



**Report of the
Comptroller and Auditor General of India
on
Revenue Sector
for the year ended March 2016**



**Government of Telangana
Report No. 6 of 2016**

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P R E F A C E

This Report of the Comptroller and Auditor General of India for the year ended 31 March 2016 has been prepared for submission to the Governor of Telangana under Article 151 of the Constitution of India.

The Report contains significant findings of audit of Receipts and Expenditure of major revenue earning Departments under Revenue Sector conducted under the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

The instances mentioned in this Report are those, which came to notice in the course of test audit during the period 2015-16 as well as those which came to notice in earlier years but could not be reported in the previous Audit Reports; instances relating to the period subsequent to 2015-16 have also been included, wherever necessary.

The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

OVERVIEW

The Report contains 37 paragraphs involving ₹ 122.83 crore relating to non-levy / short levy of taxes, interest, penalty etc.; including a Performance Audit on “Revision and Implementation of Market Value Guidelines” with financial impact of ₹ 11.00 crore and a Follow-up of Performance Audit on Functioning of Prohibition and Excise Department. Some of the significant audit findings are mentioned below :

I GENERAL

- The total revenue receipts of the State Government for the year 2015-16 amounted to ₹ 76,133.83 crore. Of this, Tax Revenue (₹ 39,974.63 crore) and Non-Tax Revenue (₹ 14,414.36 crore) accounted for 71 *per cent* of the total revenue receipts of the State. The remaining 29 *per cent* was received from Government of India as State’s share of divisible Union Taxes and Duties (₹ 12,350.72 crore) and Grants-in-Aid (₹ 9,394.12 crore).

(Paragraph 1.1.1)

- Test check of audit of 341 units relating to Value Added Tax, State Excise, Motor Vehicle Tax, Land Revenue, Stamp Duty and Registration Fee etc., conducted during 2015-16, showed preliminary audit findings involving non-levy / short levy of taxes, duties etc. amounting to ₹ 1,248.72 crore in 1,598 cases.

(Paragraph 1.9.1)

II VALUE ADDED TAX AND CENTRAL SALES TAX

- In six offices, Input Tax Credit (ITC) of ₹ 9.83 crore was incorrectly allowed to seven dealers.

(Paragraph 2.4.1)

- Adoption of incorrect method of restriction of ITC resulted in excess claim of ₹ 2.50 crore on exempt sales and exempt transactions.

(Paragraph 2.4.2)

- In 11 offices, assessing authorities adopted Purchase Turnovers in excess of those shown in Profit and Loss Accounts. This had resulted in excess allowance of ITC of ₹ 83.55 lakh.

(Paragraph 2.4.3)

- In 17 offices, 26 dealers had incorrectly declared taxes at lower rates on sale of commodities, such as air conditioners, electronic weighing scales, confectionery etc. Application of incorrect rates of tax resulted in short levy of tax of ₹ 23.79 crore.

(Paragraph 2.5)

- In 12 offices involving 27 cases, incorrect exemption of sales turnover of textiles and fabrics of ₹ 263.76 crore resulted in non-levy of VAT of ₹ 13.19 crore.

(Paragraph 2.6)

- In 15 offices involving 23 cases, central sales tax was levied at lower rates on interstate sale of goods not covered by 'C' Forms. This resulted in short levy of tax of ₹ 3.63 crore.

(Paragraph 2.7.1)

- In one office, penalty of ₹ 2.62 crore was not levied for misuse of 'C' Forms on purchase of iron & steel and hardware.

(Paragraph 2.7.2)

- In eight offices involving 13 cases, incorrect exemption of total turnover of ₹ 13.95 crore representing export sales, transit sales and high sea sales resulted in non-levy of central sales tax of ₹ 1.59 crore.

(Paragraph 2.7.3)

- In six offices involving eight cases, incorrect determination of taxable turnover resulted in short levy of central sales tax of ₹ 1.52 crore on a total turnover of ₹ 28.63 crore.

(Paragraph 2.7.4)

- Variation in interstate sales turnover of ₹ 145.47 crore between the turnover determined by assessing authorities and turnover reported in Profit and Loss Accounts resulted in short levy of tax of ₹ 7.36 crore.

(Paragraph 2.8)

- Failure of the assessing authority to follow the rule provisions in respect of works contractors who did not maintain detailed accounts resulted in short levy of tax of ₹ 1.46 crore.

(Paragraph 2.9.1.2)

- In one case, the assessing authority levied penalty of ₹ 12.29 crore on false tax invoices, instead of ₹ 24.57 crore, resulting in short levy of penalty of ₹ 12.28 crore.

(Paragraph 2.13.1)

- In 257 cases, the dealers had paid tax belatedly with delays ranging from 1 to 674 days. However, penalty of ₹ 5.99 crore and interest of ₹ 2.64 crore were not levied by the assessing authorities.

(Paragraph 2.13.2)

- In six cases, the assessing authorities did not levy / short levied penalty of ₹ 1.62 crore on wilful under-declaration of tax by dealers.

(Paragraph 2.13.3)

- In 46 cases, the assessing authorities did not levy / short levied penalty of ₹ 1.50 crore on under-declaration of tax.

(Paragraph 2.13.4)

III STATE EXCISE DUTY

- Failure of the Prohibition and Excise Department to levy licence fee on manufacture of Ethanol resulted in short levy of licence fee of ₹ 98 lakh.

(Paragraph 3.4)

- In two offices, permit room licence fee of ₹ 10 lakh was not levied in respect of five retail liquor shops, besides short levy of licence fee of ₹ 1.50 lakh of another shop for the period 2014-15.

(Paragraph 3.5)

- In four offices, transfer fee amounting to ₹ 8.53 lakh, for conversion of proprietary concern to partnership firm and *vice versa*, was not levied / short levied in respect of four Restaurant & Bars for the period 2013-14 and 2014-15.

(Paragraph 3.6)

IV STAMP DUTY AND REGISTRATION FEE

A Performance Audit on “**Revision and Implementation of Market Value Guidelines**” with monetary value of ₹ 11.00 crore showed the following:

- The Department had not adhered to the periodicity of revision of market values as prescribed under the Market Value Guidelines Rules, 1998.

(Paragraph 4.4.7.2)

- The Department did not maintain any documents evidencing collection of inputs / requisite data to ascertain the prevailing market values for use at the time of revision of market values.

(Paragraph 4.4.7.4)

- Registers relating to market value information, intelligence reports on high values and development activities were not maintained. No mechanism was in place to monitor maintenance of such registers.

(Paragraph 4.4.7.5)

- Incorrect classification of lands due to lack of coordination between departments, adoption of incorrect market values, undervaluation of properties and non-adherence to instructions resulted in non-levy / short levy of duties and fees amounting to ₹ 11.00 crore.

(Paragraphs 4.4.7.6 to 4.4.9.1)

- Duties and fees of ₹ 1.38 crore were short levied due to adoption of agricultural rate for the lands which had already been converted to non-agricultural use.

(Paragraph 4.5)

- Duties and fees of ₹ 70.92 lakh were short levied due to undervaluation of properties in contravention of market value guidelines/instructions.

(Paragraph 4.6)

- The estimated cost of structures in the leased area was not truly set forth in the document resulting in undervaluation of improvements leading to loss of revenue of ₹ 52.74 lakh.

(Paragraph 4.7)

- Stamp duty of ₹ 20.43 lakh was short levied due to undervaluation of properties proposed for development.

(Paragraph 4.8)

V TAXES ON VEHICLES

- Tax amounting to ₹ 1.80 crore and penalty of ₹ 0.90 crore were not realised from owners of 1,213 transport vehicles for the years 2011-12 to 2014-15.

(Paragraph 5.4)

- Non-renewal of fitness certificate (FC) of 53,556 transport vehicles resulted in non-realisation of fitness certificate fee of ₹ 1.19 crore.

(Paragraph 5.5)

- Scrutiny of Vehicle Check Reports (VCRs) showed that compounding fee amounting to ₹ 31.29 lakh was not realised in respect of 568 VCRs.

(Paragraph 5.6)

- Bilateral tax amounting to ₹ 12.65 lakh and penalty of ₹ 3.04 lakh were not collected for the year 2014-15 in respect of 253 goods vehicles registered in Maharashtra State, which were covered by countersignature permits.

(Paragraph 5.7)

- Green tax amounting to ₹ 15.32 lakh was not levied and collected for the period from April 2011 to March 2015 in respect of 6,739 transport and 441 non-transport vehicles, though the vehicles had completed 7 years and 15 years of age respectively.

(Paragraph 5.8)

VI LAND REVENUE

- In four districts, no re-survey was conducted for 20 to 68 years.

(Paragraph 6.4.3)

- In seven districts, basic records such as '*Sethwars*' and '*Tippans*' were not available in required numbers.

(Paragraph 6.4.5)

- The Government failed to build up any legally enforceable land records under *Bhu Bharati* Project making the entire expenditure of ₹ 37.73 crore unfruitful.

(Paragraph 6.4.6)

- No precautionary measures, such as scanning/computerisation were taken to preserve the basic land records.

(Paragraph 6.4.7)

- Incorrect preparation of village maps led to land disputes in two cases and made 500 acres of Government land physically unavailable in one case.

(Paragraph 6.4.8)

- Dispute between the Department of Forests and the Department of Survey, Settlement & Land Records led to non-updation of land records.

(Paragraph 6.4.11)

- Issue of Supplementary *Sethwars* for correction of survey errors and for sub-division of survey numbers on account of land assignment, land acquisition, etc., was pending in 94 cases for more than 20 years in the Office of the Assistant Director, Survey Settlement & Land Records, Ranga Reddy.

(Paragraph 6.4.12)

- Out of 110 *Jamabandis* (finalisation of village accounts) due in 22 *mandals*, 36 were completed with delays ranging from one to more than three years. In the remaining 74 cases, village accounts were not finalised. Consequently, land records at village level were not updated.

(Paragraph 6.4.16)

- Non-finalisation of alienation proposals regarding land alienated for non-agricultural purposes even after lapse of two to four years from the dates of handing over of land resulted in non-realisation of cost of land amounting to ₹ 8.01 crore in five cases.

(Paragraph 6.5)

- Conversion tax and penalty amounting to ₹ 6.46 lakh was not levied / short levied in respect of 23.69 acres of agricultural land which were put to use for non-agricultural purposes, without prior permission of the competent authorities.

(Paragraph 6.6)

VII OTHER TAX AND NON-TAX RECEIPTS

- Interest amounting to ₹ 5.46 lakh was not levied on collection of arrears of water tax.

(Paragraph 7.2)

- Tax on professions for the years 2011-12 to 2014-15 amounting to ₹ 6.07 lakh was not collected by the registering authorities from 184 institutions.

(Paragraph 7.3)

VIII FOLLOW-UP AUDIT

A Follow-up Audit was conducted on the recommendations made in the Performance Audit on “Functioning of Prohibition and Excise Department”

- Out of nine audit recommendations, Government had accepted eight recommendations. The Department had completed action on four recommendations while, in case of two, the department had initiated action but it was yet to be completed. In the case of the remaining two recommendations, the Department had not taken any action.

(Paragraph 8.1.3)

- Government had introduced Hedonic Path Finder System (HPFS) to track and trace manufacture and sale of Indian Made Foreign Liquor (IMFL). This system included affixture of Holographic Excise Adhesive Labels (HEALs) embedded with barcode on bottles of IMFL in distilleries. HEALs were being affixed on bottles of liquor manufactured at distilleries.

(Paragraph 8.1.3.1)

- Government had introduced new Excise Policy in the year 2012-13. Privilege fee was levied on sale of liquor at the rate of eight *per cent* and value added tax thereon when the cumulative value of purchases during the licence year exceeded six times the annual licence fee.

(Paragraph 8.1.3.2)

- The HPFS included computerisation at three levels i.e., Distilleries, Depots and Retail sales outlets. Computerisation at Distilleries and Depots was completed and computerisation of retail sale outlets was pending.

(Paragraph 8.1.3.5)

- No check-post was set up in Karimnagar. No posts were sanctioned to new check-posts and no communication facilities were provided to any check-post.

(Paragraph 8.1.3.6)

CHAPTER I

GENERAL

CHAPTER I GENERAL

1.1 Revenue Receipts

1.1.1 The tax and non-tax revenue raised by the Government of Telangana, the State's share of net proceeds of divisible Union taxes and duties assigned to the State and Grants-in-aid received from the Government of India during the period from 1 April 2015 to 31 March 2016 are detailed in **Table 1.1.1**.

**Table 1.1.1
Revenue Receipts**

(₹ in crore)			
Sl. No.	Particulars	2 June 2014 to 31 March 2015	2015-16 ¹
1.	Revenue raised by the State Government		
	• Tax Revenue	29,288.30	39,974.63
	• Non-tax Revenue	6,446.82	14,414.36
	Total	35,735.12	54,388.99
2.	Receipts from the Government of India		
	• Share of Net Proceeds of Divisible Union Taxes and Duties	8,188.58	12,350.72
	• Grants-in-Aid	7,118.10	9,394.12
	Total	15,306.68	21,744.84
3.	Total revenue receipts of the State Government (1 and 2)	51,041.80	76,133.83
4.	Percentage of 1 to 3	70	71

The revenue raised by the State Government (₹ 54,388.99 crore) was 71 per cent of the total revenue receipts. The remaining 29 per cent of the receipts during the period was from the Government of India.

1.1.2 The details of the Tax Revenue raised during the period 1 April 2015 to 31 March 2016 are given in **Table 1.1.2**.

**Table 1.1.2
Details of Tax Revenue Raised**

(₹ in crore)					
Sl. No.	Head of Revenue	2 June 2014 to 31 March 2015		2015-16 ²	
		Budget Estimates	Actuals	Budget Estimates	Actuals
1.	Taxes on Sales, Trade etc.	26,963.30	22,120.78	35,463.39	29,846.91
2.	State Excise	2,823.54	2,807.69	3,916.43	3,809.07
3.	Stamp Duty and Registration Fees	2,583.88	2,176.90	3,700.00	3,102.23
4.	Taxes on Vehicles	2,226.86	1,617.66	2,500.00	2,309.13
5.	Land Revenue	72.89	9.25	13.46	103.71
6.	Others	10,457.13	556.02	901.46	803.58
	Total	45,127.60	29,288.30	46,494.74	39,974.63

¹ For details please see Statement No.14-Detailed Accounts of Revenue by Minor Heads in the Finance Accounts of Telangana for the period 1 April 2015 to 31 March 2016. Figures under the Major Heads '0020-Corporation Tax, 0021-Taxes on Income other than Corporation Tax, 0028-Other Taxes on Income and Expenditure, 0032-Taxes on Wealth, 0037-Customs, 0038-Union Excise Duties, 0044-Service Tax and 0045-Other Taxes and Duties on Commodities and Services - share of net proceeds assigned to states' booked in the Finance Accounts under A-Tax revenue have been excluded from revenue raised by the State and included in the State's share of divisible Union taxes in this table.

² Source: *Statement 14 of Finance Accounts*.

It may be seen from the above that there is large variation between Budget Estimates and Actuals indicating that the departments have not achieved the targeted revenue during the year. The reasons for variations between Budget Estimates and Actuals were not furnished by the Departments.

1.1.3 The details of the Non-tax Revenue raised during the period 1 April 2015 to 31 March 2016 are given in **Table 1.1.3**.

Table 1.1.3
Details of Non-tax Revenue Raised

(₹ in crore)

Sl. No.	Head of Revenue	2 June 2014 to 31 March 2015		2015-16 ³	
		Budget Estimates	Actuals	Budget Estimates	Actuals
1.	Interest Receipts	2,638.20	2,766.01	2,793.95	2,877.54
2.	Mines and Minerals	1,877.52	1,719.29	3,300.00	2,212.51
3.	Education, Sports, Art and Culture	826.72	411.57	841.72	184.00
4.	Others	7,899.58	1,549.95	15,477.60	9,140.31
	Total	13,242.02	6,446.82	22,413.27	14,414.36

1.2 Analysis of Arrears of Revenue

The arrears of revenue, as on 31 March 2016 in respect of some principal heads of revenue amounted to ₹ 2,303.95 crore, as reported by the respective Departments, are detailed in **Table 1.2**.

Table 1.2
Arrears of Revenue

(₹ in crore)

Sl. No.	Head of Revenue	Total amount outstanding as on 31 March 2016	Amount outstanding for more than five years as on 31 March 2016
1.	State Excise	39.79	39.79
2.	Taxes on Vehicles	91.42	44.59
3.	Stamp Duty and Registration Fees	55.06	Not furnished by the Department
4.	Mines and Minerals	121.81	93.44
5.	Taxes and Duties on Electricity	1,995.87	1,158.78
	Total	2,303.95	

Source : Information furnished by the Departments concerned.

The Department of Mines and Minerals attributed the reasons for accumulation of arrears to recoveries pending under Revenue Recovery Act, cases pending in Supreme Court, etc. The Department of Energy intimated that reasons for arrears under Taxes and Duties on Electricity were pendency of cases in courts, duties payable on account of bifurcation of combined State of Andhra Pradesh etc. Other Departments did not furnish any reasons for accumulation of arrears.

³ Source: Statement 14 of Finance Accounts.

1.3 Arrears in Assessments

As per the provisions of the Telangana VAT Act⁴, 2005, annual assessments are not mandatory for the VAT dealers. Assessments under the CST Act are to be completed within four years. However, no information was furnished by the Commercial Taxes Department on arrears of CST assessments.

1.4 Evasion of Tax detected by the Departments

The details of cases of evasion of tax detected by the Departments, cases finalised, demands for additional tax raised and cases pending for finalisation as on 31 March 2016 in respect of different heads of revenue were called for from the Departments concerned.

The cases of evasion of VAT, as furnished by Commercial Taxes Department, are as follows:

(₹ in crore)

Cases pending as on 31 March 2015	Cases detected during 2015-16	Total	Number of cases in which assessments / investigations completed and additional demand including penalty raised				No. of cases pending finalisation as on 31 March 2016
			No. of cases	Amount of demand			
				Tax	Penalty	Total	
211	356	567	325	110.77	4.04	114.81	242

State Excise, Transport and Energy Departments have reported that there were no cases of evasion of tax during the year. The Departments of Industries and Commerce and Land Revenue, however, did not furnish the information on tax evasion cases detected by the Department.

1.5 Pendency of Refund Cases

The claims outstanding at the beginning of the year as on 1 April 2015, claims received during the period till 31 March 2016, refunds made during the period and the cases pending as on 31 March 2016, as reported by the Departments are given in Table 1.5.

Table 1.5
Details of Pendency of Refund Cases

(₹ in crore)

Sl. No.	Particulars	Commercial Taxes		Transport	
		No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding at the beginning of the year as on 1 April 2015	Nil	Nil	Nil	Nil
2.	Claims received during the year	250	304.40	105	0.69
3.	Refunds made during the year	250	304.40	105	0.69
4.	Cases pending as on 31 March 2016	Nil	Nil	Nil	Nil

⁴ Changed from APVAT Act to Telangana VAT Act vide G.O.Ms.No.32 Revenue (CT-II) Department, dated 15 October 2014.

Land Revenue and State Excise Departments stated that there were no cases of refunds during the year. Other Departments did not furnish the details though called for.

1.6 Response of the Government / Departments towards Audit

The Accountant General (E & RSA), Andhra Pradesh and Telangana (AG) conducts periodical inspection of the Government Departments to test check the transactions and verify the maintenance of important accounts and other records as prescribed in the rules and procedures. These inspections are followed up with inspection reports (IRs) incorporating irregularities detected during the inspection and not settled on the spot, which are issued to the heads of offices inspected with copies to the next higher authorities for taking prompt corrective action. The heads of offices / Government are required to promptly comply with the observations contained in the IRs, rectify the defects and omissions and report compliance through initial reply to the AG within one month from the date of issue of the IRs. Serious financial irregularities are reported to the heads of the Departments and the Government.

Inspection reports issued upto December 2015 disclosed that 16,852 paragraphs involving ₹ 7,530.03 crore relating to 4,222 IRs remained outstanding at the end of June 2016 as indicated in **Table 1.6**.

Table 1.6
Details of Pending Inspection Reports

	June 2015	June 2016
Number of IRs pending settlement	4,193	4,222
Number of outstanding audit observations	15,115	16,852
Amount of revenue involved (₹ in crore)	6,465.16	7,530.03

1.6.1 The Department-wise details of the IRs and audit observations outstanding as on 30 June 2016 and the amounts involved are mentioned in the **Table 1.6.1**.

