.1 In Ajmer, it was noticed in January 2004 that an assessee had three properties,² out of these two were corner plots while one was located at a road more than 75 feet wide. The value of these plots was Rs.64.73 crore. However, the assessing authority assessed the value of the plots at Rs.53.99 crore without considering the addition of 10 *per cent* and taxed it at Rs.23.97 lakh instead of Rs.29.28 lakh. The omission resulted in short levy of tax of Rs.10.62 lakh (Rs.5.31 lakh per annum) for the year 2001-02 and 2002-03.

The omission was pointed out to the Department in February 2004 and reported to Government in April 2004; their replies had not been received till September 2004.

7.5.2 In Jodhpur, it was noticed in March 2004 that a piece of land measuring 15,600 sq. ft. situated on the main Chopasani Road should have been valued to Rs.2.62 crore and property taxed at Rs.19.96 lakh. However, while finalising the assessment for the years 1998-99 to 2002-03 in April 2003, the Assessing Authority valued it at Rs.80.82 lakh by applying rate that is applicable to a plot situated on the backside of the colony and levied a tax of Rs.10.18 lakh. The omission resulted in short levy of tax of Rs.9.78 lakh.

After this was pointed out in April 2004; the Government stated in July 2004 that revised assessment order had been passed and demand raised.

7.6 Short levy of tax due to erroneous adoption of land rates

Under the RL & BT Act tax shall be levied on the market value of land or building or both separately as units. The DLC prescribed in March 1998 that

² Savitri College Road Civil Line, Vaishali Nagar and at Agra Gate, Ajmer.

the three times of the normal rate should be applicable in case of commercial land, where no rates had been fixed.

In Jodhpur, it was noticed in March 2004 that Assessing Authority assessed the market value of land of a Corporation measuring 97,765 sq.ft. at the rate of Rs.720 per sq.ft. and levied tax of Rs.10.47 lakh on the value of the property of Rs.7.04 crore. As the land was liable to be valued at the rate of Rs.1,080 per sq.ft., the property was chargeable to tax of Rs.15.75 lakh on the value of Rs.10.56 crore. This resulted in short levy of tax amounting to Rs.10.56 lakh (Rs.5.28 lakh per annum) for the period 1998-99 to 1999-2000.

After this was pointed out in April 2004; the Government stated in August 2004 that revised assessment order had been passed and demand raised.