

CHAPTER-III : STAMP DUTY & REGISTRATION FEE

3.1 Tax administration

The Registration Department collects revenue for the Government in the form of stamp duty and registration fee which are the major sources of revenue for the Government. Stamp duty is leviable on the execution of instruments and registration fee is payable at the prescribed rates. Evasion of stamp duty and registration fee are commonly resorted through undervaluation of properties, non-presentation of documents in the office of the registration authority and non/short payment of stamp duty by the executants on the documents submitted before the registering authority. Department follows the undermentioned Acts and Rules for collection of stamp duty and registration fees:

- Indian Stamp Act (IS Act) 1899;
- Registration Act (IR Act) 1908;
- Chhattisgarh Prevention of undervaluation of Instruments Rules 1975; and
- Chhattisgarh Market Value Guideline Rules 2000.

The levy and collection of Stamp Duty and Registration Fee is administered by the Registration Department headed by the Inspector General of Registration cum Superintendent of Stamps (IGR) who is assisted by Deputy (IGR), District Registrar cum collector of stamps (DR) and Sub Registrar (SR).

3.2 Analysis of budget preparation

The budget estimate is prepared as per the Chhattisgarh Budgetary Manual. The revenue receipts are obtained from the units and consolidated in the Department. After taking into account the number of registered cases and the revenue collected during the previous year, the proposal is sent to the Finance Department for approval. After scrutiny of revenue collection and increase in number of registered cases, the Finance Department approves the budget.

3.3 Trend of Revenue Receipts

Actual receipts from Registration Department during the years 2005-06 to 2009-10 alongwith the total tax receipts during the period is exhibited in the following table:

(₹ in crore)

Year	Budget estimates	Actual receipts	Variation excess (+)/ shortfall (-)	Percentage of variation	Total tax receipts of the State	Percentage of actual receipts vis-à-vis total tax receipts
2005-06	225.01	312.80	(+) 87.79	(+) 39.02	4051.91	7.71
2006-07	379.90	389.51	(+) 9.61	(+) 2.53	5045.70	7.72
2007-08	471.47	462.72	(-) 8.75	(-) 1.86	5618.10	8.24
2008-09	520.00	495.59	(-) 24.41	(-) 4.69	6593.72	7.52
2009-10	515.00	583.13	(+) 68.13	(+) 13.23	7123.25	8.19

The contribution of receipts from stamp duty and registration fee to the total tax revenue of the State during the last five years ranged between 7.52 to 8.24 *per cent*. It may be observed from the above table that the actual receipts during the above period exceeded the budget estimates except in 2007-08 and 2008-09 where the percentage of shortfall was nearly two and five *per cent* respectively. The shortfall in revenue receipts in these years were mainly due to two *per cent* exemption on stamp duty on the sale deeds made by the women including 0.5 *per cent* exemption provided in the cases of transfer deeds.

3.4 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2010 amounted to ₹ 4.69 crore of which ₹ 1.23 crore were outstanding for more than five years. The following table depicts the position of arrears of revenue during the period 2005-06 to 2009-10:

(₹ in crore)

Year	Opening balance of arrears	Demand raised during the year	Amount collected during the year	Closing balance of arrears
2005-06	1.73	1.38	0.25	2.86
2006-07	2.86	0.26	0.25	2.87
2007-08	2.87	0.60	0.42	3.05
2008-09	3.05	1.02	0.39	3.68
2009-10	3.68	2.00	0.99	4.69

The Government may take immediate steps for realisation of arrears of revenue, which are showing an increasing trend.

3.5 Cost of collection

The gross collection in respect of Stamp duty and Registration receipts, expenditure incurred on their collection and the percentage of such expenditure to gross collection during the years 2007-08, 2008-09 and 2009-10 along with the

relevant all India average percentage of expenditure on collection to gross collection of the preceding years is as indicated in the following table:

(₹ in crore)

Head of revenue	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average percentage for expenditure on collection in the preceding year
Stamp duty and Registration fee- MH 0030	2007-08	462.72	10.83	2.34	2.33
	2008-09	495.59	11.69	2.36	2.09
	2009-10	583.13	13.97	2.40	2.77

It may be seen from the table that though the percentage of cost of collection in the State is lower than the all India percentage for the year 2009-10 but the same is increasing. The Registration Department stated that the cost of collection was higher due to payment of 20 *per cent* interim relief to the staff as per the recommendation of the Sixth pay commission.