Table 1.6.1
Department-wise Details of IRs

(₹ in crore)

Sl. No.	Name of the Department	Nature of Receipt	Number of outstanding Inspection Reports	Number of outstanding Audit Observations	Money Value Involved
1.	Revenue Department	Taxes on Sales, Trade etc.	1,851	8,637	2,624.83
		State Excise	258	690	37.20
		Land Revenue	666	1,723	1,565.96
		Stamp Duty and Registration Fees	1,083	4,085	180.00
		Endowments	41	374	Nil
2.	Transport, Roads and Buildings	Taxes on Motor Vehicles	205	885	1,678.24
3.	Industries and Commerce	Mines and Minerals	92	414	986.75
4.	Energy	Taxes and Duties on Electricity	26	44	457.05
Total			4,222	16,852	7,530.03

Audit did not receive even the first replies from the heads of offices within one month from the date of issue of the IRs in respect of 128 IRs issued during 2015-16. Pendency of the IRs is indicative of the fact that the heads of offices and the Departments did not initiate action to rectify the defects, omissions and irregularities pointed out by the AG in the IRs.

The Government may consider putting in place an effective system for prompt and appropriate response to audit observations.

1.6.2 Departmental Audit Committee Meetings

The Government set up Audit Committees to monitor and expedite the progress of the settlement of the IRs and paragraphs in the IRs. During the year 2015-16, no Audit Committee Meetings (ACMs) were held. This is indicative of the fact that the Departments did not utilise the Audit Committees set up to clear outstanding audit observations.

1.6.3 Non-production of records to Audit for scrutiny

The programme of local audit of Tax Revenue / Non-tax Revenue offices is drawn up sufficiently in advance and intimations are issued, usually one month before the commencement of audit, to the Departments to enable them to keep the relevant records ready for audit scrutiny.

During the year 2015-16, Assessment Files, Demand Collection and Balance Registers, Annual Accounts of Assesses, Retail Liquor Shop Licence Files, Village Accounts, Jamabandi Files, Mandal Chitta, Stores and Stock Register and other relevant records were not made available to Audit, as given in **Table 1.6.3.**

Table 1.6.3
Details of Non-Production of Records

Name of the Office/ Department		Number of offices which did not produce documents for audit
Revenue	Commercial Taxes	50
	Excise and Prohibition	9
	Stamps and Registration	3
	Land Revenue	21
Industries and Commerce	Mines and Geology	1
Total		84

1.6.4 Response of the Departments to the Draft Audit Paragraphs

The draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India are forwarded by the AG to the Principal Secretaries / Secretaries of the concerned Departments, drawing their attention to audit findings and requesting them to send their response within six weeks. The fact of non-receipt of the replies from the Departments/ Government is invariably indicated at the end of such paragraphs included in the Audit Report.

Sixty eight draft paragraphs, including one Performance Audit and a Follow-up Audit, were sent to the Principal Secretaries / Secretaries of the respective Departments by name between July and October 2016. The Principal Secretaries / Secretaries of the Departments did not send replies to draft paragraphs and Follow-up Audit and the same have been included in this Report without the response of the Departments / Government. The replies received during Exit Conference of Performance Audit have been incorporated in the Report.

1.6.5 Follow-up on the Audit Reports- Summarised Position

The internal working system of the Public Accounts Committee, notified in December 2002, laid down that after the presentation of the Report of the Comptroller and Auditor General of India in the Legislative Assembly, the Departments shall initiate action on the audit paragraphs and explanatory notes thereon should be submitted by the Government within three months of tabling the Report, for consideration of the Committee. In spite of these provisions, the explanatory notes on audit paragraphs of the Reports are delayed inordinately. One hundred and eighty one paragraphs (including Performance Audits) included in the Reports of the Comptroller and Auditor General of India on the Revenue Sector of the Government of Andhra Pradesh for the years ended 31 March 2011, 2012, 2013, 2014 and 2015 were placed before the State Legislative Assembly between March 2012 and March 2016. Of these, 74 paragraphs pertain exclusively to Telangana whereas 107 paragraphs pertain to both Andhra Pradesh and Telangana. The explanatory notes from the Departments concerned of Telangana on these paragraphs were received in respect of only 20 paragraphs pertaining to Telangana with delays ranging from 2 to 38 months. Explanatory notes in respect of 161 paragraphs from 12 Departments (Commercial Taxes, Excise, Land Revenue, Transport, Registration, Industries & Commerce, Forests, Co-operation, Municipal

Administration, General Administration, Endowments and Energy) have not been received for the Audit Reports from the year ended March 2011 to March 2015 so far (December 2016).

1.7 Analysis of the mechanism for dealing with the issues raised by Audit

To analyse the system of addressing the issues highlighted in the Inspection Reports by the Departments, the action taken on the paragraphs of one Department is evaluated and included in this Audit Report.

The paragraph discusses the performance of the Land Revenue Department under revenue head 'Taxes on Land Revenue' and cases detected during the course of local audit for the last six years. These cases relate only to the 10 districts of the successor State of Telangana.

The summarised position of the Inspection Reports relating to Land Revenue Department, issued during the last Six years, paragraphs included in these reports and their status as on 31 March 2016 are given in **Table 1.7**.

Table 1.7
Position of Inspection Reports

(₹ in crore)

Sl. No.	Year	Opening Balance			Addition during the year			Clearance during the year			Closing Balance		
		IRs	Paras	Money Value	IRs	Paras	Money Value	IRs	Paras	Money Value	IRs	Paras	Money Value
1.	2010-11	1,530	3,411	891.62	112	390	1,019.63	63	315	0.05	1,579	3,486	1,911.20
2.	2011-12	1,579	3,486	1,911.20	104	499	66.76	252	800	0.36	1,431	3,185	1,977.60
3.	2012-13	1,431	3,185	1,977.60	11	50	0	359	899	1.53	1,083	2,336	1,976.07
4.	2013-14	1,083	2,336	1,976.07	26	203	0.97	343	852	147.55	766	1,687	1,829.49
5.	2014-15	766	1,687	1,829.49	21	168	4.01	0	0	0	787	1,855	1,833.50
6.	2015-16	787	1,855	1,833.50	29	247	717.06	138	287	980.24	678	1,815	1,570.32

The Government arranges Audit Committee meetings between the Department and AG's office to settle the old paragraphs. As would be evident from the above table, against 1,530 outstanding IRs with 3,411 paragraphs as at the beginning of 2010-11, the number of outstanding IRs decreased to 678 with 1,815 paragraphs at the end of 2015-16.

1.8 Audit Planning

The unit offices under various Departments are categorised into high, medium and low risk units according to their revenue position, past trends of the audit observations and other parameters. The annual audit plan is prepared on the basis of risk analysis which, *inter alia*, includes critical issues in Government revenues and tax administration i.e. budget speech, White Paper on State Finances, Reports of the Finance Commission (State and Central), recommendations of the Taxation Reforms Committee, statistical analysis of

the revenue earnings during the past five years, audit coverage and its impact during past five years etc.

There were a total of 934 auditable units of which 354 units were planned and 341 units were audited during the year 2015-16, which is 96 *per cent* of the total auditable units. Besides the compliance audit mentioned above, one Performance Audit was also taken up to examine the efficacy of the tax administration of these receipts.

1.9 Results of Audit

1.9.1 Position of Local Audit conducted during the year

Test check of the records of 341 units of Value Added Tax, State Excise, Motor Vehicles, Land Revenue, Stamp Duty and Registration Fee etc. conducted during the year 2015-16 showed under-assessment / short levy / loss of revenue aggregating ₹ 1,248.72 crore in 1,598 cases. During the course of the year, the Departments concerned accepted under-assessments and other deficiencies of ₹ 7.15 crore in 161 cases, which were pointed out in audit during 2015-16. The Departments collected ₹ 3.50 crore in 77 cases during 2015-16, pertaining to the audit findings of previous years.

1.9.2 Coverage of this Report

This Report contains 37 paragraphs (selected from the audit detections made during the local audit referred to above and during earlier years, which could not be included in earlier reports) including one Performance Audit on 'Revision and implementation of Market Value Guidelines' involving financial effect of ₹ 122.83 crore and a Follow-up Audit on Implementation of recommendations on functioning of the 'Prohibition and Excise Department' published as standalone Audit Report during the year 2011-12.

The Departments / Government have accepted audit observations involving ₹ 6.85 crore out of which ₹ 0.03 crore had been recovered. The replies in the remaining cases have not been received (December 2016). These are discussed in succeeding Chapters.

CHAPTER II

VALUE ADDED TAX
AND
CENTRAL SALES TAX

CHAPTER II VALUE ADDED TAX AND CENTRAL SALES TAX

2.1 Tax Administration

The Commercial Taxes Department is under the purview of Principal Secretary to Revenue Department. The Department is mainly responsible for collection of taxes and administration of Telangana Value Added Tax Act (VAT Act)⁵, Central Sales Tax Act (CST Act), Telangana Luxury Tax Act, AP Entertainment Tax Act⁶ and rules framed thereunder. Commissioner of Commercial Taxes (CCT) is the Head of the Department entrusted with overall supervision and is assisted by Additional Commissioners (ACCT), Joint Commissioners (JC), Deputy Commissioners (DC), Appellate Deputy Commissioners (ADC) and Assistant Commissioners (AC). AC (Large Tax payer Units (LTU) at Division level and Commercial Tax Officers (CTOs) at circle level are primarily responsible for tax administration and collection. Registration of all dealers is made by CTOs. The DCs are controlling authorities with overall supervision of the circles and LTUs under their jurisdiction. There are 12 LTUs and 92 Circles in the State functioning under the administrative control of DCs. Further, there is an Inter State Wing (IST) headed by a Joint Commissioner within Enforcement wing, which assists CCT in cross verification of interstate transactions with different States.

2.2 Internal Audit

The Department did not have a dedicated Internal Audit Wing that would plan and conduct audit in accordance with a scheduled audit plan. Internal audit is organised at Divisional level under the supervision of AC. Each LTU/circle is audited by audit teams consisting of five members headed by either CTOs or Deputy CTOs. Internal audit report is submitted within 15 days from the date of audit to DC (CT) concerned, who would supervise rectification work, giving effect to findings in such report of internal audit.

⁵ The nomenclature of AP VAT Act was changed as Telangana VAT Act as per G.O.Ms. No. 32 dated 15 October 2014.

⁶ AP Entertainment Tax Act and Rules have not been formally adopted by Government of Telangana. However, by virtue of Sections 100 and 101 of the Andhra Pradesh Reorganisation Act 2014, these are applicable in the State of Telangana.

2.3 Results of Audit

In 2015-16, test check of the assessment files, refund records and other connected documents of the Commercial Taxes Department showed under-assessment of Sales Tax / VAT and other irregularities involving ₹ 345.17 crore in 1,068 cases which fell under the following categories as given in **Table 2.1**.

Table 2.1: Results of Audit

(₹ in crore)

Sl. No.	Categories	No. of cases	Amount
1.	Short levy of tax on works contracts	55	15.10
2.	Non-levy / short levy of interest and penalty	197	87.47
3.	Excess claim / allowance of Input Tax Credit	154	25.89
4.	Non-levy / short levy of tax under VAT Act	275	69.53
5.	Non-levy / short levy of tax under CST Act	216	51.18
6.	Other irregularities	171	96.00
	Total	1,068	345.17

During the year, the Department accepted under-assessments and other deficiencies in 189 cases involving ₹ 15.35 crore. An amount of ₹ 3.30 crore in 41 cases was realised during the year 2015-16.

A few illustrative cases involving ₹ 94.49 crore are discussed in the succeeding paragraphs.

Audit Observations

During scrutiny of records of the Offices of the Commercial Taxes Department relating to assessment and revenue collection of VAT and CST, Audit observed several cases of non-observance of provisions of Acts / Rules, resulting in non-levy / short levy of tax / penalty and other cases as discussed in the succeeding paragraphs in this Chapter. These cases are illustrative and are based on a test check carried out by Audit. Such omissions are pointed out in audit every year, but not only do the irregularities persist; these also remain undetected until an audit is conducted again. There is a need for improvement of internal controls so that repetitions of such omissions can be avoided or detected and rectified.

2.4 Input Tax Credit

2.4.1 Incorrect allowance of Input Tax Credit

As per Sections 13(1) and 13(3)(a) of the VAT Act, Input Tax Credit (ITC) shall be allowed to the VAT dealer for the tax charged in respect of all purchases of taxable goods, used in the business if he is in possession of tax invoices. As per the provisions of Rule 20(2)(a) of TS VAT Rules, no ITC is allowed on purchase of automobiles unless the dealer is in the business of dealing in these goods. However, Rule 20(3)(a) of TS VAT Rules allows the dealer to claim notional ITC on the purchase price actually paid, at the time of sale of those used vehicles, if such claim is supported by documentary evidence of payment of tax at the time of purchase.

Audit observed (between May 2015 and February 2016) during the test check of VAT records of two circles⁷ and four DC offices⁸ for the assessment period from 2010-11 to 2013-14 that in seven cases, ITC was allowed to dealers on purchases of used vehicles from other than VAT dealers without proper tax invoices. Since no tax invoices were available and no tax was paid on such purchases, notional ITC was not admissible. Total incorrect allowance of ITC in all the seven cases was ₹ 9.83 crore.

After Audit pointed out the cases, in one case, CTO Madhapur replied (January 2016) that the file was submitted to DC for revision. In five cases the Assessing Authorities (AAs)⁹ contended (between June 2015 and April 2016) that ITC was allowed based on the documentary evidence produced by the dealer and as per Rule 20(3)(a) of VAT Rules notional ITC was allowable to dealers dealing in used vehicles, if they furnish the documents showing purchase value and registration details of the vehicles irrespective of the provisions stipulated under Section 13(1) and 13(3)(a) of the VAT Act. The reply was not acceptable as VAT rules cannot override the provisions of VAT Act since VAT Rules are framed under the VAT Act itself. ITC was allowed without tax invoices which was mandatory as per Section 13(3) of the VAT Act and the rules do not empower the AA to act against the provisions of

⁷ CTOs - Jubilee Hills and Madhapur.

⁸ DCs - Abids, Charminar, Hyderabad (Rural) and Punjagutta.

⁹ DCs - Abids, Charminar, Hyderabad (Rural) and Punjagutta.

Section 13 of VAT Act. In the remaining case, CTO Jubilee Hills stated (June 2015) that the matter would be examined and reply sent in due course.

The matter was referred to the Department in June and July 2016 and to the Government in October 2016; replies have not been received (December 2016).

2.4.2 Excess claim of Input Tax Credit due to incorrect method of restriction

As per Section 13(5) of the VAT Act, no ITC shall be allowed to any VAT dealer on sale of exempted goods (except in the course of export) and exempt sales, and to the works contractors who opt to pay tax under composition¹⁰. As per Section 13(6), ITC for transfer of taxable goods outside the State otherwise than by way of sale (exempt transactions) shall be allowed for the amount of tax in excess of four / five *per cent*. Further as per sub rules (7) (8) and (9) of Rule 20 of VAT Rules, a VAT dealer making taxable sales, exempted sales and exempt transactions of taxable goods shall restrict his ITC as per the prescribed formula $A \times B / C$, where A is the ITC for common inputs for each tax rate, B is the taxable turnover and C is the total turnover.

Audit observed (between August 2015 and March 2016) during the test check of VAT records of DC Warangal office and 12 circles¹¹ for the assessment period from 2009-10 to 2013-14 that ITC was incorrectly restricted in respect of 18 dealers who had effected exempt sales and exempt transactions, which resulted in excess claim of ITC of ₹ 2.50 crore.

After Audit pointed out the cases, in two cases, AAs¹² stated (between March and June 2016) that the files were submitted to DC for revision. CTO, Punjagutta in one case contended (February 2016) that interstate sales made to Special Economic Zones (SEZ) are nothing but exempt transactions and partial restriction of ITC was sufficient. The reply was not tenable, as per Section 7A of the VAT Act, SEZ sales were exempt sales and ITC was not allowed. In another case, CTO contended that the amount shown under exempt sales represent inter-unit transfers within the State and therefore, ITC should be allowed. However, the AA did not produce any documentary evidence in support of his contention. In the remaining 14 cases, the AAs¹³ stated (between June 2015 and March 2016) that the matter would be examined and report submitted in due course.

The matter was referred to the Department in June-July 2016 and to the Government in October 2016; replies have not been received (December 2016).

¹⁰ 'Composition' is an option available to works contractors to pay tax at a fixed rate on the total value of the work done irrespective of tax rates applicable to the goods used in work.

¹¹ CTOs - Agapura, Basheerbagh, Begumpet, Kamareddy, Madhapur, M.G.Road, Mahankali Street, Narayanguda, Nizamabad-I, Punjagutta, Ranigunj and Vidyanagar.

¹² CTOs - Agapura and Nizamabad-I.

¹³ DC Warangal; CTOs - Basheerbagh, Begumpet, Kamareddy, Madhapur, M.G.Road, Mahankali Street, Narayanguda, Ranigunj and Vidyanagar.

2.4.3 Excess allowance of Input Tax Credit due to incorrect determination of Purchase Turnover

As per Section 13(1) of the VAT Act, ITC shall be allowed to the VAT dealer for the tax charged in respect of all purchases of taxable goods made by the dealer during the tax period, if such goods are for use in his business. Para 5.12 of VAT Audit Manual prescribes mandatory basic checks for conducting VAT audit, which include cross checking of figures reported by VAT dealers in their monthly VAT returns filed with those recorded in certified annual accounts, so as to detect under-declaration of tax, if any.

Audit observed (between May 2015 and March 2016) during the test check of VAT assessment records of 11 circles¹⁴ for the assessment period from 2010-11 to 2013-14 that in 15 cases, the AAs had adopted excess purchase turnovers for allowing ITC, than those shown in Profit and Loss Accounts. This resulted in excess allowance of ITC of ₹ 83.55 lakh.

After Audit pointed out the cases, CTO Rajendranagar in two cases, stated (February 2016) that files would be submitted to DC for revision. In the remaining cases, AAs replied (between June 2015 and March 2016) that the matter would be examined.

The matter was referred to the Department in June and July 2016 and to the Government in October 2016; replies have not been received (December 2016).

2.4.4 Excess claim of Input Tax Credit on ineligible items

As per Section 13(3) of the VAT Act, ITC shall be allowed to a VAT dealer on purchase of taxable goods if he is in possession of tax invoice obtained from any other VAT dealer. However, as per Section 13(4) of the VAT Act, read with Rule 20(2) (a), (c), (h), (i), (k) of VAT Rules, a VAT dealer is not entitled for ITC on the purchases of coal and other fuels used in manufacture or processing units, automobiles, air conditioners, generators and parts thereof, unless the dealer is in the business of dealing in these goods. Further, under Section 13(5)(h) of the Act read with Section 4(9)(d) thereof, the dealers running any restaurants or eating establishments etc., with annual total turnover of less than ₹ 1.50 crore are not entitled to claim ITC.

Audit observed (between May 2015 and March 2016) during the test check of VAT records of nine circles¹⁵ for the assessment period from 2009-10 to 2014-15 that in five cases, ITC was incorrectly allowed on purchase of automobiles, air conditioners, generators, coal and on purchases made from other than VAT dealers. In six other cases ITC was claimed by hotel dealers though their annual total turnover was less than ₹ 1.50 crore. Thus, the total excess claim of ITC in all the 11 cases amounted to ₹ 40.37 lakh.

¹⁴ CTOs - Agapura, Afzalgunj, Balanagar, Jeedimetla, Khairatabad, Market Street, Miryalaguda, Nizamabad-III, Rajendranagar, RP Road and Tarnaka.

¹⁵ CTOs - Hyderguda, Kamareddy, Market Street, Medak, Mehdipatnam, M.J. Market, Nampally, Nizamabad-II and Tarnaka.

After Audit pointed out the cases, AAs stated (between May 2015 and March 2016) that the matter would be examined and report submitted in due course.

The matter was referred to the Department in June and July 2016 and to the Government in October 2016; replies have not been received (December 2016).

2.5 Under-declaration of tax due to adoption of incorrect rate of tax

Under Section 4(3) of the VAT Act, every VAT dealer shall pay tax on sale of taxable goods at the rates specified in the Schedules to the Act. Commodities which fall under Schedule VI to the Act attract special rate of tax. Commodities not specified in any of the schedules fall under Schedule V and tax is to be levied at the rate of 14.5 *per cent*¹⁶. Further, as per Section 4(9)(c) of the Act, every dealer whose annual total turnover is ₹ 1.50 crore and above shall pay tax at the rate of 14.5 *per cent* on the taxable turnover representing sale or supply of food served in restaurants, sweet-stalls etc.

