CHAPTER V : MINISTRY OF FINANCE

Department of Revenue

Income Tax Department

5.1 Deficient property management

Improper planning and casual approach of the Income Tax Department (Department) in utilising land and buildings acquired for office and residential purposes resulted in idling of Rs. 50.37 crore for periods ranging between 2 and 12 years and avoidable expenditure of Rs. 11.55 crore on payment of interest/extension charges and rent of hired buildings. The Department also incurred additional expenditure of Rs. 1.23 crore on the maintenance of unoccupied building between March 2003 and February 2005 and continued to incur expenditure of Rs. 5.74 crore per annum on rent and maintenance of other hired and unoccupied buildings beyond February 2005.

The Central Board of Direct Taxes (CBDT) decided (1989–1995) to acquire land, ready built buildings and residential flats in and around Delhi with a view to providing office and residential accommodation to the officers and staff of the Income Tax Department (Department). The Department purchased the following plots of land and buildings between March 1992 and January 2000:

a. ready-built office building at Vaishali, Ghaziabad, Uttar Pradesh,

b. a plot at the Community Centre, Saket, New Delhi for office complex, and

c. a plot at the District Centre, Laxmi Nagar, New Delhi for office complex.

Audit noticed (June-August 2005) various irregularities and deficiencies in the purchase and utilisation of the land and buildings as discussed in the succeeding paragraphs.

(a) Ready-built office building at Vaishali, Ghaziabad, Uttar Pradesh

The Department proposed (July 1994) acquisition of a ready-built accommodation at Vaishali, Ghaziabad (UP) for shifting its offices from Mayur Bhawan and Jhandewalan, New Delhi. The Ministry of Finance (Department of Revenue) accorded (December 1996) administrative approval and financial sanction for the purchase of ready built office space measuring 15000 square metres at Vaishali from GDA at a cost of Rs. 19.94 crore. After taking possession of the building from GDA in January 2000, the Department got civil and electrical works completed (February 2003) through CPWD at a cost of Rs. 16.81 crore[1]. Though the building was ready for utilisation in February 2003, the Department did not shift its offices from Mayur Bhawan and Jhandewalan, New Delhi to it as its Standing Council advised (March 2003) against it on the grounds that besides causing inconvenience to the assessees, it would create legal problems as the Delhi based assessees under the territorial jurisdiction of Delhi High Court would have to approach Allahabad High Court for the settlement of disputes. This happened despite CBDT's instructions (November 1994) to the Department to examine the implications in the light of Income Tax laws before going in for acquisition of the property in a bordering state. This important legal aspect was not kept in view while purchasing the building at Vaishali.

Audit examination revealed that the Department had been utlising only two floors of the building and 10 floors continued to remain unoccupied. Audit also noticed that though the Department had allotted three floors to its subordinate offices, these remained unutilised as of October 2005. Non-utilisation of ten floors of the building resulted in idling of funds of Rs. 30.68 crore calculated on a proportionate basis, for over two years. Additionally, the Department incurred expenditure of Rs. 10.24 crore on the rent of the offices located in Mayur Bhawan and Jhandewalan, New Delhi from March 2003 to February 2005. The Department also incurred an expenditure of Rs. 1.23 crore on civil and electrical maintenance of the unoccupied floors of the building calculated on proportionate basis, from March 2003 to February 2005. The minimum recurring expenditure of Rs. 5.74 crore (rent: Rs. 5.12 crore and maintenance: Rs. 62 lakh) per annum also continued. In response to the audit observations, the Ministry stated (February 2006) that the entire building had been allotted to the D. G. (Systems) for establishing the National Computer Centre. This underscores the point that the building could not be utilised for the purpose for which it was acquired and the legal implications were not examined before its purchase. Substantial portion of the building continued to remain unutilised till December 2005.

(b) Plot of land at Community Centre, Saket, New Delhi

The Delhi Development Authority (DDA) allotted 2100 square metres of land to the Department in November 1992 in Saket, New Delhi for construction of an office building at a premium of Rs. 15.30 crore. As per the terms and conditions of allotment, the payment was to be made to DDA by 31 January 1993. As the Department made the payment on 31 March, it had to pay interest at the rate of 18 *per cent*, which worked out to Rs. 45.90 lakh.

[1] Civil works including furniture = Rs. 10.46 crore, electrical works = Rs. 6.35 crore

Audit noticed that the above payment was made to DDA without first ensuring that the land was free from encumbrances. A team of officers of the Department inspected the site (August 1995) and (August 1996) and found that a sewer line, a water supply line, three covered storm water drains and a metalled road constructed by MCD were running through the plot of land. Besides, a 'nallah' was also flowing adjacent to the plot. The public was using the road as a thoroughfare. Since it was not possible for the Department to carry out the proposed construction on the said plot of land, it requested (September 1996) the DDA to allot another plot of land free from such encumbrances. However, the Department took possession of the plot in February 1997 and that too without getting the encumbrances removed. Reasons for this action were not on record. Though eight years had elapsed, the Department was yet to initiate any action to get the encumbrances removed to enable construction of the building.