3.6 Impact of audit

3.6.1: Position of IRs : During the last five years, audit through its Audit Reports had pointed out non/short levy, non/short realisation, underassessment/loss of revenue, incorrect exemption, incorrect computation etc. with revenue implication of ₹ 18.09 crore in 1576 cases. Of these, the Department/Government had accepted audit observations in 949 cases involving ₹ 11.82 crore and had since recovered ₹ 5.85 lakh. The details are shown in the following table:

(₹ in lakh)

Year of Audit Report	No. of units audited	Amount objected		Amount accepted		Amount recovered	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
2004-05	7	73	545.20	73	545.20	6	0.59
2005-06	27	221	318.63	221	318.63	6	0.73
2006-07	14	132	182.33	131	182.33	3	0.32
2007-08	30	515	100.31	511	97.86	4	2.45
2008-09	20	635	663	13	38	7	1.76
Total	98	1576	1809.47	949	1182.02	26	5.85

The above table indicates that during the last five years, only 0.5 *per cent* recovery has been made in the accepted cases. The Department had not taken any initiative for clearance of the cases pointed out by audit.

3.6.2: Position of Audit Reports : In the Audit Reports 2004-05 to 2008-09, cases of under assessment, exemption from stamp duty, theft were indicated involving ₹ 12.72 crore.

The Department accepted observations of ₹ 1.50 crore of which ₹ 1.36 crore had been recovered till March 2010 as shown in the following table:

(₹ in crore)

Sl. No.	Year of the Audit	Total money value	Amount Accepted	Recovery made March 2010
1.	2004-05	2.09	0.16	0.01
2.	2005-06	0.34	0.17	0.10
3.	2006-07	8.69	0.03	1.23
4.	2007-08	-	-	-
5.	2008-09	1.60	1.14	0.02
Total		12.72	1.50	1.36

The Department should take steps to recover balance amount as pointed in Audit Reports.

3.7 Internal audit

Internal Audit Wing (IAW) of an organisation is a vital component of the internal control mechanism and is generally defined as control of all controls. It enables the organisation to assure itself that the prescribed systems are functioning reasonably well. The IAW attached to the office of the IGR have one Assistant Internal Audit Officer. The IAW is required to inspect the offices of the District Registrars and Sub Registrars once in a year and once in two years respectively. During the year 2009-10, the IAW had planned audit of 12 Sub Registrar Offices of which only five units were audited. The low percentage of the inspection of units indicates that the Department does not have proper planning for the inspection of units.

The Government may ensure that IAW conducts the number of inspection of units required and ensure time bound action by the registering authorities on the observations of the IAW so as to ensure collection of revenue as per rules and also to safeguard revenue and avoid recurrence of mistakes in future.

3.8 Results of audit

Test check of the records of 11 units relating to Registration Department revealed underassessment of stamp duty, misclassification of instruments etc. amounting to ₹ 2.93 crore in 326 cases which fall under the following categories:

(₹ in crore)			
Sl. No.	Category	No. of cases	Amount
1.	Inordinate delay in disposal of cases.	107	2.54
2.	Loss of revenue due to undervaluation, misclassification of instruments and under assessment of stamp duty	47	0.31
3.	Other irregularities	172	0.08
Total		326	2.93

During the year, the Department accepted under assessment of ₹ 2.82 crore in 298 cases. The Department recovered ₹ 0.10 crore in 81 cases pointed out by audit in earlier years.

One illustrative case is mentioned in the following paragraph.

3.9 Inordinate delay in disposal of referred cases and realisation of demand

The Indian Stamp Act requires the market value of property to be specified in any deed for its conveyance. This value is the basis for determining the stamp duty and registration fee is accordingly leviable. As per Inspector General Registration and Superintendent of Stamps instructions of September 2003, if Sub Registrar believes that market value of the property has not been truly set forth in the document, then such cases are to be referred to the Collector of Stamps and are to be finalised by the collector within a period of 90 days.

We found in the test check of the records of three¹ Sub Registrars between May 2008 and December 2009 that 94 documents were referred to Collector of Stamps for determination of correct market value of properties during the period October 2005 to March 2009. Out of these, 51 cases were still pending with the Collector of Stamps for determination of correct market value and the pending cases involved unrealised revenue of ₹ 2.17 crore.

After we pointed out these cases (May 2008-December 2009), the Government replied (October 2010) that action is in process.

The reply furnished by the Department is not acceptable as the instructions issued by the Inspector General of Registration stipulate for determining the correct market value of the properties within 90 days and no reasons were furnished for non-disposal of these cases even after lapse of considerable time ranging between one to five years.

¹ Raigarh, Raipur and Rajnandgaon.