Audit observed (between March 2015 and March 2016), during the test check of VAT records in Saroornagar Division and 16 circles¹⁷ for the assessment period from 2009-10 to 2014-15 that 20 dealers incorrectly declared tax at the rate of four *per cent* / five *per cent* on sale of commodities such as air conditioners, confectionery, electronic weighing scales, empty gas cylinders, fabricated steel structures, LED lights, mosquito repellents etc., though they were liable to pay tax at the rate of 12.5 / 14.5 *per cent*. In five cases, dealers running bars and restaurants declared annual total turnover below ₹ 1.50 crore and paid VAT at five *per cent* on sale of food excluding liquor sales. As each dealer's turnover exceeded ₹ 1.50 crore by including liquor sales, they were liable to pay tax at 12.5 / 14.5 *per cent*. In one case, a dealer dealing in a sale of *pan masala* which was taxable at the rate of 20 *per cent* under Schedule VI to the Act, incorrectly declared tax at the rate of 14.5 *per cent*. The AAs also did not identify the incorrect payment of tax during their audit. The application of incorrect rates of tax resulted in under-declaration / short levy of tax of ₹ 23.79 crore.

After Audit pointed out the cases, in one case, CTO Bhongir stated (August 2015) that the assessment file would be submitted to DC for revision. In another case, the DC Saroornagar contended (June 2015) that fruit pulp was nothing but fruit juice and therefore, taxable at four *per cent*. The reply of the DC was not acceptable as the commodity was inserted in Schedule IV to VAT Act from 29 January 2013 only and not classified earlier. Hence, it was liable to tax at the rate of 14.5 *per cent*. In the remaining 24 cases, AAs stated (between March 2015 and March 2016) that the matter would be examined.

¹⁶ Rate was revised from 12.5 *per cent* to 14.5 *per cent* from 15 January 2010.

¹⁷ CTOs - Begumpet, Bhongir, Gowliguda, Hyderguda, Jubilee Hills, Madhapur, Mahabubnagar, Malkajgiri, Miryalguda, M.J.Market, Nampally, Rajendranagar, Ranigunj, Saroornagar, Somajiguda and Taranaka.

The matter was referred to the Department in June and July 2016 and to the Government in October 2016; replies have not been received (December 2016).

2.6 Non-declaration of VAT on Taxable Turnover

Under Section 4(3) of the VAT Act, every VAT dealer shall pay tax on sale of taxable goods at the rates specified in the Schedules to the Act. As per the Government Order¹⁸ dated 8 July 2011, the commodity ‘textiles and fabrics’ was added to Schedule-IV and made taxable at five *per cent*¹⁹. However, as per Ordinance No. 9 of 2012 dated 05 November 2012, the dealers of ‘textiles and fabrics’ may opt to pay tax at the rate of one *per cent* under composition. Later, the Government, by another order²⁰, included this commodity in Schedule-I from 7 June 2013 and made these sales exempted. Hence, the commodity was liable to tax at the rate of five *per cent* between 8 July 2011 and 6 June 2013, if the dealers had not opted for composition.

As per Section 20(3)(a) of the Act, every monthly return submitted by a dealer shall be subjected to scrutiny to verify the correctness of calculation, application of correct rate of tax, input tax credit claimed therein and full payment of tax payable for such tax period.

Audit observed (between August 2015 and March 2016), during the test check of VAT records of Abids DC Office and 11 circles²¹ for the period from 2008-09 to 2013-14 that in 27 cases, the dealers incorrectly reported turnovers amounting to ₹ 263.76 crore showing the sales of ‘textiles and fabrics’ as exempt, instead of paying tax at the rate of five *per cent* as none of them opted for composition. The AAs, while finalising the assessment, did not levy tax on the sale turnover of textiles. This resulted in non-levy of tax of ₹ 13.19 crore at five *per cent* on the turnover of ₹ 263.76 crore.

After Audit pointed out the cases, in two cases CTO Srinagar colony stated (July 2016) that the assessment file was submitted to DC. In the remaining cases the AAs stated (between August 2015 and March 2016) that the matter would be examined and report submitted in due course.

The matter was referred to the Department between May and July 2016 and to the Government in October 2016; replies have not been received (December 2016).

2.7 Interstate Sales

2.7.1 Short levy / Non-levy of tax on Interstate Sales

As per Sections 8 of CST Act read with Rule 12 of CST (Registration and Turnover) Rules 1957 (R&T Rules), every dealer shall file a separate ‘C’ form

¹⁸ G.O.Ms.No.932, Revenue (CT-II) Department, dated 08 July 2011.

¹⁹ Four *per cent* up to 13 September 2011.

²⁰ G.O.Ms.No.308, Revenue (CT-II) Department, dated 07 June 2013.

²¹ CTOs - Abids, Charminar, Begum Bazar, Kamareddy, Lord Bazar, Malkajgiri, Mancherial, Punjagutta, Srinagar Colony, Sultan Bazar and Warangal.

to cover all interstate sales, which take place in a quarter of a financial year between the same two dealers to claim concessional rate of two *per cent* tax. As per Section 8(2) of the Act, in case the dealer fails to file the statutory forms, the transactions are treated as interstate sales not covered by proper declaration forms and tax levied at the rates applicable to the goods inside the appropriate State.

Audit observed (between May 2015 and March 2016) during the test check of CST assessment files in the office of the DC Saroornagar and 14 circles²² that in 22 cases the AAs, while finalising the assessments between June 2013 and March 2016 for the years 2009-10 to 2012-13 had levied tax at lower than the applicable rates on interstate sales of goods not covered by “C” forms. In another case²³, though the dealer reported CST collections for the year 2011-12 at 14.5 *per cent* on interstate sales of navigation devices, the AA levied tax (March 2015) at five *per cent* only. This resulted in short levy of tax of ₹ 3.63 crore on the total turnover of ₹ 38.02 crore.

After Audit pointed out the cases, in one case, CTO IDA-Gandhinagar stated (July 2016) that the assessment file was submitted to DC concerned for revision. In two cases, CTOs, Basheerbagh and Ramannapet stated (July 2016) that revision show cause notices were issued to the dealers. In one case, CTO Musheerabad stated (June 2016) that the assessment was revised and effectual orders were issued. However, no documentary evidence in proof of demands raised / collections made were furnished. The DC Saroornagar (June 2015) in one case, contested that fruit pulp was nothing but fruit juice and therefore taxable at four *per cent*. The reply of the department is not acceptable as the commodity was inserted in Schedule IV to VAT Act from 29 January 2013 whereas the turnover pertained to earlier period and hence, was liable to tax at the rate of 14.5 *per cent*. CTO Jubilee Hills, in one case, stated (June 2015) that the item ‘elastic rail clip’ was produced from iron and steel and therefore, fell under Schedule IV to VAT Act and was eligible to tax at four *per cent*. The reply was not tenable as the commodity was not enlisted in the Schedule IV to the VAT Act. In the remaining 17 cases, the AAs²⁴ stated (between May 2015 and March 2016) that the matter would be examined and detailed report submitted in due course.

The matter was referred to the Department in June and July 2016 and to the Government in October 2016; replies have not been received (December 2016).

2.7.2 Non-levy of penalty for misuse of ‘C’ Form in Interstate Purchases

As per Section 8(4) of CST Act, the concessional tax rate of two *per cent* on interstate sale of taxable goods is applicable if such transactions are supported by valid ‘C’ forms obtained from CST dealer of other State. As per Section

²² CTOs - Basheerbagh, Bodhan, Gandhinagar, IDA-Gandhinagar, Jeedimetla, Jubilee Hills, Malkajgiri, MJ Market, Musheerabad, Ramannapet, Nacharam, Rajendranagar, Sanathnagar and Siddipet.

²³ CTO – Basheerbagh.

²⁴ CTOs - Bodhan, Gandhinagar, Jeedimetla, Malkajgiri, MJ Market, Nacharam, Rajendranagar, Sanathnagar and Siddipet.

8(3)(b) of CST Act, a dealer registered under the CST Act shall mention the goods he intends to purchase from outside the State and these shall be mentioned in his registration certificate. These goods so purchased, are to be intended only for (i) resale; (ii) manufacture or processing of goods for sale; (iii) mining; (iv) generation or distribution of electricity or any other form of power; and (v) packing of goods for sale/resale.

Under Section 10A of CST Act, penalty not exceeding 1.5 times the tax, which would have been levied in the absence of statutory declaration forms, is to be imposed if the dealer violates the provisions of Section 8(3)(b) of CST Act.

Audit observed (February 2016) during the test check of VAT assessment records and CST records of Abids DC office for the period from June 2012 to March 2014 that in one case the dealer had made interstate purchase of iron and steel and hardware items against 'C' forms and used for self-consumption. As the purchase of goods by the dealer were not for the purpose as mentioned under Section 8(3)(b) of the CST Act, the dealer clearly misused 'C' forms by violating the provisions of the Act, inviting penalty under Section 10A of the Act. Penalty of ₹ 2.62 crore was not levied on the turnover of ₹ 35 crore, for misuse of 'C' forms.

After Audit pointed out the case, the AA stated (February 2016) that the matter would be examined and report submitted in due course.

The matter was referred to the Department in July 2016 and to the Government in October 2016; replies have not been received (December 2016).

2.7.3 Incorrect Exemption on Interstate Transactions not covered by Documentary Evidence

As per Section 5(1) and 5(3) of CST Act, export of goods and goods sold for export are not liable to tax. Further, under Section 5(4) of the Act read with Rule 12(10) of the CST (Registration and Turnover) Rules 1957, the dealer selling the goods shall furnish documentary evidence such as bill of lading, purchase order, 'H' form duly filled and signed by the exporter in support of the transaction. Under section 6(2) of CST Act, goods sold during interstate transit are exempt from tax on production of E1 / E2 and 'C' forms. As per Section 5(2) of CST Act, high sea sales are exempt from tax if they are supported by bill of lading, bill of entry and high sea sale agreement. Failure to file documents entails the transactions to be treated as interstate sale not covered by 'C' form and tax levied under Section 8(2) of the Act at the rates applicable to such goods inside the State.

During the test check of the CST assessment files in eight circles²⁵, Audit observed (between August 2015 and January 2016) that the AAs while finalising the assessments (between March 2011 and March 2015) in 13 cases

²⁵ CTOs - Agapura, Balanagar, Bhongir, Jedcherla, Nacharam, Saroornagar, Somajiguda and Suryapet.

had incorrectly allowed exemption on the total turnover of ₹ 13.95 crore representing export sales, transit sales and high sea sales though not supported by documentary evidence. The incorrect exemption resulted in non-levy of tax of ₹ 1.59 crore.

After Audit pointed out the cases, in one case, CTO Jedcherla stated (September 2015) that the assessment would be revised. In two cases, CTOs Balanagar and Bhongir stated (between August 2015 and July 2016) that show-cause notices were issued to the dealer. In the remaining 10 cases, the AAs²⁶ stated (between August 2015 and January 2016) that the matter would be examined.

The matter was referred to the Department in June and July 2016 and to the Government in October 2016; replies have not been received (December 2016).

2.7.4 Short levy of tax due to incorrect computation of taxable turnover under CST Act

As per Section 8(2) of the CST Act read with Rule 12 of the R&T Rules, every dealer, who in the course of interstate trade or commerce sells goods to a registered dealer located in another State, shall be liable to pay tax under the CST Act at the rate of two *per cent*, provided the sale is supported by a declaration in form 'C', otherwise tax shall be leviable at the rate applicable to goods within the State.

During the course of audit of six circles²⁷ (conducted between October 2015 and March 2016) it was observed from VAT and CST assessment files of seven dealers for the years 2009-10 to 2011-12 that the turnovers adopted or arrived at while finalising VAT assessments in respect of CST sales, were more than the turnovers actually assessed under CST. In another case, the assessee had collected an amount of ₹ 7.79 lakh towards tax. However, the AA, while finalising the assessment, incorrectly allowed exemption of ₹ 63.98 lakh towards tax collections. The incorrect determination of taxable turnover resulted in short levy of tax of ₹ 1.52 crore on a turnover of ₹ 28.63 crore in all eight cases.

After Audit pointed out the cases, the AAs stated (between October 2015 and March 2016) that the matter would be examined and report submitted in due course.

The matter was referred to the Department in June and July 2016 and to the Government in October 2016; replies have not been received (December 2016).

²⁶ CTOs - Agapura, Nacharam, Saroornagar, Somajiguda and Suryapet.

²⁷ CTOs - Keesara, Rajendranagar, Medak, Nacharam, Saroornagar and Vanasthalipuram.

2.7.5 Short levy of tax due to excess adjustment of input tax credit against CST payments

As per Rule 35(7) of VAT Rules, a VAT dealer making interstate sale of goods may adjust any excess credit available under the VAT Act against any tax payable under the CST Act, for the same tax period.

Audit observed (between May 2015 and March 2016) during the test check of CST assessment records of DC Secunderabad and CTO-I Nizamabad that AAs while finalising the CST assessments of two cases for the years 2010-11 and 2011-12 adjusted ₹ 1.95 crore excess credit available under VAT Act against tax payable under CST Act. However, cross verification of VAT records of the dealers showed that the actual adjustment made by them from the excess input tax credit available with them towards their CST liability was ₹ 1.81 crore only. This resulted in short levy of tax of ₹ 14.37 lakh.

After Audit pointed out the cases, the AAs stated (between May 2015 and March 2016) that the matter would be examined with reference to books of accounts and report submitted in due course.

The matter was referred to the Department in June and July 2016 and to the Government in October 2016; replies have not been received (December 2016).

2.7.6 Incorrect Grant of Concessional Rate of Tax due to acceptance of invalid Statutory Forms

As per Section 8(4) of the CST Act, read with Rule 12(1) of R&T Rules, every dealer shall file a single declaration in form 'C' covering all interstate sales, which took place in a quarter of a financial year between the same two dealers, to claim concessional tax rate of two *per cent*. As per Rule 14-A(1)(b)(i) of CST(AP) Rules 1957, original 'C' forms received from the dealer to whom goods were sold shall be filed. As per Section 8(2) of the CST Act, interstate sale turnover, not covered by proper declarations, shall be taxed at the rates applicable to goods in the respective States.

Audit observed (between May and November 2015) during the test check of the CST assessments of DCs Saroornagar and Secunderabad and CTO Nirmal that in five cases, while finalising the assessments for the years 2010-11 and 2011-12 between March 2014 and March 2015, the AAs had incorrectly allowed concessional rate of tax on the interstate sales turnover of 'dyes and chemicals, plastic goods, paints, cotton and cotton seed' amounting to ₹ 4.81 crore, supported by invalid 'C' forms. i.e., forms covering transactions of more than a quarter, fictitious and duplicate forms. This resulted in short levy of tax of ₹ 11.58 lakh.

After Audit pointed out the cases, the DC Saroornagar stated (June 2015) in one case that the date of receipt of goods by the purchaser was taken as criteria and 'C' forms were issued accordingly. Further, as per CCT circular, 'C' forms were acceptable even though the sale and purchases relate to different quarters. The reply was not acceptable as it was mandated under Rule 12(1) of

R&T Rules that separate 'C' forms were to be submitted for each quarter and the rules had not yet been amended as per the CCT's circular. In the remaining four cases, AAs²⁸ stated (between May and November 2015) that the matter would be examined.

The matter was referred to the Department in July 2016 and to the Government in October 2016; replies have not been received (December 2016).

2.8 Short Levy of Tax due to incorrect determination of Taxable Turnover

As per Section 21(4) of the VAT Act, the authority prescribed may, based on any information available or on any other basis, conduct a detailed scrutiny of the accounts of any VAT dealer and where any assessment, as a result of such scrutiny, becomes necessary, such assessment shall be made within a period of four years from the end of the period for which assessment is to be made. Rule 25(10) of the VAT Rules requires all the VAT dealers to furnish for every financial year to the prescribed authority, the statements of manufacturing / trading, Profit and Loss accounts, balance sheet and annual report duly certified by a Chartered Accountant on or before 31 December subsequent to the financial year to which the statements relate. As per para 5.12 of the VAT Audit Manual 2012, audit officer has to reconcile the figures given by the dealer on VAT returns with certified annual accounts.

Audit observed (between May 2015 and March 2016) during the test check of the VAT assessments and other records of Abids DC office and 27 circles²⁹ in 40 cases, where assessments were finalised between April 2013 and December 2015 for the period from 2009-10 to 2013-14, that the sales turnover determined by the AAs was ₹ 718.71 crore and the turnovers reported in Profit and Loss accounts was ₹ 864.18 crore. Variation in turnover of ₹ 145.47 crore resulted in short levy of tax of ₹ 7.36 crore.

After Audit pointed this out, in seven cases the AAs³⁰ stated (between August 2015 and July 2016) that the assessment files would be submitted to DCs for further necessary action. The CTO, Sangareddy stated that the assessee disclosed sales in profit and loss account which was inclusive of tax component and the sales shown in VAT was exclusive of VAT component. The reply was not acceptable as there was variation in sale turnover even after inclusion of VAT component. In the remaining cases, the AAs stated (between June 2015 and March 2016) that the matter would be examined and report submitted in due course.

²⁸ DCs - Saroornagar, Secunderabad and CTO Nirmal.

²⁹ CTOs - Agapura, Basheerbagh, Begumpet, Bhongir, Gandhinagar, Gowliguda, Hydernagar, Jeedimetla, Kamareddy, Kothagudem, Keesara, Madhapur, Market Street, Marredpally, Miryalaguda, Musheerabad, Nacharam, NS Road, Ranigunj, Sangareddy, Siddipet, Srinagar Colony, Sultan Bazar, Tarnaka, Vengalaraonagar, Vidyanagar and Warangal.

³⁰ CTOs - Basheerbagh, Bhongir, Kothagudem, Gowliguda, Madhapur and Vengalaraonagar.

The matter was referred to the Department in June and July 2016 and to the Government in October 2016; replies have not been received (December 2016).

2.9 VAT on Works Contract

2.9.1 Payment of VAT under non-composition method

2.9.1.1 Short Levy of Tax due to incorrect determination of Taxable Turnover under Works Contract

Under Section 4(7) (a) of the VAT Act, tax on works contract receipts is to be paid on the value of goods at the time of their incorporation in the work at the rates applicable to them. To determine the value of goods incorporated, deductions prescribed under Rule 17(1) (e) of VAT Rules, such as expenditure incurred towards labour charges, hire charges etc., are to be allowed from the total consideration and the remaining turnover is to be taxed at the rates applicable to them taking the same proportion at which the goods were purchased.

During the test check of VAT audit files of four circles,³¹ Audit observed (in January and February 2016) that in five cases, AAs had incorrectly determined taxable turnover for the period from 2010-11 to 2013-14 as ₹ 46.35 crore, instead of ₹ 50.30 crore, due to allowing certain inadmissible and excess deductions from gross turnovers on account of profit relating to labour charges on works awarded to sub-contractor, incorrect calculation of cost of establishment and profit relating to labour etc. In another case³², a dealer had received works contracts receipts of ₹ 8.91 crore during the year 2011-12 towards construction work as well as pure earth works. After deducting the turnover of ₹ 6.78 crore relating to pure earth works, on which no tax was payable, the assessable turnover should have been ₹ 2.13 crore, whereas the AA had determined a turnover of ₹ 1.91 crore, resulting in incorrect determination of taxable turnover of ₹ 21.49 lakh. Thus, the incorrect determination of turnovers in all these six cases led to short levy of tax of ₹ 35.77 lakh.

After Audit pointed out the cases, in one case CTO Madhapur stated (January 2016) that the file would be submitted to DC Hyderabad (Rural) Division for revision. In three cases, AAs³³ stated (in January and February 2016) that the matter would be examined. In the remaining two cases, CTO Somajiguda stated (January 2016) that exemption allowed in the ratio of labour to material which gives the correct attributable cost of establishment. Reply was not acceptable as the accepted ratio for calculation of profit and other charges relating to labour charges is expenditure x total labour charges/total receipts, whereas the AA stated that it was sufficient to put the material value and labour charges in the denominator to arrive at the ratio instead of total receipts.

³¹ CTOs - Agapura, Madhapur, Somajiguda and Tarnaka.

³² CTO - Madhapur.

³³ CTOs - Agapura, Madhapur and Tarnaka.

The matter was referred to the Department in June 2016 and to the Government in October 2016; replies have not been received (December 2016).

2.9.1.2 Short Levy of Tax on Works Contractors who did not maintain detailed accounts

As per Section 4(7)(a) of the VAT Act, works contract receipts are taxable at the rates applicable to the goods on the value of goods at the time of incorporation. However, as per Rule 17(1)(g) of VAT Rules, if any works contractor has not maintained detailed accounts to determine the correct value of the goods at the time of their incorporation, tax shall be levied at the rate of 14.5 *per cent* on the total consideration received after allowing permissible deductions on percentage basis based on the category of work executed. Civil works and works which do not fall under any category are entitled to 30 *per cent* deductions. In such cases, the contractor / VAT dealer shall not be eligible to claim ITC.