Thus, the failure of the Department in ensuring that the land was free from encumbrances before its purchase resulted in idling of investment amounting to Rs. 15.64 crore (cost of land: Rs. 15.30 crore; stamp duty: Rs. 33.50 lakh) for more than 12 years. Moreover, delayed payment of the land premium to the DDA resulted in avoidable additional expenditure of Rs. 45.90 lakh on account of payment of interest. In response to the audit observations, the Ministry stated (February 2006) that it was not expected from a government agency like DDA to allot a land which could not be put to use on account of various encumbrances. This did not absolve the Department of its failure in ensuring that the land purchased by it was free from all encumbrances.

(c) Plot of land at Laxmi Nagar, New Delhi

The Department approached (October 1989) the DDA for allotment of land at Laxmi Nagar, New Delhi for construction of a multi-storeyed office complex. The DDA offered (August 1990) two adjacent plots, each measuring 399.53 square metres at a total premium of Rs. 4.05 crore to be paid by 20 September 1990. This date was extended to 25 October 1991 by DDA on the request of the Department.

Audit noticed that the Department paid the amount only in March 1992 after the administrative approval and expenditure sanction were accorded by the Ministry of Finance in November 1991. Consequently, it had to pay (March 1993) Rs. 81.97 lakh as interest on the delayed payment. In December 1995, the Ministry accorded administrative approval and technical sanction for construction of a building on the plots at a total cost of Rs. 7.88 crore. Delay by the Department in obtaining clearance from Fire Services and Delhi Vidyut Board resulted in the construction getting delayed till June 2003.

Consequently, the Department had to pay extension charges of Rs. 2.99 lakh to DDA on account of delay.

Thus, various delays in the purchase of land and commencement in construction of building resulted in idling of investment of Rs. 4.05 crore for more than 11 years and avoidable expenditure on payment of interest and extension charges of Rs. 84.96 lakh.

Thus, improper planning and lack of seriousness of the Department in utilising land and buildings acquired for office and residential purposes resulted in:

(i) idling of funds amounting to Rs. 50.37 crore in three cases for periods ranging between 2 to 12 years,

(ii) avoidable expenditure on payment of interest and extension charges aggregating Rs. 1.31 crore (Rs. 45.90 lakh + Rs. 81.97 lakh + Rs. 2.99 lakh);

(iii) failure to utilise the building acquired at Vaishali, Ghaziabad, UP as planned for office accommodation resulting in additional expenditure of Rs. 10.24 crore on rent of other buildings; and

(iv) Rs. 1.23 crore on maintenance of the unoccupied building at Vaishali, Ghaziabad. Such additional expenditure was continuing at the minimum rate of Rs. 5.12 crore and Rs. 62 lakh per annum.

Department of Economic Affairs

5.2 Idling of investment due to improper planning

India Government Mint, Noida, constructed 96 staff quarters without properly assessing its housing need resulting in 58 quarters (60 *per cent*) remaining vacant and consequential idling of investment of Rs. 2.29 crore. House rent allowance of Rs. 43.51 lakh was paid to the staff for whom the quarters had been constructed and there was a loss of licence fee of Rs. 5.63 lakh.

India Government Mint (Mint), Noida, purchased 25865.25 square metres of land (October 1986) worth Rs. 1.14 crore from New Okhla Industrial Development Authority (Authority) for construction of 184 staff quarters in two phases – 96 quarters in Phase-I and the remaining 88 in Phase-II. As per the terms and conditions of allotment of the land, the construction was to be completed within three years from the date of allotment of land that is by October 1989.

Audit examination revealed (April 2005) that construction of 96 staff quarters under Phase-I was completed in December 1998 at a cost of Rs. 2.26 crore. For the delay of 9 years occasioned due to delay in execution of the lease deed, non-approval of plan by the Authority, late sanction of electric connection and labour problems, the Mint had to pay extension charges of Rs. 42.03 lakh (Rs. 27.23 lakh in January 1995 and Rs. 14.80 lakh in December 1998) to the Authority. Records produced to audit did not indicate adequate action on the part of the Mint to overcome the problems. Only 38 quarters (40 *per cent*) had been allotted and occupied by the staff as of March 2005. The Mint attributed (April 2005) the poor occupancy of the quarters to low demand from the employees as some of them had constructed their own houses. Subsequently, in view of the non-availability of the applicants, it was decided not to go ahead with the construction of the remaining 88 quarters under Phase-II.

Thus, the Mint did not assess the actual housing need before taking up the project for construction of 96 quarters which resulted in 58 quarters (60 *per cent*) lying vacant involving investment of Rs. 3.82 crore[*]. On a proportionate basis, Rs. 2.29 crore of the investment had, thus, been idling. While there were vacant quarters, the Mint paid Rs. 43.51 lakh as house rent allowance to its employees for whom the quarters were constructed. The Mint lost Rs. 5.63 lakh which it could have received as licence fee had the quarters been occupied.

On the matter being pointed out in audit, the Ministry while admitting the delay in construction of quarters stated (August 2005) that due to the long time gap between the expected year of completion of construction (1993) and the actual year of completion (1998), the scenario of demand for the quarters had completely changed as most of the staff had constructed their own houses. Regarding utilisation of vacant quarters the Ministry stated that CISF personnel would be deployed for internal security for whom 75 quarters had been earmarked. However, there has been no progress in the matter as of January 2006.

[*] Rs. 1.14 crore – cost of land + Rs. 0.42 crore – extension charges + Rs. 2.26 crore – cost of construction.