During the test check of VAT audit files of CTO, Vanasthalipuram, Audit observed (October 2015) that in one case, for the period 2012-13 and 2013-14, the AA had arrived at the taxable turnover of a works contractor by adding a fixed percentage of profit on the purchase value of material which is not provided for in the Act. Rule 17(1)(e) of the VAT Rules clearly prescribes the procedure to arrive at the taxable turnover but the same was not followed by the AA. In view of this, it is considered that the dealer did not maintain detailed accounts to arrive at the value of material at the time of incorporation and therefore, the provisions of Rule 17(1)(g) have to be invoked to finalise the assessment. Failure to do so, resulted in short levy of tax of ₹ 1.46 crore.

After Audit pointed out the case, AA stated (October 2015) that the matter would be examined and report submitted in due course.

The matter was referred to the Department in June 2016 and to the Government in October 2016; replies have not been received (December 2016).

2.9.2 Payment of VAT under composition method

As per the provisions of Section 4(7) (b) of the VAT Act, any works contractor may opt to pay tax by way of composition at the rate of five *per cent*³⁴ on the total consideration received towards execution of works contract. Similarly, under Section 4(7)(d) of VAT Act, the rate of tax payable under composition by any dealer engaged in construction and selling of residential apartments, houses, etc., is 1.25 *per cent* of the consideration received or receivable or the market value of land and building fixed for the purpose of stamp duty, whichever is higher. In the method of composition, no deductions are allowable to arrive at taxable turnover except payments made to sub-contractors.

³⁴ Four *per cent* before 14 September 2011.

Audit observed (between June 2015 and January 2016) during the test check of VAT records of four circles³⁵ for the years 2010-11 to 2014-15 that in two cases the AAs³⁶, while finalising the assessments of works contractors who had opted to pay tax under composition under Section 4(7)(b), allowed deduction of an amount of ₹ 3.63 crore pertaining to service tax, sales tax collections etc., though not admissible. In another case, in CTO Musheerabad circle, a dealer who had executed works contract of construction work on the land owned by others without having selling rights of constructed flats paid tax at the reduced rate of 1.25 *per cent* on the consideration received, though not entitled to. In view of this, the assessee's option for composition should have been considered only for Section 4(7) (b) under which tax was payable at the rate of five *per cent* on the total consideration received for execution of construction work. The AA also did not levy the differential tax while finalizing the assessment (January 2014). In two other cases, the builders engaged in construction and sale of apartments who had opted to pay tax by way of composition at the rate of 1.25 *per cent* under Section 4(7)(d) of the Act, declared the output tax at the rate of one *per cent* only. Thus there was an under-declaration of tax of ₹ 33.57 lakh in all five cases.

After Audit pointed out the cases, in one case, CTO Madhapur stated (January 2016) that the file would be submitted to DC for further action. In four cases the AAs³⁷, stated (between June 2015 and January 2016) that the matter would be examined.

The matter was referred to the Department in July 2016 and to the Government in October 2016; replies have not been received (December 2016).

2.10 Non-forfeiture of excess collection of Tax

As per provisions of Section 57(2) of the VAT Act, no dealer shall collect any amount by way of tax at a rate exceeding the rate at which he is liable to pay tax. Under Section 57(4) of the VAT Act, if any dealer collects tax in excess of his actual tax liability, the excess tax so collected shall be forfeited to the Government.

Audit observed (between January and March 2016) during the audit of four circles³⁸ for the period from 2009-10 to 2012-13 that in four cases tax of ₹ 14.06 lakh was collected in excess of tax liability. However, the AAs did not forfeit the same.

After audit pointed out, in four cases, the AAs³⁹ stated (between January and March 2016) that the matter would be examined and result intimated to audit in due course.

³⁵ CTOs - Gandhinagar, Madhapur, Musheerabad and Somajiguda.

³⁶ CTOs - Madhapur and Somajiguda.

³⁷ CTOs - Gandhinagar, Musheerabad and Somajiguda.

³⁸ CTOs - Jeedimetla, Nizamabad-II, Siddipet and Sultan Bazar.

³⁹ CTOs - Jeedimetla, Nizamabad-II, Siddipet and Sultan Bazar.

The matter was referred to the Department in July 2016 and to the Government in October 2016; replies have not been received (December 2016).

2.11 Non-levy / Short levy of VAT on transfer of right to use goods

As per Section 4(8) of VAT Act, every VAT dealer who leases out or licenses others to use taxable goods, for cash or consideration, in the course of his business shall pay tax at the rates on the consideration as are applicable to the goods involved.

Audit observed (between May 2015 and January 2016) during the test check of VAT records of Karimnagar DC office and three circles⁴⁰ that in four cases for the years from 2009-10 to 2013-14, the AAs did not levy or short levied taxes on total turnovers of ₹ 1.12 crore representing lease rentals for concrete mixers, vehicles, transit mixers and construction equipment. In one more case pertaining to Karimnagar DC office, the dealer did not declare tax on a turnover of ₹ 12 lakh received towards machinery hire charges during 2012-13. This resulted in non-levy / short levy of VAT of ₹ 17.73 lakh in all the five cases.

After audit pointed out the cases, in one case, CTO Narayanguda stated (January 2016) that the assessment file would be submitted to DC Abids for revision; in one case, CTO Mancherial stated (July 2016) that revised show cause notice was issued to the dealer; in two cases the AAs stated (between May and November 2015) that the matter would be examined. In the remaining case, the DC Karimnagar contended that proclainers were given for rent on hourly basis and there was no transfer of right to use and hence no tax was payable under section 4(8) of the VAT Act. The reply was not acceptable as the AA had not furnished any documentary evidence to substantiate his reply.

The matter was referred to the Department in May and June 2016 and to the Government in October 2016; replies have not been received (December 2016).

2.12 Short realisation of tax for failure to register as VAT dealers

As per Section 17(3) of the VAT Act, every dealer whose taxable turnover exceeds ₹ 50 lakh in the 12 preceding months shall be liable to be registered as a VAT dealer. As per Section 17(5)(h) of the Act, every dealer engaged in sale of food items including sweets etc., whose annual total turnover is more than ₹ 7.5 lakh is liable for VAT registration and has to pay tax at the rate of five *per cent* under the provisions of Section 4(9)(d) of the Act. As per Rule 11(1) of the VAT Rules, the prescribed authority may *suo motu*, register a dealer, who is liable to apply for registration as VAT dealer but has failed to do so.

⁴⁰ CTOs - Mancherial, Narayanguda and Nirmal.

During the test check of Turnover Tax (TOT) records of five circles⁴¹ Audit observed (between October 2014 and December 2015) in eight cases that the taxable turnover of the dealers during the period from 2011-12 to 2014-15 had crossed the threshold limit, making them liable for VAT registration. These TOT dealers had neither applied for VAT registration nor registered by the respective AAs. The total turnover that exceeded the threshold limits in these cases amounted to ₹ 3.31 crore on which VAT of ₹ 17.52 lakh was to be levied had they been registered as VAT dealers. Failure to get them registered as VAT dealers resulted in short realisation of tax of ₹ 16.02 lakh.

After Audit pointed out the cases, in one case, CTO Gowliguda stated (July 2016) that revision show-cause notice was issued to the dealer. In the remaining cases, the AAs⁴² stated (between October 2014 and December 2015) that the matter would be examined and report submitted in due course.

The matter was referred to the Department in July 2015 and June 2016 and to the Government in October 2016; replies have not been received (December 2016).

2.13 Levy of Penalty and Interest under VAT

2.13.1 Short Levy of Penalty for using false Tax Invoice

As per Section 55(2) of VAT Act, any dealer who issues false tax invoice or receives and uses a tax invoice knowing it to be false, shall be liable to pay a penalty of 200 *per cent* of tax shown on the false invoice.

Audit observed (January 2016) during the test check of VAT assessments in CTO Somajiguda circle that in one case, AA had disallowed input tax credit of ₹ 12.29 crore, based on false tax invoices for the years 2011-12 and 2012-13. The dealer was therefore liable for a penalty of ₹ 24.57 crore at the rate of 200 *per cent* of the input tax credit claimed by the dealer on the basis of false invoices. However, the AA levied a penalty of ₹ 12.29 crore only resulting in short levy of penalty of ₹ 12.28 crore.

After Audit pointed out the case, AA stated (January 2016) that the matter would be examined and report submitted in due course.

The matter was referred to the Department in July 2016 and to the Government in October 2016; replies have not been received (December 2016).

2.13.2 Non-Levy of Penalty and Interest on belated payment of Tax

As per Rule 24 (1) of VAT Rules, in case of a VAT dealer, the tax declared to be due in Form VAT 200 shall be paid not later than 20 days after the end of the tax period. As per Section 22 (2) of the VAT Act, if any dealer fails to pay the tax due on the basis of return submitted by him within the time prescribed,

⁴¹ CTOs - Ashoknagar, Gowliguda, Mancherial, N.S.Road and Peddapalli.

⁴² CTOs - Ashoknagar, Mancherial, N.S.Road and Peddapalli.

he shall pay, interest in addition to the amount of such tax, calculated at the rate of 1.25 *per cent*⁴³ per month for the period of delay.

Under Section 51(1) of the VAT Act, a dealer who fails to pay tax due on the basis of the return submitted by him by the last day of the month in which it is due, shall be liable to pay tax and a penalty of 10 *per cent* of the amount of tax due.

Audit observed (between February 2015 and March 2016) during the test check of VAT records of seven Divisions⁴⁴ and 56 circles⁴⁵ for the period from April 2010 to March 2015, that in 257 cases the dealers had paid tax belatedly with delays ranging from 1 to 674 days and therefore liable for penalty and interest. However, the AAs did not levy any penalty or interest. This resulted in non-levy of penalty of ₹ 5.99 crore and interest of ₹ 2.64 crore.

After audit pointed out the cases, AAs⁴⁶ in three cases stated (between August 2014 and March 2016) that the assessment files would be submitted to DCs concerned for taking further action. In 21 cases, AAs⁴⁷ stated (between February 2015 and March 2016) that amounts would be collected. In 11 cases AAs⁴⁸ stated (between August 2015 and January 2016) that notices would be issued to the dealers. In seven cases, AAs⁴⁹ stated (between March and May 2015) that action had been initiated. In one case, CTO, Khairatabad replied (September 2016) that an amount of ₹ 0.67 lakh had been recovered towards interest and notice had been issued for levy of penalty. In the remaining cases, AAs stated (between May 2015 and March 2016) that the matter would be examined.

The matter was referred to the Department in June and July 2016 and to the Government in October 2016; replies have not been received (December 2016).

⁴³ One *per cent* before 15 September 2011.

⁴⁴ DCs - Abids, Begumpet, Hyderabad (Rural), Nizamabad, Punjagutta, Saroornagar and Warangal.

⁴⁵ CTOs - Adilabad, Ashoknagar, Balanagar, Basheerbagh, Begumpet, Barkatpura, Fatehnagar, Ferozguda, Gandhinagar, Hyderguda, Hydernagar, Jagityal, Janagaon, Jedcherla, Jeedimetla, Jubilee Hills, Kamareddy, Karimnagar-I, Karimnagar-II, Khairatabad, Khammam-II, Khammam-III, Kodad, Kothagudem, Madhapur, Mahaboobabad, Mahabubnagar, Mahankali Street, Marredpally, Market Street, Medak, Miryalaguda, MJ Market, N.S.Road, Nalgonda, Nampally, Narayanguda, Nirmal, Nizamabad-I, Nizamabad-II, Pedapalli, Punjagutta, R.P.Road, Rajendranagar, Ramannapet, Ramgopalpet, Ranigunj, S.D.Road, Sanathnagar, Siddipet, Somajiguda, Special Commodities, Tarnaka, Vanasthalipuram, Vidyannagar and Warangal.

⁴⁶ CTOs - Khammam-II, Madhapur and Nizamabad-II.

⁴⁷ CTOs - Begumpet, Jedcherla, Karimnagar, Nalgonda and Nampally.

⁴⁸ DC Warangal; CTOs - Miryalaguda, Punjagutta and R.P.Road..

⁴⁹ CTOs - Sanathnagar and Special commodities.

2.13.3 Non-levy / Short Levy of Penalty on Wilful Under-declaration of Tax

Under Section 53(3) of VAT Act, any dealer who has under-declared tax and where it is established that fraud or wilful neglect has been committed he shall be liable to pay penalty equal to the tax so under-declared.

Audit observed (between March 2015 and January 2016) during the test check of the VAT audit files of Charminar DC office and five circles⁵⁰ that during the period from 2007-08 to 2013-14, in six cases the dealers had under-declared tax of ₹ 1.64 crore wilfully. The AAs in five cases⁵¹ short levied penalty and in one case⁵², no penalty was levied in contravention of the provisions of the Act. This resulted in non-levy and short levy of penalty of ₹ 1.62 crore.

After audit pointed out the cases, the AAs stated (between March 2015 and January 2016) that the matter would be examined and reply submitted in due course.

The matter was referred to the Department in June and July 2016 and to the Government in October 2016; replies have not been received (December 2016).

2.13.4 Non-levy / Short Levy of Penalty on Under-declaration of Tax

As per Section 53(1) of VAT Act, where any dealer has under-declared tax, and where it has not been established that fraud or wilful neglect has been committed, if under-declared tax is (i) less than 10 *per cent* of the tax, a penalty shall be imposed at 10 *per cent* of such under-declared tax; (ii) more than 10 *per cent* of the tax due, a penalty shall be imposed at 25 *per cent* of such under-declared tax.

Audit observed (between June 2015 and March 2016) during the test check of the VAT audit files in two Divisions⁵³ and 24 circles⁵⁴ that during the period from 2009-10 to 2013-14, in 46 cases, where the dealers under-declared tax/claimed excess input tax credit of ₹ 9.44 crore for reasons other than due to fraud or wilful neglect, the AAs did not levy penalty in 24 cases and short levied penalty in the remaining cases. This resulted in non-levy / short levy of penalty of ₹ 1.50 crore.

After audit pointed out the cases, in six cases, AAs⁵⁵ stated (between August 2015 and March 2016) that assessment files would be submitted to DCs concerned. In one case, CTO Punjagutta stated (January 2016) that notice

⁵⁰ CTO - Barkatpura, Begumpet, Gadwal, Jubilee Hills and Mahankali Street.

⁵¹ CTO - Barkatpura, Begumpet, Gadwal and Mahankali Street.

⁵² CTO - Jubilee Hills.

⁵³ DCs - Abids and Punjagutta.

⁵⁴ CTOs - Basheerbagh, Begumpet, Bhongir, Fortroad, Jagityal, Jubilee Hills, Khammam-II, Kodad, Mancherial, Marredpally, Medak, Mehdipatnam, Nacharam, Narayanguda, Nizamabad-I, Nizamabad-II, Nizamabad-III, Peddapalli, Punjagutta, R.P.Road, Siddipet, Srinagar Colony, Tarnaka and Warangal.

⁵⁵ CTOs - Bhongir, Fortroad, Khammam-II, Nizamabad-I, Nizamabad-II and S.D.Road.

would be issued to the dealer. In the remaining 39 cases AAs⁵⁶ stated (between June 2015 and March 2016) that the matter would be examined.

The matter was referred to the Department in June and July 2016 and to the Government in October 2016; replies have not been received (December 2016).

2.13.5 Non-levy of Penalty for belated filing of Returns

As per Section 50(3) of VAT Act, if a dealer files return, after the last day of the month in which it was due, he shall be liable to pay penalty of 15 per cent of the tax due.

During the test check of VAT records of two circles⁵⁷ for the year 2014-15, Audit observed (between May 2015 and February 2016) that in seven cases the dealers had filed returns after the last day of the month in which these were due, where taxes declared by the dealers totalled ₹ 1.98 crore. However, AAs did not levy any penalty. This resulted in non-levy of penalty of ₹ 29.67 lakh.

After Audit pointed out the cases, in three cases, CTO Nalgonda stated (May 2015), that penalty notices were issued and amount would be collected on confirmation of orders. In the remaining cases, CTO Marredpally stated (February 2016) that the matter would be examined and report submitted in due course.

The matter was referred to the Department in August 2016 and to the Government in October 2016; replies have not been received (December 2016).

⁵⁶ DCs – Abids and Punjagutta; CTOs - Basheerbagh, Begumpet, Jagityal, Jubilee Hills, Kodad, Mancherial, Marredpally, Medak, Mehdipatnam, Nacharam, Narayanguda, Nizamabad-III, Peddapalli, Punjagutta, R.P.Road, Siddipet, Srinagar Colony, Tarnaka and Warangal.

⁵⁷ CTOs -Marredpally and Nalgonda.

CHAPTER III

STATE EXCISE DUTY

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STATE EXCISE DUTY

3.1 Tax Administration

The Prohibition and Excise (P&E) Department is governed by the Telangana Excise Act, 1968, Telangana Prohibition Act, 1995⁵⁸ and the Narcotic Drugs and Psychotropic Substances Act, 1985. The Principal Secretary to Government, Revenue Department is the controlling authority at Government level. The Commissioner is the Head of the Department in all matters connected with administration of these Acts. He is assisted by Director of Enforcement for implementation of these Acts. The 10 districts of the State, each headed by a Deputy Commissioner (DC), are classified under 24 excise districts. Each excise district is under the charge of a Prohibition and Excise Superintendent (P&ES) who is assisted by the Assistant Excise Superintendent and other staff. Prohibition and Excise Inspectors are in charge of excise stations and checkpoints, while 10 DCs and 12 Assistant Commissioners supervise the overall functioning of the offices of P&ESs.

3.2 Internal Audit

Internal audit is an important mechanism for ensuring proper and effective functioning of a system for detection and prevention of control weaknesses. It is the responsibility of the Accounts Branch of the Head of the Department to conduct internal audit of the regional offices, district offices, unit offices etc., periodically (at least once in a year) and furnish reports to the Commissioner.

No internal audit was conducted in the Department for the year 2015-16.

⁵⁸ Government of Telangana through G.O.Ms.No.45, Law (F) Department, dated 1 June 2016 adapted the said Acts of combined State of Andhra Pradesh.

3.3 Results of Audit

Test check of records of 24 offices of Prohibition and Excise Department conducted during the year 2015-16 showed non-levy / short realisation of fees and other irregularities involving ₹ 2.30 crore in 33 cases, which broadly fell under the following categories:

Table 3.1: Results of Audit

(₹ in crore)

Sl. No.	Category	No. of cases	Amount
1.	Non-levy of additional licence fee	8	2.03
2.	Non-levy / short levy of interest on belated payment of licence fee	9	0.03
3.	Non-levy and collection of permit room licence fee	2	0.10
4.	Non-levy or short levy of toddy rentals	7	0.09
5.	Other irregularities	7	0.05
Total		33	2.30

During the year 2015-16, the Department accepted under-assessments and other deficiencies of ₹ 5.26 lakh in three cases, of which two cases involving ₹ 3.81 lakh were pointed out during the year 2015-16 and one case was pointed out in 2014-15. An amount of ₹ 2.16 lakh was realised in these cases during the year 2015-16.

A few illustrative cases of non-levy / short levy of licence fees, toddy rentals etc. amounting to ₹ 1.25 crore, are discussed in the succeeding paragraphs.

3.4 Short Levy of Licence Fee in a distillery

As per Rule 10 of AP Distillery (Manufacture of Spirits) Rules, 2006⁵⁹, annual licence fee is payable by a distillery at ₹ four lakh for manufacture of spirits upto the production capacity of 20 lakh bulk litres (BLs) and ₹ one lakh for every additional 10 lakh BLs or part thereof. Further, as per Rule 11A, a person holding D2(RM) licence⁶⁰ need not obtain a separate licence for manufacture of Extra Neutral Alcohol (ENA).

Audit scrutiny (March 2016) of records relating to spirit manufacture licences in the office of Assistant Commissioner (Distilleries), Hyderabad-I (AC) for the licence period from 2008-09 to 2014-15, showed that a distillery had been licensed (2007-08) to manufacture 13,500 kilolitres (KL) of Rectified Spirit (RS), 12,000 KL of Extra Neutral Alcohol (ENA) and 12,000 KL of Ethanol from molasses as raw material. The licence was renewed from time to time up to 2014-15. Though Rule 11 A is applicable for manufacture of ENA only, the Department did not levy licence fee for manufacture of 12,000 KL of 'Ethanol' for the licence period from 2008-09 to 2014-15. The amount of licence fee short levied worked out to ₹ 98 lakh.

⁵⁹ As adapted by the State of Telangana through G.O.Ms.No.204, Revenue (Excise-II) Department, dated 13 November 2015.

⁶⁰ Licence for manufacture of spirits utilising molasses as fermentative base for industrial purpose wholly or partly.

After Audit pointed out (March 2016) the case, the Commissioner of Distilleries & Breweries stated (July 2016) that Rectified Spirit (RS) and Ethanol were the same and a separate licence for manufacture of Ethanol was not necessary. The reply was not acceptable as the licence fee was leviable on the production capacity of the distillery. It may be seen from the D2 (RM) licence that the licence was issued for production of 13,500 KL of RS and 12,000 KL of Ethanol separately. According to Rule 11 A, separate licence need not be obtained for manufacture of ENA only. Hence, licence fee was leviable on production of Ethanol.

The matter was referred to the Government in July 2016; reply has not been received (December 2016).

3.5 Non-levy / Short Levy of Licence Fee

As per Rule 25 of AP Excise (Grant of Licence of Selling by Shop and conditions of Licence) Rules, 2012⁶¹, the holder of licence in Form A-4, in places where population is 5,000 and above, shall be licensed in Form A-4(B) to have a permit room. Further, as per Rule 26 as amended by a Government order⁶², the licence fee for a permit room shall be ₹ two lakh for the licence period 2014-15 or part thereof, and is payable in lump sum, at the time of completion of formalities under Rule 16.

As per Rule 16 read with Government order⁶³ dated 14 June 2014, the privilege of selling liquor through retail shops (A-4 shop) shall be granted by collecting fixed licence fee based on population as per 2011 Census of the places (Corporation/Municipality / Town / Village) for the year 2014-15.

Audit scrutiny (November and December 2015) of shop licence files in two offices⁶⁴ of P&ESs for the year 2014-15 showed that the Department did not levy and collect permit room licence fee of ₹ 10 lakh from five A-4 shops for the year 2014-15 although the population of the villages, where these shops were located, exceeded 5,000 as per 2011 Census. In respect of another shop⁶⁵ located in a village, whose population was more than 10,000, licence fee of only ₹ 32.50 lakh was collected instead of ₹ 34 lakh, fixed for population of above 10,000 up to 50,000.

Thus, non-adoption of village population of 2011 Census resulted in non-levy of permit room licence fee and short levy of annual licence fee amounting to ₹ 11.50 lakh.

After Audit pointed out (November and December 2015) these cases, P&ESs replied (November and December 2015) that the matter would be examined and reply furnished to Audit in due course.

⁶¹ As adapted by the State of Telangana through G.O.Ms.No.85, Revenue (Excise-II) Department, dated 29 June 2015.

⁶² G.O.Ms.No.357, Revenue (Excise-II) Department, dated 22 June 2013.

⁶³ G.O.Ms.No.2, Revenue (Ex-II) Department, dated 14 June 2014.

⁶⁴ Godavarikhani and Miryalaguda.

⁶⁵ Miryalaguda.

The cases were referred to the Department in June 2016 and to the Government in July 2016; replies have not been received (December 2016).

3.6 Non-levy / Short Levy of Fee towards transfer of licence

As per Rules 17(1) and 17 (2) of AP Excise (Grant of Licence of Selling by Bar and Conditions of Licence) Rules, 2005⁶⁶, no licensee shall, except with the sanction of the Commissioner of Prohibition and Excise, transfer his licence to any other person. The Commissioner may allow such transfer after collecting 10 *per cent* of the licence fee. As per Rule 17(4), when there are only two partners in the firm holding the licence and one of them withdraws or expires, the entity of the firm is changed from partnership to proprietary which amounts to transfer of licence. Further, Rule 17(5) stipulates that conversion of a proprietary concern into a firm or a company or a firm into a company and *vice versa* shall amount to transfer of licence.

Audit scrutiny (between September 2014 and March 2016) of bar licence files for the period 2013-14 and 2014-15 of four offices⁶⁷ of P&ESs showed that initially licences were granted to proprietary concerns in respect of two Restaurant and Bars (R&Bs). However, these proprietary concerns were later converted to firms, as evidenced by the lease deeds submitted by the licensees at the time of renewal. Despite this, these licences were renewed without levy of transfer fee as per Rules 17(4) and 17(5) stated above. In two other cases⁶⁸, the Commissioner of P&E, while according permission for transfer, had levied a fee of 5 *per cent* instead of 10 *per cent*.

Thus, failure to take into account the fact of conversion of the R&Bs from proprietary concerns to firms and collection of fee at lesser rate resulted in non-levy / short levy of fee amounting to ₹ 8.53 lakh.

After Audit pointed out (between September 2014 and March 2016) these cases, P&ES, Sangareddy replied (September 2014) that five *per cent* licence fee was collected as per the orders of Commissioner of P&E and that there was no deviation from Rule 18 in collection of licence fee. The reply was not tenable as Rule 18 was applicable only in cases where the partnership nature of the business did not change. In the instant case, inclusion / exclusion of a partner resulted in change in status from proprietary to partnership and *vice versa*. P&ES, Saroornagar replied (November 2014) that action would be taken to collect the balance amount of fee. P&ES, Rajendranagar replied (August 2016) that notice was issued to the licensee concerned for payment of the differential licence fee. P&ES, Secunderabad replied (February 2016) that the matter would be examined and reply sent in due course.

The matter was referred to the Department (January 2015 and May 2016) and to the Government in July 2016; replies have not been received (December 2016).

⁶⁶ As adapted by the State of Telangana through G.O.Ms.No.9, Revenue (Excise-II) Department, dated 27 January 2015.

⁶⁷ Rajendranagar, Sangareddy, Saroornagar and Secunderabad

⁶⁸ Sangareddy and Saroornagar.

3.7 Non-levy / Short Levy of Toddy Rentals

As per Rule 5(5) of the AP Excise (Grant of Licence to sell Toddy, conditions of Licence and Tapping of Excise Trees) Rules, 2007⁶⁹, the rental for Toddy Co-operative Society (TCS) or tappers under ‘Tree for Tappers Scheme’ (TFT) shall be fixed according to the rates notified by the Government from time to time. As per Government Order⁷⁰ dated 13 November 2007, the rate of rent per tree was ₹ 25 in rural areas and ₹ 50 in urban areas with effect from 1 October 2007.

Audit scrutiny (December 2015) of records relating to toddy rentals in three offices⁷¹ of P&ESs showed that rentals of eight TCSs and three tappers under TFTs were levied at the rates applicable to rural areas, instead of urban areas for the years 2013-14 and 2014-15, resulting in short levy of toddy rentals amounting to ₹ 3.32 lakh. Further, in two other TCSs⁷², licences were cancelled (November 2013) by P&ES, Karimnagar as the licensees had indulged in adulteration of toddy. Though the cancellation orders were stayed by the Government in December 2013, the P&ES did not raise demand for toddy rentals for the subsequent period, resulting in non-levy of toddy rentals of ₹ 3.51 lakh.

Thus, incorrect application of rental rates and non-raising of demand on TCSs / Tappers under TFTs led to non-levy / short levy of toddy rentals amounting to ₹ 6.83 lakh.

After Audit pointed out (December 2015) these cases, P&ESs replied (December 2015) that the matter would be examined and detailed reply furnished in due course.

The matter was referred to the Department in May 2016 and to the Government in July 2016; replies have not been received (December 2016).

⁶⁹ As adapted by the State of Telangana through G.O.Ms.No.24, Revenue (Excise-II) Department, dated 4 September 2014.

⁷⁰ G.O.Ms.No.1433, Revenue (Ex-III) Department, dated 13 November 2007.

⁷¹ Godavarikhani, Jagtial and Karimnagar.

⁷² TCS, Bommakal-1 and 2.

CHAPTER IV

***STAMP DUTY AND
REGISTRATION FEE***

CHAPTER IV

STAMP DUTY AND REGISTRATION FEE

4.1 Tax Administration

Receipts from stamp duty and registration fee are regulated under the Indian Stamp Act, 1899 (IS Act), Registration Act, 1908 and the rules framed thereunder as applicable in Telangana State and are administered at the Government level by the Principal Secretary, Revenue (Registration & Stamps). The Commissioner and Inspector General of Registration and Stamps (CIGRS) is the head of the Department, who is empowered with the task of superintendence and administration of registration work in the State. He is assisted by zone wise Deputy Inspectors General (DIG). The District Registrar (DR) is in charge of the district. He supervises and controls the Sub-Registrars (SRs) in the district concerned.

4.2 Internal Audit

There is a separate Internal Audit wing in the Department headed by District Registrar cadre officer who is assisted by one SR. The internal audit programmes are drawn on quarterly basis and five SR offices are audited in a month.

4.3 Results of Audit

Test check of records of 122 offices of District Registrars / Sub-Registrars conducted during 2015-16 showed non-levy or short levy of stamp duty and registration fee etc., and other irregularities involving ₹ 29.98 crore in 368 cases, which broadly fell under the following categories:

Table 4.1: Results of Audit

(₹ in crore)

S.No.	Category	No. of cases	Amount
1.	Performance Audit on “Revision and Implementation of Market Value Guidelines”	1	11.00
2.	Short levy of duties	296	17.58
3.	Undervaluation of properties	44	0.66
4.	Misclassification of documents	14	0.59
5.	Other irregularities	13	0.15
Total		368	29.98

During the year 2015-16, the Department accepted under-assessments and other deficiencies of ₹ 2.66 crore in 122 cases, of which 72 cases involving ₹ 2.31 crore were pointed out during the year 2015-16 and the rest in earlier years. An amount of ₹ 0.46 crore in 68 cases was realised during the year.

A few illustrative cases of non-levy / short levy of duties and fees involving ₹ 14.14 crore, which includes a Performance Audit on “Revision and Implementation of Market Value Guidelines”, are discussed in the succeeding paragraphs.

4.4 Performance Audit on “Revision and Implementation of Market Value Guidelines”

4.4.1 Introduction

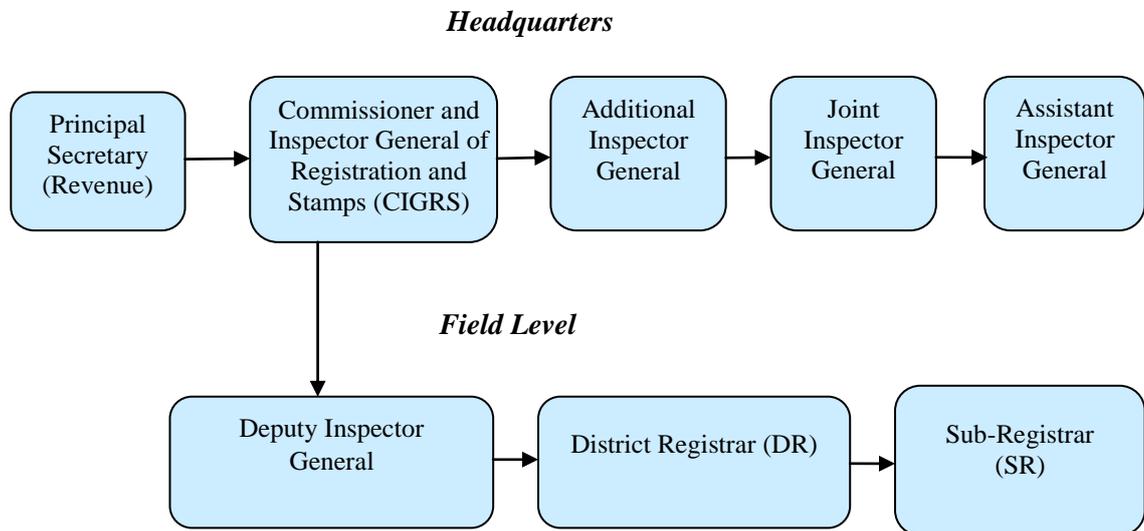
Registration and Stamps Department of Telangana is responsible for registration of transactions relating to immovable properties, marriages, firms, societies, chits etc. The core functions of the Department are carried out through an Information Technology (IT) system named Computer Aided Administration in Registration Department (CARD). The Department, after admitting the documents for registration, generates an acknowledgement slip, determines the market value and duties to be levied thereon as per classification of the document through CARD and, after registration, the documents are scanned and stored in the system.

Section 47-A of Indian Stamp (IS) Act, 1899 (Central Act II of 1899) defines Market Value (MV) as the minimum price on which stamp duty and registration fee are to be levied. Section 75 of IS Act provides power to the State Government to make rules generally to carry out the Act. Andhra Pradesh Stamp (Prevention of Undervaluation of Instruments) Rules, 1975 and Andhra Pradesh Revision of Market Value Guidelines (APRMVG) Rules,

1998 were framed under the IS Act. These Rules have also been adapted⁷³ by the State of Telangana. These Rules prescribe the procedure and periodicity to be followed by the registering authorities for revising the market value of the property. Registration and Stamps Department is to revise market values periodically as prescribed in APRMVG Rules so as to assign correct values to the properties.

4.4.2 Organisational Set-up

The Principal Secretary, Revenue (Registration and Stamps) is in charge of the overall administration of the Registration and Stamps Department. The Commissioner and Inspector General of Registration and Stamps (CIGRS) is the Head of the Department. The CIGRS also functions as the Chief Controlling Revenue Authority (CCRA) under the IS Act. He is assisted by staff at Headquarters and field level as shown below:



4.4.2.1 Market Value (MV) Committee

As per Rule 4(1) of APRMVG Rules, the Central Valuation Advisory Committee (CVAC) is the apex body to evolve general or specific guidelines for revision of market value for the use of the committees constituted under Rule 4 (2). It is headed by CIGRS as chairman with six other members from five⁷⁴ departments. Joint Inspector General of the office of the CIGRS is the convenor of the Committee. The Committee issues guidelines for fixation of market value in respect of different categories of land like agricultural land, urban land, industrial area, mining, plantation, commercial and non-agricultural land etc., after collecting relevant information and undertaking tours, as required. The CVAC is to meet in the month of May every year for rendering advice for revision of market value pertaining to urban areas and during the month of December every alternate year pertaining to rural areas.

⁷³ G.O.Ms.No.96 and 97 of Revenue (Registration-I) Department, dated 28 May 2016.

⁷⁴ Land Revenue; Agriculture; Horticulture; Roads and Buildings and Municipal Administration and Urban Development.

As per Rule 4(2) of APRMVG Rules separate committees for preparation of market values in urban and rural areas are to be formed. The details of constitution of the committees are as shown below:

Name of the Committee	Constitution of the Committee		
	Chairman	Members	Convenor
Committee to prepare Market Value Guidelines in urban areas formed under Rule 4(2)	Joint Collector of the District	1. Commissioner of Municipal Corporation 2. Vice-Chairman of Urban Development Authorities 3. Chief Executive Officer of the Zilla Praja Parishad (Chief Planning Officer in respect of Hyderabad District) 4. Commissioner of Municipality	Sub-Registrar concerned
Committee to prepare Market Value Guidelines in rural areas formed under Rule 4(2)	Revenue Divisional Officer concerned	1. Mandal Revenue Officer concerned 2. Mandal Development Officer concerned 3. District Registrar/Sub-Registrar (MV and Audit) concerned	Sub-Registrar concerned

The market values are to be revised on 1 August every year for urban areas and on 1 August every alternate year for rural areas as per Rule 5 of APRMVG Rules.

4.4.3 Audit Objectives

The Performance Audit (PA) was conducted with a view to assessing whether

- revision of market value guidelines were carried out in the prescribed manner, taking into consideration the prevailing market rates and inputs collected from various departments;
- the market value guidelines and instructions were correctly followed by the registering officers in respect of instruments executed / registered between April 2012 and March 2015; and
- internal control mechanism of the Department was effective to ensure proper implementation of market value guidelines for levy and collection of stamp duty and registration fee.

4.4.4 Audit Scope and Methodology

The Performance Audit (PA) was conducted between November 2015 and June 2016 involving scrutiny of records of three years from 1 April 2012 to 31 March 2015. Office of Commissioner and Inspector General of Registration and Stamps (CIGRS), 5 offices⁷⁵ of District Registrars (out of 12) and 13 offices⁷⁶ of Sub-Registrars (out of 129) were covered in audit. Offices were

⁷⁵ Hyderabad (South), Khammam, LB Nagar, Ranga Reddy (West) and Sangareddy.

⁷⁶ Bhongir, Gajwel, Gandipet, Kalwakurthy, Keesara, Khammam (Rural), Kukatpally, Madhira, Malkajgiri, Mancherla, Quthbullapur, Uppal and Warangal Fort.

selected using random sampling technique. The PA was conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

An entry conference was held with the Principal Secretary to Government (Registration and Stamps), Telangana on 10 February 2016 wherein Audit objectives, Audit Criteria, Scope and methodology were explained. The exit conference was held with the Special Chief Secretary to Government (Registration and Stamps), Telangana on 24 October 2016 wherein Audit observations and recommendations were discussed and response of the Department obtained and incorporated in the relevant paragraphs.

4.4.5 Audit Criteria

The Audit Criteria were derived from the following sources:

- Indian Stamp Act, 1899;
- Registration Act, 1908;
- The Andhra Pradesh Agricultural Land (Conversion for Non-Agricultural Purpose) Act, 2006 (as adapted by the Government of Telangana);
- Andhra Pradesh Registration Rules made under Section 69 of the Registration Act, 1908 (as adapted by the Government of Telangana);
- The Andhra Pradesh Stamp (Prevention of Undervaluation of Instruments) Rules, 1975 (as adapted by the Government of Telangana);
- Andhra Pradesh Revision of Market Value Guidelines (APRMVG) Rules, 1998 (as adapted by the Government of Telangana);
- Government Orders and Memos / Circulars / Proceedings issued by CIGRS from time to time.

4.4.6 Acknowledgement

Audit acknowledges the co-operation extended by the Registration and Stamps Department in conducting the audit.

Audit Findings

The Performance Audit showed deficiencies in revision of MV guidelines and their implementation, which are discussed in the subsequent paragraphs.

4.4.7 Revision of Market Value Guidelines

4.4.7.1 Non-conducting of meetings of CVAC

As per Rule 4(1)(iv) of APRMVG Rules, the Central Valuation Advisory Committee (CVAC) was required to meet for evolving guidelines every year in May for urban areas and in December every alternate year for rural areas.

Audit observed that no CVAC meetings were held for rural areas during the period 2012-15. Further, no CVAC meeting was held during the year 2013 for urban areas, as required.

In response, the Government accepted (October 2016) the observation.

4.4.7.2 Non-adherence to the specified periodicity in market value revision

As per Rule 5(1) of the APRMVG Rules, the market value guidelines are to be revised in the State on 1 August every year for urban areas and on 1 August every alternate year for rural areas. There is no provision in the Rules for relaxation in this regard. Duties are to be levied on the consideration as declared by the executant in the document or market value as adopted by the Department, whichever is higher.

The last revision before the period covered under performance audit (2012-15) was made on 1 August 2010 for both urban and rural areas. Hence, revision was due on 1 August 2011 in respect of urban areas and on 1 August 2012 in respect of urban and rural areas. However, no revisions were made on these dates as required. The revision was made with effect from 1 April 2013 instead of 1 August, against the Rule provisions, for both rural and urban areas, through a Government Order⁷⁷ issued on 30 March 2013.

It was also observed that the said Government Order was set aside by the Andhra Pradesh High Court⁷⁸ in September 2013 on the ground that Government had no power to relax the Rules (i.e., revising market values in April instead of August). Despite this, the Department, continued to adopt the values revised on the basis of guidelines, which were set aside by the Court, as market values for properties.

In response, Government replied (October 2016) that due to slump prevailing in the real estate market and also to encourage number of registrations, the revision of market values for urban areas in the year 2011 and for urban and rural areas in the year 2012 was not taken up. The reply was not tenable as the APRMVG Rules did not allow the Government to hold up the revision process on such grounds.

⁷⁷ G.O.Ms. No. 157 Revenue (Registration-I) Department dated 30 March 2013.

⁷⁸ Public Interest Litigation No.274 of 2013. Order dated 23 September 2013.

4.4.7.3 Necessity of revision

To study the impact of non-adherence to the periodical revision of market values, Audit analysed 1,080 documents⁷⁹. On analysis of these documents, Audit observed variation between the approved market values and the consideration mentioned in the documents. Analysis of Audit is summarised below:

Year	Total No. of documents verified	No. of Documents					
		Less than MV	Equal to MV	More than Market Value			
				1 to 20 per cent	21 to 100 per cent	101 to 500 per cent	More than 500 per cent
2012-13	360	39	135	41	42	83	20
2013-14	360	42	183	23	50	55	7
2014-15	360	39	151	42	55	64	9
Total:	1080	120	469	106	147	202	36

It may be seen from the above that out of 1,080 documents analysed, the consideration in 491 documents (45.46 per cent) was higher than the market value and ranged from 1 to 5,995 per cent over and above the market value. Thus, the decision of the Department not to revise the market values annually, as envisaged in APRMVG Rules, was erroneous and irregular.

It is also evident from the above that the market value determined as per the MV guidelines did not reflect the true and fair market value of the properties in many cases and entailed significant loss of revenue to the Government.

In response, the Government accepted (October 2016) the observation and assured of taking steps to watch this trend where considerations were more than the market values.

4.4.7.4 Preparation of Market Value Guidelines without considering valuation principles

As per Rule 6 of APRMVG Rules, the MV committees, while working out values of lands and buildings or preparing the Market Value Guidelines Registers, is to take into account factors like the condition of real estate market, interest rates, inflation rate, prices of building materials etc., apart from established principles of valuation enunciated in Rule 5 of AP Stamp (Prevention of Undervaluation of Instruments) Rules, 1975 like classification of land, rate of revenue assessment, value of adjacent land, nearness to road etc.

Audit called for the data collected by the Market Value Committees in all the 18 sampled offices for preparing market value guidelines. Officers in all the offices stated that the prevailing values were ascertained orally/locally. No discussion was carried out by any of the Committees regarding real estate market, interest rates, inflation rate, prices of building material etc.

⁷⁹ 60 documents in each of 18 offices (20 high value documents for each year).

Audit observed that though the APRMVG Rules were framed as far back as in 1998, no methodology was evolved for collecting the data required for revision of market values so far. No procedure has also been prescribed for deriving the market values applicable to urban and rural areas.

In response, the Government stated (October 2016) that though there was no documentation, elaborate exercise was done by the members of the MV Revision Committees before the revision of market values. It was further stated that necessary instructions would be issued to document the process, in ensuing revisions.

4.4.7.5 Absence of system to monitor information being provided to the Committees from the Department

Rule 10 of APRMVG Rules requires the Registering Officers to furnish to the Convenor of the Market Value Revision Committees, a monthly extract of instruments in which consideration is more than the market value by 30th of the following month.

Audit observed in all the 18 offices that none of the Registering Officers had furnished such extracts to the Convenors, thereby defeating the purpose of their use during revision.

Further, the duties of DRs/SRs (Market Value and Audit) include maintenance of MV Intelligence and Information Register containing all the information regarding higher values in specific areas and the latest developments in the areas for use during revision of MV guidelines. The Sub-Registrar of the concerned office also had to maintain a copy of the Register and update the same whenever any developmental activities were noticed. District/Sub-Registrar (Market Value and Audit) was to utilise the above information at the time of MV revision. District/Sub-Registrar (Market Value and Audit) at the end of every internal audit is to discuss with the local SR whether any developmental activities and change of land use etc., had been noticed and note such information in the register maintained by him.

Audit observed that neither the DRs/SRs (Market Value and Audit) nor the SRs were maintaining the above register. The officials stated that maintenance of the register was discontinued vide Commissioner's proceedings⁸⁰. As seen from the proceedings, there was a simultaneous request to National Informatics Centre (NIC) to make necessary provisions in CARD (a software used in registering the documents by the Department) to generate statement of documents where consideration was higher than the market value. However, no such provision was made in the CARD so far. Further, as the register was also to contain the details of developmental activities, change of land use, etc., dispensing with the register is irregular and done away with the important information required to be used as input at the time of revision.

As seen from the minutes of MV revision committees, the committees did not insist on extracts of such documents. In the absence of such crucial

⁸⁰ No. MV1/14671/2013 dated 3 December 2013.

information for revision, the department failed to analyse the trend of open market values in a transparent manner.

Also, the Rules do not prescribe the mechanism or the details of the data to be provided by the Department and other agencies to CVAC nor does CVAC have independent staff for collection of required information.

The above shows that the Department was unable to supply even the information available with itself to the Committees for making suitable recommendations/taking action.

In response, the Government stated (October 2016) that there was a provision in CARD to generate a report on documents where the considerations were higher than the market value through Management Information System. However, no such reports were generated and submitted to MV revision committees.

4.4.7.6 Lack of co-ordination with Land Revenue Department

- **Non-obtaining of Land Acquisition orders**

As per Rule 11 of APRMVG Rules, the Land Acquisition Officers (LAOs) are to furnish copies of awards passed to the Convenors of the Committees within 30 days from the date of payment of compensation where the amount of compensation awarded was higher than market value. District Collectors were also requested⁸¹ to instruct the concerned officials to send copies of land acquisition awards and conversion orders to convenors of MV revision committees.

Audit observed that copies of compensation awards were not received in any of the 18 offices test checked. The Registration Department also did not pursue the matter. The committees also did not consider such cases where land acquisition compensation was paid to the land owners in excess of market values.

In response, the Government accepted (October 2016) the observation and stated that despite repeated instructions, the Land Revenue authorities were not furnishing the land acquisition awards to the registering officers. Necessary instructions would be issued to the District Collectors for issuing suitable instructions thereon.

- **Incorrect classification of land used for non-agricultural purposes**

As per Section 5 of AP Agricultural Land (Conversion for Non-agricultural Purposes) Act, 2006, agricultural land can be converted for non-agricultural purposes by Revenue Divisional Officers (RDOs). CIGRS had issued instructions⁸² to the DRs/SRs to collect copies of conversion orders issued by RDOs. Also, agricultural land converted for non-agricultural purposes was to be classified as ‘agricultural land

⁸¹ Letter No. MV1/2365/2014 dated 6 February 2014.

⁸² Memo Nos. MV1/8794/2011 dated 10 June 2011 and 22 July 2011.

fit for house sites'. Lands converted as house sites and not falling in any ward or block were to be classified as 'house sites'. As per Rule 7 of APRMVG Rules, different values have to be fixed for house sites and agricultural land fit for house sites.

Audit observed that copies of conversion orders were not received in any of the 18 offices test checked. The Registration Department also did not pursue with the RDOs to obtain the same. The committees also did not consider such cases of conversion of land use.

Rule 4(1)(ii) *ibid* provides for valuation of agricultural land and non-agricultural land for levy of stamp duty. For agricultural land, acreage rates and, for non-agricultural land, square yard rates have to be adopted for levy of stamp duty.

In five offices⁸³ of DR / SRs, seven documents styled as Sale Deeds/Development Agreements-cum-General Power of Attorney (DGPA) were registered between March 2013 and June 2015. Cross verification with the Land Revenue Department / Panchayat Raj and Rural Development / Municipal Administration and Urban Development Departments showed that the properties in these documents had already been converted into non-agricultural lands / layouts before the market values were due for revision (1 August every year for urban areas and every alternate year for rural areas). Audit observed that due to non-revision of market values, these properties continued to be wrongly classified as agricultural lands at the time of registration also. Therefore, the properties were valued at ₹ 3.26 crore instead of ₹ 13.33 crore and this resulted in undervaluation of properties and consequent short levy of duties of ₹ 12.56 lakh.

In response, the Government accepted (October 2016) the observation and assured of issuing necessary instructions to the Registering Officers for obtaining the land conversion orders from revenue authorities. It was also stated that steps would be taken to collect the differential duties.

4.4.8 Implementation of MV guidelines

Once the market values are revised, these are to be uploaded into CARD to act as the basis for valuation. APRMVG Rules prescribe the formats in which market value guidelines registers are to be maintained. The properties in residential localities are listed (ward and block wise) in Form-I of MV Guidelines Register and door numbers of commercial properties or properties with values higher than common values are listed in Form-II. Properties enlisted in Form-I and Form-II are valued on square yard basis. Agricultural lands are listed as per their classification such as dry land, wet land etc., in Form-III and as per survey number in Form-IV. Agricultural lands are valued on acreage basis. To find out the rate of a particular agricultural land, Form-IV is to be checked first. Only if the details are not available in

⁸³ DRs - Sangareddy, SRs - Bhongir, Gajwel, Madhira and Warangal Fort.

Form-IV, Form-III is to be used for arriving at market value. All Forms have been inbuilt in CARD. The concerned SRs upload the revised market values in the CARD system and after verification by the concerned DR, the revised market values have to be adopted.

As per Rule 227 of AP Registration Rules, the details of the registration check slip⁸⁴ and receipt are to be verified by the registering officer with reference to the original document to satisfy himself as to the compliance with the Act, Rules and the adequacy of stamp duty paid.

4.4.8.1 Audit observed in four documents (registered between September 2012 and August 2014) in three offices of DR/SRs⁸⁵, out of the 18 sampled offices, that the market values were incorrectly entered into the master data of CARD system. This led to incorrect adoption of market value of ₹ 40.02 lakh instead of ₹ 87.69 lakh while registering the above documents. This resulted in short levy of duties of ₹ 2.97 lakh.

4.4.8.2 In respect of urban properties in 11 documents (registered between May and December 2014) in the office of SR, Kalwakurthy, out of 18 sampled offices, house sites were valued at acreage rate, instead of square yard rate in CARD. Though all the properties were conveyed in these documents as plots and valuation carried out on square yard basis, their classification was entered as 'house sites' and valuation was incorrectly generated on acreage basis in CARD. Based on this, the properties were valued at ₹ 50.79 lakh, instead of ₹ 119.26 lakh, resulting in short levy of duties of ₹ 3.98 lakh.

Further, in three documents (registered between April and July 2014) in the office of SR, Kalwakurthy, Audit observed that the registering officer had adopted structure rates applicable to Gram Panchayat, though the properties were located in Nagar Panchayat. Therefore, the properties were valued at ₹ 10.56 crore instead of ₹ 11.40 crore. Thus, adoption of incorrect market value (structure rates) resulted in short levy of duties of ₹ 1.02 lakh.

The Registering Officer accepted the audit observation and collected ₹ 0.49 lakh. The balance amount is yet to be collected.

4.4.8.3 CARD also provides for manual entry of market value in exceptional circumstances⁸⁶. Audit observed that in 14 documents registered in five offices⁸⁷ of DRs / SRs (registered between April 2012 and November 2015), market values were incorrectly entered into the CARD system manually. Based on this, the Department adopted the market value of ₹ 192.47 crore

⁸⁴ Checkslip contains the details of the executants, claimants, nature of the document, description of the property together with its boundaries and generated through the computer.

⁸⁵ DR-LB Nagar, SRs- Gandipet and Madhira.

⁸⁶ Rule 233 of AP Rules under the Registration Act 1908 provides for registration of documents manually for (1) categories of documents not notified by the Government; (2) when the CARD system is out of order and (3) document which in the opinion of the registering officer cannot be registered under CARD.

⁸⁷ DRs - Hyderabad (South), Khammam and Ranga Reddy (West); SRs - Keesara and Kukatpally.

instead of ₹ 302.98 crore. This resulted in undervaluation of properties by ₹ 110.51 crore and consequential short levy of duties of ₹ 6.50 crore.

4.4.8.4 For properties in urban areas, CARD initially checks whether the door numbers given as inputs are available in Form-II. In case the door number is not available, Form-I values (block and ward wise general values) are adopted. Audit observed in six documents in four offices⁸⁸ (registered between May 2012 and November 2014) that though door numbers and other details were given in the recitals of documents, they were either not entered in the system while registering the documents or were incorrectly entered. Thus, the properties were valued at ₹ 13.70 crore instead of ₹ 22.77 crore, resulting in undervaluation and consequent short levy of duties of ₹ 49.10 lakh.

4.4.8.5 As per Rule 4(2) of APRMVG Rules, the MV Revision Committee is to fix composite values on square foot basis for Apartments/portion of multi-storeyed buildings. In case of finished apartments / multi-storeyed buildings, for CARD to calculate the values, the Registering Officer has to confirm in CARD that the construction was complete.

Audit observed that in four documents registered (October 2014) in the office of DR, Khammam, as per recitals of the documents, the construction of a multi-storeyed building was complete. However, the Registering Officer did not confirm the fact of completion in the CARD system. As such, the CARD system did not adopt composite values for these properties. Therefore, the CARD system generated checkslip for the market value of ₹ 1.41 crore instead of ₹ 1.88 crore resulting in short levy of duties of ₹ 2.88 lakh.

4.4.8.6 Other than errors in the master data, incorrect market values were adopted and details of the property were incorrectly entered in the system while registering the documents. In 1,080 documents test checked by Audit, as mentioned in para 4.4.7.3, in all the cases boundaries were only vaguely described and, in 329 cases, addresses were not mentioned. In the absence of complete data, Audit was not in a position to verify that applicable market rates were actually adopted.

Out of the above cases, in respect of one document registered (March 2013) in the office of DR, Hyderabad (South) Audit observed that the property was valued at ₹ 17,000 per square yard wherein the boundaries were shown as road, neighbour's land, 30 feet road, etc. Scrutiny of the map attached to the document and layout approval of GHMC had shown that the road was a leading road (Ring Road X Road to Sharada Nagar) and the market value fixed for that area was ₹ 25,000 per square yard.

However, the Registering Officer, without verifying the property details, registered the document with vague description of boundary (Road). This resulted in short collection of duties of ₹ 74.05 lakh.

⁸⁸ DRs - Hyderabad (South), Ranga Reddy (West) and Sangareddy; SR, Uppal.

On this being pointed out, the District Registrar issued notice (November 2015) to the party for payment of duties of ₹ 74.05 lakh along with penalty of ₹ 2.22 crore.

4.4.8.7 Properties also get undervalued if amenities available, parking space etc., are omitted while entering the data in CARD. According to Section 2(6) of Registration Act, immovable property includes land, buildings, rights to ways etc. CIGRS had instructed⁸⁹ that the value of open terrace be computed at 70 per cent of site value while revising the rates of structures for various types of buildings.

Audit observed in six offices⁹⁰ of DRs / SRs that in 21 documents (Sale / Development Agreement-cum-General Power of Attorney / General Power of Attorney registered between August 2012 and June 2015), the Registering Officers had accepted the value declared by the parties excluding built-up area, terrace area, parking area and area left for roads and amenities. The registering officers had failed to verify the above areas mentioned in the document. Due to this, the properties in the above documents were valued at ₹ 221.40 crore instead of ₹ 271.63 crore. Thus, undervaluation of properties resulted in short levy of duties amounting to ₹ 56.88 lakh.

4.4.8.8 As per CIGRS instructions⁹¹, when a building / structure not bearing house number or whose house number was not found in Form-II but when house numbers were mentioned in the boundaries, the maximum land rate of house numbers mentioned in the boundaries would have to be adopted. It was also clarified that when such rate could not be found with survey numbers mentioned in schedule of property, rate of Form-IV for the survey numbers mentioned in boundaries would have to be adopted. However, CARD has no inbuilt mechanism to automatically calculate higher values in such cases.

Audit observed in seven offices⁹² of DRs in respect of 11 Sale Deed / DGPA / GPA documents (registered between September 2012 and February 2015) that the Registering Officers had adopted market values ranging from ₹ 4,000 to ₹ 33,000, as declared by the parties. However, as per the above instructions, the value fixed for the bounded properties ranged from ₹ 12,000 to ₹ 60,000. Therefore, the properties in the above documents were valued at ₹ 33.49 crore instead of ₹ 58.20 crore. Thus, due to non-adherence to the instructions, the properties were undervalued and thereby duties amounting to ₹ 97.08 lakh were not levied.

In response, the Government stated (October 2016) that necessary instructions would be issued to verify and collect the differential duties.

⁸⁹ Proceedings No. MV/30324/2000 dated 2 November 2001.

⁹⁰ DRs - Hyderabad (South), LB Nagar, Ranga Reddy (West) and Sangareddy; SRs - Kukatpally and Uppal.

⁹¹ Circular No. MV1/8483/2013-2 dated 10 October 2013.

⁹² DRs - Hyderabad (South), LB Nagar, Ranga Reddy (West) and Sangareddy. SRs - Gandipet, Uppal and Warangal Fort.

4.4.9 Internal control mechanism

Internal control mechanism is important for ensuring proper and effective functioning of a system for detection and prevention of control weaknesses. It also provides a reasonable assurance on enforcement of laws, rules and departmental instructions. The internal control mechanism of the Department has not been effective as evident from the succeeding paragraphs.

4.4.9.1 Absence of alerting mechanism leading to loss of revenue

As per CIGRS instructions⁹³, the registering officer has to adopt higher value fetched earlier as market value for that particular property in all future transactions.

Audit observed, on cross verification with link documents, cases of undervaluation of properties due to non-compliance with these instructions, as discussed below:

- In four DR / SR offices⁹⁴, Audit observed that in six Sale / DGPA / Gift documents (registered between March 2014 and November 2015), the Registering Officers had not adopted higher values fetched in previous transactions (registered between September 2007 and October 2015) for the same properties. There was no mechanism available in the Department to alert the registering officer about higher values adopted earlier for the properties. Contrary to these instructions, the properties were valued at ₹ 29.87 crore instead of ₹ 59.87 crore, resulting in short levy of duties of ₹ 1.32 crore.
- It was also observed in three offices⁹⁵ of DR / SRs that in three sale deeds (registered between December 2012 and March 2015) the parties, while mortgaging their properties with financial institutions, had declared higher value for the properties mortgaged which were registered (between May 2010 and March 2015) as Deposit of Title Deeds. However, the Registering Officers did not consider this higher value declared by the parties in the subsequent sale deeds for the same properties. The Registering Officers had adopted ₹ 2.41 crore instead of ₹ 5.23 crore which resulted in short levy of duties of ₹ 17.40 lakh.

While accepting the observation, the Government stated (October 2016) that a provision would be made in CARD system to alert the registering officers about the higher value fetched in the previous documents and also necessary steps would be taken to collect the differential amount.

4.4.10 Conclusion

The Department did not adhere to the MV Guidelines Rules, 1998, on periodicity of revision of market values and did not maintain any documents for the surveys conducted and collection of inputs/requisite data to ascertain

⁹³ Circular No.MV1/20363-A/90 dated 10 August 1990.

⁹⁴ DRs- Hyderabad (South), LB Nagar and Ranga Reddy (West); SR Kukatpally.

⁹⁵ DR LB Nagar; SRs- Uppal and Warangal Fort.

the prevailing market values from time to time for use at the time of revision. The Department also did not insist upon furnishing of address and boundaries of the properties in the documents. Lack of co-ordination with other Departments like Revenue, Panchayat Raj and Rural Development, Municipal Administration and Urban Development resulted in short levy / non-levy of duties due to misclassifications and undervaluation of properties. Requisite extracts on properties registered with considerations higher than the approved market values and market value information and intelligence registers about higher values and developments, that occurred in the urban / rural areas, were not maintained and no mechanism was in place to monitor maintenance of such reports / registers. Adoption of incorrect market values, undervaluation of properties and non-adherence to instructions on valuation of properties resulted in significant short levy of duties.

4.4.11 Recommendations

Government should consider taking steps to

- ensure that the MV revision committees obtain required data from Revenue and other departments.
- derive a formal mechanism with specific procedures to be adopted for revision of market values for valuation of properties considering various developmental factors with proper documentation.
- make a provision in CARD for generation of reports that are to be considered while revising the market values like statements of documents registered with higher values and to alert the registering officers and to facilitate trend analysis during revision.
- analyse the reasons for variation between the approved market values and the price realised in open market value and initiate steps to minimise the gaps.
- make modifications in CARD to enter details like complete description of boundaries with door numbers/survey numbers for more accurate calculation of market values and also to reduce the scope for manual entries.
- ensure greater scrutiny of documents where manual entries were made to prevent wrong entries.

The Government accepted (October 2016) all the recommendations and agreed to implement the same in ensuing revisions.

4.5 Short Levy of Duties and Fees on Documents involving Agricultural Lands converted for Non-agricultural Purposes

As per Section 27 of the IS Act, the consideration, if any, the market value of the property and all other facts and circumstances affecting the levy of duty on any instrument, shall be fully and truly set forth therein. The registering officer or any other officer appointed under the Registration Act, 1908 may

inspect the related property, make necessary local enquiries, call for and examine all the connected records and satisfy that the provisions of this Section are complied with. As per Rule 7 of AP Revision of Market Value Guidelines Rules, 1998 as adapted by the Government of Telangana through an order⁹⁶ dated 28 May 2016, different values have been fixed for agricultural lands and non-agricultural lands.

During test check of records of 15 offices of Sub Registrars (SRs)⁹⁷, Audit observed (between June 2015 and January 2016) that in 31 cases involving 25 sale deeds, two general power of attorney (GPA) and four agreement-cum-GPA (AGPA) documents registered between December 2012 and February 2015, the registering officers, while registering the documents, had adopted the agricultural rate for the lands which had already been converted to non-agricultural use. Due to suppression of fact of conversion by the executants and also due to non-verification of facts by registering authorities, as provided under Section 27 *ibid*, the properties were undervalued resulting in short levy of duties and registration fee by ₹ 1.38 crore.

After Audit pointed out these cases, SR, Nizamabad (Rural) replied (June 2016) that revenue authorities did not furnish the details of conversions. DR, Mahabubnagar in respect of the observation relating to SR Wanaparthy, replied (August 2016) that the deficit occurred due to suppression of facts and notices would be issued for collection. About the case of SR, Narayanpet, the DR replied (August 2016) that the conversion proceedings were not communicated to the SR before registration of documents. SR, Karimnagar (Rural) replied (November 2015) that there were no instructions for cross verification of the conversion orders, if any, issued in respect of the agricultural lands being registered.

The replies were not acceptable as there were instructions⁹⁸ of the CIGRS to all DRs and SRs to collect copies of conversion orders from revenue authorities. The remaining officers replied (between June 2015 and January 2016) that the matter would be examined and replies sent in due course.

The matter was referred to the Department in June and October 2016 and to the Government in October 2016; replies have not been received (December 2016).

4.6 Short Levy of Duties and Fees due to Undervaluation of Properties

Under Section 3 of the IS Act, read with Articles 6 (B) and 47-A of Schedule 1-A to the IS Act, instruments of sale and AGPA are chargeable to stamp duty on the market value of the property or consideration, whichever is higher.

⁹⁶ G.O.Ms.No. 96, Revenue (Registration-I) Department, dated 28 May 2016.

⁹⁷ Atmakur, Bhainsa, Cherial, Kalluru, Karimnagar (Rural), Mancherial, Narayanpet, Narsapur, Nirmal, Nizamabad (Rural), Siddipet (Rural), Suryapet, Tandur, Wanaparthy and Zaheerabad.

⁹⁸ MV1/8794/2011 dated 10 June 2011.

Transfer duty⁹⁹ is also to be levied on sale deeds besides registration fees. Instruments of Gift under Article 29 and GPA, given in favour of other than family members under Article 42 (g) of the Schedule, are chargeable to stamp duty on the market value of the property besides registration fee.

During scrutiny of records of office of two DRs¹⁰⁰ and nine SRs¹⁰¹, Audit observed (between May 2015 and January 2016) that in 21 documents involving 16 sale deeds, 2 AGPA, 2 GPA deeds and 1 gift deed registered between May 2013 and March 2015, the registering authorities valued the properties at ₹ 14.60 crore instead of ₹ 29.63 crore in contravention of the market value guidelines and instructions issued by the CIGRS. Thus, the properties were undervalued resulting in short levy of duties and fees amounting to ₹ 70.92 lakh as detailed in Annexure I.

After Audit pointed out these cases, DR, Hyderabad replied (December 2015) that notice would be issued for collection of differential stamp duty. DR, Ranga Reddy (in respect of SR Vallabh Nagar) replied (September 2015), that as per the provisions of Section 3 (C) of the AP Apartments (Promotion of Construction and Ownership) Act, 1987¹⁰², composite values could not be applied to the cases pointed out in audit as the building consisted of ground plus three floors. The reply was not acceptable in view of CIGRS's instructions¹⁰³ that composite values were to be applied for multi-storeyed buildings or apartments whose stage of construction was complete. Further, Section 3 (C) of AP Apartments Act, 1987, defines 'building' as containing five or more apartments and the properties in the instant case consisted of ground plus three floors with six independent units (apartments) whose construction was complete. The remaining officers replied (between May 2015 and January 2016) that the matter would be examined and replies sent in due course.

The matter was referred to the Department between April and October 2016 and to the Government in October 2016; replies have not been received (December 2016).

4.7 Loss of Revenue due to Short Declaration of value of improvements in Lease Deed

Section 27 of the IS Act requires that all facts and circumstances affecting the chargeability of any instrument with duty shall be fully and truly set forth therein. The registering officer may examine all the connected records and satisfy himself / herself that the provisions of this Section are complied with. According to Article 31(a)(v) of Schedule I-A to IS Act, where the lease purports to be for a term exceeding 20 years but not exceeding 30 years, stamp

⁹⁹ Transfer duty is leviable in respect of transfer of immovable property situated in the jurisdiction of local bodies.

¹⁰⁰ Hyderabad and Nizamabad.

¹⁰¹ Achampet, Bheemgal, Choutuppal, Golconda, Miryalaguda, Shamirpet, Vallabh Nagar, Yadagirigutta and Yellareddy.

¹⁰² Adapted by the Government of Telangana through G.O.Ms.No. 45, Law (F), dated 1 June 2016.

¹⁰³ No. MV1/8483/2013-2 dated 10 October 2013.

duty is to be levied at 0.8 *per cent* on the total rent payable on such lease. Further, under Article 31(d) of the Schedule, where the lessee undertakes to effect improvements in the leased property and agrees to transfer the same to the lessor at the time of termination of lease, stamp duty is to be levied at five *per cent* on the value of the improvements contemplated to be made by the lessee, as set forth in the deed, in addition to the duty chargeable under other clauses of Article 31.

During scrutiny of records of office of SR, Uppal, Audit observed (November 2014) in respect of a lease deed registered in July 2013 that land measuring 2 acres 29 guntas¹⁰⁴ was leased to a partnership firm for construction of a building for standalone hypermarket store / shopping mall or allied businesses, on Build, Operate and Transfer (BOT) basis for a period of 21 years with an undertaking that the lessee should handover the structures constructed by him to the lessor after the lease period.

Audit observed from the Municipal permission dated 31 May 2013 relating to the above leased property that the permitted built-up area of the building was 10,763.43 sqm (1,15,856 sqft) with a parking area of 5015.36 sqm (53,984 sqft). According to the construction rates communicated by CIGRS¹⁰⁵ for assessing the cost of construction of buildings, the estimated value of the proposed construction of structures on the leased area worked out to ₹ 10.81 crore. However, the lessee had declared the estimated value of structures as ₹ 25 lakh in the document. It was thus, evident that the proposed structures in the leased area were not truly set forth in the document which resulted in undervaluation of improvements leading to loss of revenue of ₹ 52.74 lakh to the Government.

After Audit pointed out the case, the SR replied (December 2014) that the matter would be examined and reply sent in due course.

The matter was referred to the Department and to the Government in October 2016; replies have not been received (December 2016).

4.8 Short Levy of Stamp Duty on Documents of Development Agreement-cum-General Power of Attorney

According to Article 6(B) of Schedule I-A to IS Act read with Government Orders¹⁰⁶, documents of Development Agreement-cum-General Power of Attorney (DGPA) are chargeable to stamp duty at one *per cent* on the market value or the estimated value of the proposed development made or to be made, whichever is higher. CIGRS had clarified¹⁰⁷ that registering officers should invariably obtain copy of the sanctioned plan or proposed plan of the buildings from the parties and levy stamp duty only on the actual proposed built-up area

¹⁰⁴ 40 guntas make one acre.

¹⁰⁵ Procs.No.MV6/12658/2012, dated 2 February 2013.

¹⁰⁶ G.O.Ms.No.1481 Revenue (Regn-I) Department, dated 30 November 2007.

G.O.Ms.No.581 Revenue (Regn-I) Department, dated 30 November 2013.

¹⁰⁷ Memo.No.LAR-1/10094/2012 dated 25 October 2012.

as evidenced by the building plan and not on the basis of recitals of the document.

During scrutiny of records in three offices of SRs¹⁰⁸, conducted (between May and September 2015), Audit observed that in four documents of DGPA / supplementary DGPAs registered between June 2013 and January 2015, the registering authorities, instead of considering the built-up area of 2,88,102 sqft shown in the approved building plans, had adopted 1,62,290 sqft as mentioned in documents in two cases. In two other cases, the registering authorities had adopted the built up area of 2,10,259 sqft against 3,96,162 sqft worked out as per the recitals of the documents. Consequently, the properties proposed for development were undervalued which resulted in short levy of stamp duty of ₹ 20.43 lakh.

After Audit pointed out these cases, the registering officers replied (between June and September 2015) that matter would be examined and detailed reply submitted in due course.

The matter was referred to the Department in April and May 2016 and to the Government in October 2016; replies have not been received (December 2016).

4.9 Short levy of Duties and Fees due to Misclassification of Documents

Schedule I-A to the IS Act provides for the rates of stamp duty to be adopted based on classification of documents. The CIGRS had issued instructions¹⁰⁹ that the SR should thoroughly verify the recitals of the document presented for registration so as to arrive at the correct classification of the document.

During scrutiny of records of offices of three SRs¹¹⁰ (May and October 2015), Audit observed from the recitals of four documents registered between September 2013 and September 2014 that the documents were misclassified leading to short levy of duties and fees amounting to ₹ 18.88 lakh as detailed in Annexure II.

After Audit pointed out these cases, DR, Ranga Reddy replied (August 2015) in the case of SR, Saroornagar that the document was only a Development Agreement and not DGPA as mere permission given to the developer to enter into the property could not be held as DGPA. The reply was not acceptable as the document contained GPA features, such as, authorising the developer to execute applications and the plans etc., approved on behalf of the land owner for development of the property and to sell flats of developer's share. The remaining officers replied (between June and October 2015) that the matter would be examined and replies sent in due course.

¹⁰⁸ Kukatpally, Kapra and Serilingampally.

¹⁰⁹ Memo No: FR1/IA/4946/94 Dated 16 October 2000.

¹¹⁰ SRs - Miryalaguda, Saroornagar and Shamirpet.

The matter was referred to the Department in May 2016 and to the Government in October 2016; replies have not been received (December 2016).

4.10 Short Levy of Stamp Duty and Registration Fee on Lease Deeds

According to Article 31 of Schedule I-A to the IS Act, the rates of stamp duty on lease deeds are to be decided on the basis of lease periods and lease rentals. Further, as per Explanation to the Article *ibid*, if the lessee undertakes to pay any recurring charge on behalf of the lessor including taxes / fees due to the Government, it shall be part of the rent and duties levied accordingly. Besides stamp duty, registration fee is also to be levied at the rates applicable on the value of Average Annual Rent (AAR) according to the provisions of Registration Act, 1908.

During scrutiny of records of DR, Warangal and three offices of SRs¹¹¹, Audit observed (between May and September 2015) that specific clauses stipulating payment of service tax by the lessees on behalf of lessors were included in four lease deeds registered between November 2012 and January 2015. The registering authorities did not take into account the service tax component of ₹ 7.04 crore agreed to be paid by the lessees for arriving at the total lease rent, which resulted in short levy of stamp duty and registration fee of ₹ 5.57 lakh. In another case, where the lease deed was registered (November 2012) for a period of 33 years, the registering authority levied stamp duty at 0.8 *per cent* on total rent, instead of the prescribed rate of five *per cent* on market value of the property. Further, registration fee was also levied at 0.5 *per cent* of Average Annual Rent (AAR), instead of 0.5 *per cent* on 10 times of AAR, resulting in short levy of stamp duty and registration fee amounting to ₹ 1.22 lakh.

After Audit pointed out the cases, DR, Ranga Reddy (East) in respect of observation in SR, Saroornagar replied (August 2015) that the differential stamp duty would be collected. District Registrar, Warangal replied (December 2015) that there was no such provision to collect service tax on lease deeds. The reply of DR, Warangal was not relevant as the audit observation is regarding non-consideration of service tax element, agreed to be paid by the lessee, for computing total rent on which stamp duty is payable. SR, Banswada replied (September 2015) that the matter would be examined. SR Kukatpally replied (July 2016) that an amount of ₹ 1.46 lakh was collected out of ₹ 2.98 lakh.

The matter was referred to the Department in May 2016 and to the Government in October 2016; replies have not been received (December 2016).

¹¹¹ Banswada, Kukatpally and Saroornagar.

4.11 Non-registration of Compulsorily Registrable Documents

As per Section 17 of the Registration Act 1908, agreements of sale of immovable property and partition deeds are to be compulsorily registered. Non-registration of these documents entails in loss of revenue to the Government.

During scrutiny of records of offices of two DRs¹¹² and SR, Bhainsa, (between June and December 2015), Audit observed from the recitals of three sale deeds that the vendors and vendees had already entered into agreements of sale (without possession) which were not registered. Further, a scrutiny of two other AGPA documents registered in May 2012 showed that the vendor got the ownership of the property through a family partition deed executed in September 2002, which was also not registered. The registering authorities, however, ignored the provisions of Section 17 of Registration Act in respect of the above unregistered deeds, which resulted in loss of stamp duty and registration fee of ₹ 6.15 lakh.

After Audit pointed out these cases, the registering authorities replied (between June 2015 and January 2016) that the matter would be examined and reply sent in due course.

The matter was referred to the Department and to the Government in October 2016; replies have not been received (December 2016).

¹¹² DRs - Hyderabad and Hyderabad (South).

CHAPTER V
TAXES ON VEHICLES

CHAPTER V

TAXES ON VEHICLES

5.1 Tax Administration

The Transport Department of Government of Telangana is governed by Motor Vehicles Act, 1988 (MV Act), Central Motor Vehicles Rules, 1989 (CMV Rules) along with Andhra Pradesh Motor Vehicles Taxation Act, 1963 (State Taxation Act), Andhra Pradesh Motor Vehicles Taxation Rules, 1963 (State Taxation Rules) and Andhra Pradesh Motor Vehicles Rules, 1989 (State MV Rules) which have been adapted by the State of Telangana¹¹³. The Transport Department is primarily responsible for enforcement of provisions of Acts and Rules framed thereunder which *inter alia* include provisions for collection of taxes, fees, issue of driving licences, certificates of fitness to transport vehicles, registration of motor vehicles, grant of regular and temporary permits to vehicles. The Transport Department is headed by Principal Secretary (Transport, Roads and Buildings Department) at Government level. Transport Commissioner (TC) is in charge of the Department. At District level, there are Deputy Transport Commissioners (DTCs) and Regional Transport Officers (RTOs) who are in turn assisted by Motor Vehicle Inspectors (MVIs) and other staff.

5.2 Internal Audit

Internal Audit provides a reasonable assurance of proper enforcement of laws, rules and departmental instructions and this is a vital component of the internal control framework. The Department did not provide any information, though called for, regarding existence and operation of independent Internal Audit Wing in the Department. However, it was stated that audit trails were being checked / verified regularly.

¹¹³ G.O.Ms No.2, Transport, Roads & Buildings (Tr-I) Department, dated 17 June 2014.

5.3 Results of Audit

Test check of records of 15 offices of Transport Department conducted during the year 2015-16 showed underassessment of tax and other irregularities involving ₹ 13.96 crore in 73 cases, which broadly fell under the following categories:

Table 5.1: Results of Audit

(₹ in crore)

Sl. No.	Category	No. of cases	Amount
1.	Non-levy of quarterly tax and penalty	14	9.84
2.	Non-renewal of fitness certificates resulting in non-realisation of fitness fee	15	2.06
3.	Non-realisation of compounding fee	14	0.37
4.	Non-levy of green tax	12	0.29
5.	Non-levy / short levy of life tax	15	0.22
6.	Non-realisation of bilateral tax and penalty	1	0.18
7.	Other irregularities	2	1.00
Total		73	13.96

During the year 2015-16, the Department accepted under-assessments and other deficiencies of ₹ 71.26 lakh in seven cases. In the remaining cases, it was stated by the Department that further replies would be furnished after examining the cases. An amount of ₹ 2.89 lakh in six cases was realised during the year.

A few illustrative cases of non-realisation of quarterly tax and penalty, non-renewal of fitness certificates, non-realisation of compounding fee etc., amounting to ₹ 4.65 crore are discussed in the succeeding paragraphs.

5.4 Non-realisation of Quarterly Tax and Penalty

Section 3 of the State Taxation Act, 1963 stipulates that every owner of a motor vehicle is liable to pay tax at the rates specified by the Government from time to time. Section 4 of the Act read with Government Order¹¹⁴ specifies that tax shall be paid in advance either quarterly, half yearly or annually within one month from the commencement of the quarter. Under Section 6 of the Act read with Rule 13 of the State Taxation Rules, 1963, penalty for belated payment of tax beyond two months from the beginning of the quarter shall be leviable at twice the rate of quarterly tax in cases of detection and at 50 per cent in cases of voluntary payment.

During scrutiny (between May 2015 and February 2016) of data relating to tax collections for the period from 2011-12 to 2014-15 in the offices of two DTCs¹¹⁵, eight RTOs¹¹⁶ and in the office of Joint Transport Commissioner (JTC), Hyderabad Central Zone, Audit observed that quarterly tax of ₹ 1.80 crore was neither paid by the owners of 1,213 transport vehicles nor

¹¹⁴ G.O.Ms No.96, Transport, Roads & Buildings (Tr-II) Department, dated 21 May 1993.

¹¹⁵ Nizamabad and Medak.

¹¹⁶ Hyderabad (East Zone, North Zone, South Zone, West Zone), Ibrahimpatnam, Medchal, Ranga Reddy (East) and Siddipet.

demand by the Department. Besides, penalty of ₹ 0.90 crore to be levied at a minimum of 50 per cent of the rate of quarterly tax for delay over two months, was also leviable. This resulted in non-realisation of tax and penalty amounting to ₹ 2.70 crore.

After Audit pointed out these cases, RTO, Hyderabad West Zone replied (May 2016) that an amount of ₹ 0.18 lakh was collected towards tax in respect of five vehicles and show-cause notices were issued in respect of the remaining vehicles. JTC, Hyderabad Central Zone replied (May 2015) that tax would be collected and intimated to Audit. DTC, Medak and RTOs, Hyderabad South Zone and Siddipet replied (between June and December 2015) that the matter would be examined and intimated to Audit. RTO, Hyderabad East Zone replied (September 2016) that notices were issued to the vehicle owners. The remaining officers replied (between May 2015 and February 2016) that details of tax collection would be verified and action taken to realise the tax due.

The matter was referred to the Department in August 2016 and to the Government in September 2016; replies have not been received (December 2016).

5.5 Non-renewal of Fitness Certificates

As per Section 56 of the MV Act, 1988, a transport vehicle shall not be deemed to be validly registered, unless it carries a certificate of fitness issued by the prescribed authority. As per Rule 62 of the CMV Rules, 1989, the certificate of fitness in respect of the transport vehicles shall be renewed every year. Rule 81 of CMV Rules prescribes the fee for conducting test of a vehicle for grant and renewal of the certificate of fitness. Non-renewal of fitness certificates (FC) jeopardises road safety besides loss of revenue to Government towards FC fee.

During scrutiny (between May 2015 and February 2016) of data relating to grant of FC in the offices of five DTCs¹¹⁷, seven RTOs¹¹⁸ and in the office of JTC, Hyderabad Central Zone, Audit observed that FCs, the validity of which had expired in respect of 53,556 transport vehicles, had not been renewed during the year 2014-15. Consequently, besides Government losing revenue amounting to ₹ 1.19 crore towards FC fee, road safety was compromised on account of non-renewal of fitness of vehicles.

After Audit pointed out these cases, RTO, Khammam replied (October 2016) that non-linking of renewal of FC with payment of quarterly taxes at e-Seva and office counters resulted in non-collection. DTC, Medak replied (September 2015) that FC fee would be collected as and when the owner approached the office for FC renewal. The remaining officers replied

¹¹⁷ DTCs - Karimnagar, Nalgonda, Nizamabad, Medak and Ranga Reddy.

¹¹⁸ RTOs - Hyderabad (East Zone, North Zone, South Zone), Khammam, Medchal, Ranga Reddy (East) and Siddipet.

(between May 2015 and February 2016) that vehicles plying without fitness would be checked by the enforcement staff.

With reference to the replies above, it may be pointed out that renewal of FC is mandatory under Section 56 of the MV Act and allowing vehicles to ply without fitness until they are checked by enforcement staff would be unsafe for all the road users. An in-built mechanism needs to be put in place so as to prompt the vehicle owners to renew their FCs keeping in view road safety and to make the vehicle owners comply with the mandatory transport laws.

The matter was referred to the Department in August 2016 and to the Government in September 2016; replies have not been received (December 2016).

5.6 Non-realisation of Compounding Fee

As per Section 200 of MV Act, 1988 read with Government Order¹¹⁹, offences like overloading, driving without licence, registration certificate, fitness certificate, under-age driving, driving at excessive speed, wrong parking, etc. which are punishable under the Act, may be compounded by collecting fee at the rates specified by the Government. In case offences are not compounded on the spot, the Vehicle Check Reports (VCRs) have to be sent to the Regional Transport Authorities concerned for collection of the compounding fee (CF).

During scrutiny (between May 2015 and February 2016) of data relating to VCRs for the years 2011-12 to 2014-15 in the offices of four DTCs¹²⁰, nine RTOs¹²¹ and JTC, Hyderabad Central Zone, Audit observed that in respect of 568 VCRs compounding fee for offences under transport laws, was not collected resulting in non-realisation of compounding fee of ₹ 31.29 lakh.

After Audit pointed out these cases, three RTOs¹²² replied (between February and October 2016) that in respect of 18 VCRs an amount of ₹ 0.56 lakh was collected; 34 VCRs were forwarded to registering authorities concerned and in respect of the remaining VCRs notices were issued. The remaining officers replied (between May 2015 and February 2016) that VCRs would be verified and action taken for collection of compounding fee.

The matter was referred to the Department in August 2016 and to the Government in September 2016; replies have not been received (December 2016).

5.7 Non-collection of Bilateral Tax and Penalty

Interstate vehicular traffic of goods is regulated by bilateral agreements under the provisions of MV Act and Rules made thereunder. In terms of Section 88 of the MV Act, a permit granted by State Transport Authority (STA) /

¹¹⁹ G.O.Ms.No.108, Transport, Roads & Buildings (TR-I) Department, dated 18 August 2011.

¹²⁰ Karimnagar, Nalgonda, Nizamabad and Ranga Reddy.

¹²¹ Hyderabad (East Zone, North Zone, South Zone, West Zone), Ibrahimpatnam, Khammam, Medchal, Ranga Reddy (East) and Siddipet.

¹²² Khammam and Hyderabad (East Zone, West Zone).

Regional Transport Authority (RTA) of any State / Region shall not be valid in any other State / Region, unless the permit has been countersigned by the STA of that State or by the RTA concerned. As per Government Order¹²³ dated 16 December 2008, bilateral tax at the rate of ₹ 5,000 per annum shall be levied on goods vehicles covered by countersignature permit which are registered in the States of Maharashtra / Karnataka and plying in Telangana State. Tax shall be paid in advance in lump sum before fifteenth of April every year failing which an additional sum of ₹ 100 for each calendar month of default shall be charged as penalty.

During scrutiny (February 2016) of data pertaining to countersignature permits in the office of DTC, Nizamabad, Audit observed that bilateral tax for the year 2014-15, amounting to ₹ 12.65 lakh and penalty of ₹ 3.04 lakh was not collected in respect of 253 vehicles registered in Maharashtra State, which were covered by countersignature permits.

After Audit pointed out the cases, DTC replied (February 2016) that Transport Commissioner, Maharashtra State would be addressed for collection of bilateral tax.

The matter was referred to the Department in August 2016 and to the Government in September 2016; replies have not been received (December 2016).

5.8 Non-levy of Green Tax

As per the Government Order dated 23 November 2006¹²⁴, “green tax” shall be leviable on transport and non-transport vehicles completing 7 years and 15 years of age, respectively, from the date of their registration. The rate of tax is ₹ 200 per annum for the transport vehicles. In respect of non-transport vehicles, the rate is ₹ 250 for motorcycles and ₹ 500 for other than motorcycles and shall be levied every five years.

During scrutiny (between May 2015 and February 2016) of data relating to levy of green tax in offices of three DTCs¹²⁵, three RTOs¹²⁶ and JTC, Hyderabad Central Zone, Audit observed that green tax amounting to ₹ 15.32 lakh was not levied and collected for the period from April 2011 to March 2015 in respect of 6,739 transport and 441 non-transport vehicles though the vehicles had completed 7 years and 15 years of age respectively.

After Audit pointed out the cases, JTC, Hyderabad Central Zone replied (May 2015) that green tax for non-transport vehicles could not be demanded as vehicle owners renewed the registration before completion of 15 years and in respect of transport vehicles green tax would be collected at the time of

¹²³ G.O.Ms.No.362, Transport, Roads & Buildings (TR.I) Department, dated 16 December 2008.

¹²⁴ G.O.Ms.No.238, Transport, Roads & Buildings (TR.1) Department, dated 23 November 2006.

¹²⁵ Nalgonda, Nizamabad and Ranga Reddy.

¹²⁶ Ibrahimpatnam, Khammam and Siddipet.

renewal of fitness certificate. It was further stated that the accumulated arrears would be collected.

DTCs, Nizamabad, Nalgonda, Ranga Reddy and RTO, Ibrahimpatnam replied (between May 2015 and February 2016) that accumulated arrears would be collected. RTO, Siddipet replied (June 2015) that green tax would be collected as and when the registered owners approach the office for any transaction.

RTO, Khammam replied (October 2016) that non-linking of payment of green tax with payments of quarterly taxes at e-Seva and office counters resulted in non-collection. It was further replied that green tax would be collected whenever the vehicle owners approach office for any transaction.

The matter was referred to the Department in August 2016 and to the Government in September 2016; replies have not been received (December 2016).

5.9 Short Levy of Tax in respect of Second or Subsequent Personalised Vehicles owned by individuals

According to fifth proviso to sub-section (2) of Section 3 of State Taxation Act, 1963, tax in respect of second or subsequent personalised vehicles up to a seating capacity of 10 in all owned by an individual, shall be levied at 14 *per cent* of the cost of the vehicle with effect from 2 February 2010¹²⁷.

During scrutiny (between May 2015 and February 2016) of data relating to registration of personalised vehicles in the offices of four DTCs¹²⁸ and six RTOs¹²⁹, it was observed that tax in respect of 260 second or subsequent personalised vehicles owned by individuals was collected at 9 *per cent* for two wheeler motor vehicles and 12 *per cent* for three / four wheeler motor vehicles, instead of the enhanced rate of 14 *per cent*, resulting in short levy of tax amounting to ₹ 13.68 lakh.

After Audit pointed out the cases, RTO, Hyderabad West Zone replied (May 2016) that show-cause notices were issued to owners for payment of differential amount of tax. The remaining officers replied that the details of vehicles would be verified and action taken.

The matter was referred to the Department in August 2016 and to the Government in September 2016; replies have not been received (December 2016).

¹²⁷ Act No. 11 of 2010.

¹²⁸ Karimnagar, Nalgonda, Nizamabad and Ranga Reddy.

¹²⁹ Hyderabad (North Zone, West Zone), Ibrahimpatnam, Medchal, Ranga Reddy (East) and Siddipet.

5.10 Arrears of Revenue

According to Section 7 of the State Taxation Act 1963, any tax, penalty or fine due under the Act, may be recovered in the same manner as an arrear of land revenue.

Demand, Collection and Balance (DCB) statement and its periodical review is an important control mechanism to pursue taxes due. Improper maintenance and ineffective use of this control mechanism results in omission to include demands and bring correct picture of dues to be recovered.

Scrutiny (November and December 2015) of records relating to arrears of revenue in four offices¹³⁰ of the Transport Department showed that tax arrears of ₹ 137.72 crore were pending for recovery at the end of December 2015 from 1,43,614 vehicle owners as shown below:

Name of the Office	Total No. of vehicles	Arrears due for recovery (₹ in crore)
DTC, Karimnagar	33,381	19.28
RTO, Khammam	31,739	22.36
DTC, Nalgonda	39,534	47.01
DTC, Ranga Reddy	38,960	49.07
Total	1,43,614	137.72

Position of Arrears

Out of total 1,43,614 vehicles, the arrears covering the period from 2011-12 to 2014-15 were analysed in respect of 21,601 vehicles and it was observed that in respect of 10,985 vehicles the arrears were outstanding up to four quarters, in respect of 6,248 vehicles the arrears were outstanding from five to eight quarters and in respect of 4,368 vehicles, arrears were outstanding from 9 to 12 quarters as shown below:

Name of the Office	Vehicles for which arrears outstanding up to four quarters	Vehicles for which arrears outstanding from five to eight quarters	Vehicle for which arrears outstanding from 9 to 12 quarters	Total
DTC, Karimnagar	3,968	2,621	1,860	8,449
RTO, Khammam	2,320	1,059	937	4,316
DTC, Nalgonda	1,357	409	278	2,044
DTC, Ranga Reddy	3,340	2,159	1,293	6,792
Total	10,985 <i>(51 per cent)</i>	6,248 <i>(29 per cent)</i>	4,368 <i>(20 per cent)</i>	21,601

The arrears in respect of the remaining 1,22,013 vehicles remained outstanding for more than three years.

Out of the 21,601 vehicles mentioned above, Audit analysed the quantum of arrears pertaining to 3,431 vehicles of different classes viz., goods vehicles, trailers for commercial use, maxi cabs, motor cabs vis-à-vis period of pendency. It was observed that an amount of ₹ 4.99 crore towards tax and

¹³⁰ DTCs - Karimnagar, Nalgonda, Ranga Reddy and RTO – Khammam.

₹ 2.49 crore towards penalty were due from these vehicles. The details are as follows:

Pendency period	No. of vehicles	Tax arrears (₹ in crore)	Penalty (₹ in crore) @ 50 per cent	Total (₹ in crore)	Percentage of arrears to total arrears
Up to four quarters	1,927	1.44	0.72	2.16	29
5 to 12 quarters	1,504	3.55	1.77	5.32	71
Total	3,431	4.99	2.49	7.48	

As may be seen from the above, 71 per cent of revenue (₹ 5.32 crore) was pending for more than a year.

When the above observations were brought to notice, DTC, Ranga Reddy replied (November 2015) that show-cause notices were issued to the vehicle owners. RTO, Khammam replied (October 2016) MVIs / AMVIs were instructed to check up the vehicles vigorously for realisation of tax. DTCs, Karimnagar and Nalgonda replied (November and December 2015) that notices would be issued to the vehicle owners.

Incorrect Depiction of Arrears

All the functions of the Transport Department viz., grant of licences, permits, fitness, checking of new vehicles, enforcement, collection of fees etc., were fully computerised with a central server.

- A scrutiny of DCB statements showed that tax due from Telangana State Road Transport Corporation's own vehicles was being shown as 'zero' (0) against ₹ 20.75 crore actually due from 2,715 vehicles at the end of December 2015, indicating understatement of arrears to that extent.
- Though Government had written off¹³¹ the cumulative arrears of Motor Vehicle Tax up to 30 June 2014 and exempted¹³² the said tax with effect from October 2014 in respect of passenger auto-rickshaws, the written off amount (₹ 34.58 crore) was still shown in the total arrears, indicating overstatement of arrears.

Apart from the data analysed (November and December 2015) in the selected four offices as discussed above, the DCB data was scrutinised in the office of the DTC, Nizamabad¹³³ for test check, wherein it was observed that demands of bilateral tax¹³⁴ and compounding fee were not being taken to DCB statement indicating incorrect depiction of arrears despite computerisation. Suitable steps need to be taken to maintain accurate data on Demand, Collection and Balance position.

¹³¹ G.O.Ms.No.11, Transport, Roads & Buildings (TR.I) Department, dated 16 October 2014.

¹³² G.O.Ms.No.10, Transport, Roads & Buildings (TR.I) Department, dated 16 October 2014.

¹³³ DTC, Nizamabad is the border district to the State of Maharashtra, wherein bilateral tax on transport vehicles is levied.

¹³⁴ Tax levied on the owners of interstate goods carriage vehicles holding countersignature permits.

Further, Audit did not find on record any action taken to invoke provisions of AP Revenue Recovery Act, 1864.

Thus, failure of the Department in effectively monitoring the recovery of tax dues resulted in arrears getting accumulated over a period of time as well as inaccurate depiction of DCB position.

The matter was referred to the Department in July 2016 and to the Government in September 2016; replies have not been received (December 2016).

CHAPTER VI
LAND REVENUE

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LAND REVENUE

6.1 Tax Administration

The Chief Commissioner of Land Administration (CCLA) is responsible for administration of Revenue Board's Standing Orders (BSO), 'The Telangana Water Tax Act, 1988' and 'The Telangana Irrigation, Utilisation and Command Area Development Act, 1984'¹³⁵, 'Telangana Agricultural Land (Conversion for Non-agricultural Purposes) Act, 2006'¹³⁶, and Rules and Orders issued thereunder. There are 10 districts in Telangana and each district is headed by a District Collector who is responsible for the administration of the respective district. Each district is divided into revenue divisions and further into *Mandals*¹³⁷, which are under administrative charge of Revenue Divisional Officers (RDOs) and Tahsildars, respectively. Each village in every *Mandal* is administered by a Village Revenue Officer (VRO) under the supervision of the Tahsildar. VROs prepare tax demands under all the Acts mentioned above for each *Mandal* from the village accounts and get it approved by the *Jamabandi* officers¹³⁸ concerned. VROs / Revenue Inspectors are entrusted with work of collection of revenue / taxes such as water tax, conversion tax for agricultural lands etc. At Government level, Principal Secretary (Revenue) is in charge of the administration of Revenue Department.

6.2 Internal Audit

The Department did not have an Internal Audit Wing that would plan and conduct audit in accordance with a scheduled audit plan.

¹³⁵ Government of Telangana through G.O.Ms.No.45, Law (F) Department, dated 1 June 2016 adapted the said Acts of combined State of Andhra Pradesh.

¹³⁶ Government of Telangana through G.O.Ms.No.4, Revenue (Land Matters) Department, dated 5 January 2016, adapted the Andhra Pradesh Agricultural Land (Conversion for Non-agricultural Purposes) Act, 2006.

¹³⁷ *Mandals* are the jurisdictional area of each Tahsildar.

¹³⁸ *Jamabandi* officer is the District Collector or any other officer nominated by him not below the rank of Revenue Divisional Officer.

6.3 Results of Audit

Test check of records of 31 Land Revenue Offices conducted during the year 2015-16 showed under-assessment and other irregularities involving ₹ 19.52 crore in 22 cases, which broadly fell under the following categories:

Table 6.1: Results of Audit

(₹ in crore)

Sl. No.	Category	No. of cases	Amount
Revenue Receipts			
1.	Non-finalisation of alienation proposals	8	19.21
2.	Non-levy or short levy of conversion tax	4	0.04
3.	Non-collection of lease amount	1	0.05
	Total	13	19.30
Revenue Expenditure			
1.	Irregular refund of stamp duty and other irregularities	9	0.22
	Total	9	0.22
Grand Total		22	19.52

During the year 2015-16, the Department accepted irregularity amounting to ₹ 5.25 lakh in a case pointed out during the year 2015-16.

A few illustrative cases of non-realisation of cost of land and non-levy or short levy of conversion tax etc. involving ₹ 8.13 crore, are discussed in the succeeding paragraphs.

6.4 Maintenance of Land Records

6.4.1 Introduction

Entry 18 under List II - State List of the Seventh Schedule to the Constitution, *inter alia*, empowers the State Government to legislate on land, that is to say, rights in or over land, land tenures, collection of rents, transfer and alteration of agricultural land, land improvement, etc. Maintenance of land records, survey for revenue purposes and records of rights fall within the scope of Entry 45 under the said State List of the Seventh Schedule to the Constitution.

As per Standing Order¹³⁹ (BSO) 34-A of Telangana Board of Revenue, it is necessary to maintain and update the land records on the basis of day-to-day changes, such as, sale, alienation, change of classification etc., in order to protect Government lands from encroachment, settle boundary disputes, correctly assess taxes and enable *ryots*¹⁴⁰ to establish their right over the land in court of law, etc.

¹³⁹ BSOs are the standing orders concerning revenue issued by the Telangana Board of Revenue during its existence. Later, it was replaced by the Revenue Commissioners under the Telangana Board of Revenue (Replacement by Commissioners) Act 1977.

¹⁴⁰ *Ryots* mean farmers.

6.4.2 Scope and Objectives

Audit was conducted from November 2015 to June 2016 covering the period of five *fasli*¹⁴¹ years from 1420 to 1424 (1 July 2010 to 30 June 2015). Out of ten districts in the State, test check of records was conducted in 26 *mandal* offices from eight districts, office of Deputy Director, Hyderabad, Survey and Land Records (one) and six offices of Assistant Directors¹⁴², Survey and Land Records.

Audit was conducted to ascertain the status of basic land records and maintenance of other land records at village level and *mandal* level, efficiency and effectiveness in maintenance of land records, completion of *jamabandi*¹⁴³ within the stipulated time frame for proper maintenance and updation of land records.

The basic land records to be maintained are:

- The *Sethwar* (also known as “A” Register) is the basic land record which contains details of survey numbers of the revenue village, total area, ownership, nature of land (*Inam*¹⁴⁴, Government / *Poramboke*¹⁴⁵), type of soil, source of irrigation, etc.
- The *Tippan* (Field measurement book) is the pictorial representation of survey fields / sub-divisions recorded in *sethwar*. It contains the details of the total extent of land in survey number, location of the land and its directions and boundaries.
- The Village Map (village plan) acts as an index to *tippan* and enables an inspecting officer to identify any field on the ground and is useful during investigation of disputed boundaries, detection of encroachments etc.

Deputy Director / Assistant Director, Survey and Land Records (DD/ AD, S and LR) is responsible for preparation and maintenance of *sethwards*, *tippans* and village maps of all the villages in a district. Tahsildar is responsible for overall maintenance of land records. Village Revenue Officer (VRO) is responsible for preparation and maintenance of village accounts.

At *mandal* level, Record of Rights¹⁴⁶ in Form I B (ROR I B), Government Land Register (Village Account 1), Register of Changes (Village Account 2), *Pahani*¹⁴⁷ (Village Account 3), Register of Assignments, Register of Transfer of Land, Register of Leased out Lands and Bought-in-land Register are

¹⁴¹ *Fasli* year means period of 12 months from 01 July to 30 June. By adding 590 to *fasli* year one can get the corresponding calendar year.

¹⁴² Adilabad, Khammam, Mahabubnagar, Nalgonda, Nizamabad and Ranga Reddy.

¹⁴³ *Jamabandi* means finalisation of Village Accounts.

¹⁴⁴ *Inam* lands are lands gifted by rulers in recognition of services.

¹⁴⁵ Lands reserved for State or communal purposes such as cart tracks, river and stream, burning and burial grounds.

¹⁴⁶ Record of Rights is the certificate issued to a person declaring the occupant as the owner of the property.

¹⁴⁷ *Pahani* is a very important record which contains details of land such as owner's details, extent, assessment, water rate, soil type, nature of possession of the land, liabilities, tenancy and crops grown etc.

important land records. Audit was confined to check of maintenance of land records.

Audit Findings

Audit observed the following deficiencies:

6.4.3 Non-conduct of re-survey despite expiry of first settlement

As per Para 1 of Chapter-XVI of Hyderabad Survey and Settlement Manual, first settlement is guaranteed only for a period of 30 years. For resettlement, re-survey has to be conducted. Survey / re-survey is an important work to run an efficient revenue administration and for issue of conclusive title for meaningful enjoyment of rights to a landed property. As per Para 3 of Introduction to the Andhra Pradesh Survey Manual of Departmental Rules (Vol. I), re-survey is required to be conducted when the changes in occupation and in the boundaries of fields are too numerous to be dealt with by the Revenue staff, or when the previous survey is considered defective.

Based on the information furnished by four AD offices¹⁴⁸, Audit observed that no re-survey was conducted in these districts for 20 to 68 years. Information in respect of the remaining three AD offices¹⁴⁹ was awaited.

While agreeing with the audit observation, ADs replied that Government had not taken any decision on re-survey.

6.4.4 Failure to conduct revision survey within prescribed time

As per Para 1 of Chapter-XVI of Hyderabad Survey and Settlement Manual, revision survey has to be conducted every 15 years. During revision survey, replacement of missing survey marks and measurement of changes in occupation, or in the physical features of the State have to be carried out. However, no revision survey has been conducted in the State in the last 69 years.

6.4.5 Status of availability of initial Land Records

As per Sections 86(1) and 88 of the Land Revenue Act, 1317 *Fasli* (Hyderabad Code Vol. I), each of the villages in the district must have one *sethwar*, one village map and each survey number of the village must have a *tippan*.

Office of the DD, S and LR, Hyderabad and six offices¹⁵⁰ of AD, S and LR have 7,428 villages and 22,87,193 survey numbers under their jurisdiction. Hence, these offices are required to maintain 7,428 *sethwars*, 7,586¹⁵¹ village maps and 22,87,193 *tippans*. As Hyderabad district is totally urbanised, Record of Measurement (ROM) and Town Survey Land Register (TSLR) are

¹⁴⁸ Adilabad, Nalgonda, Nizamabad and Ranga Reddy.

¹⁴⁹ Hyderabad, Khammam and Mahabubnagar.

¹⁵⁰ Adilabad, Khammam, Mahabubnagar, Nalgonda, Nizamabad and Ranga Reddy.

¹⁵¹ Variation is on account of dry and wet maps being maintained separately in Nalgonda district.

maintained. TSLR is also known as Final Check Operation Land Register (FCOLR).

Audit observed that only 4,712 *sethwars*, 7,392 village maps, 17,37,769 *tippans* were available. Rest of the records were missing.

Moreover, in Hyderabad district, out of 282 ROMs and 282 FCOLRs, 275 ROMs and 276 FCOLRs were available and the remaining were missing.

While agreeing to the audit observation, DD, Hyderabad and also other ADs replied that efforts would be made to prepare records on completion of re-survey.

6.4.6 Unfruitful expenditure on building up of Land Records under Bhu Bharati¹⁵² Project

Considering the improper maintenance of land records in the State, Government had taken an initiative to build land records by conducting re-survey under the project called “Bhu Bharati”. The Project was taken up on a pilot basis in Nizamabad district in the year 2005 with a time frame to complete the project within two years.

The project was contemplated with the following objectives:

- Creation of Register of Titles to grant conclusive titles;
- Integration of process of Survey, Revenue, Registration and Local bodies;
- Updation of Land Records;
- Title transfer (mutation) of property through e-conveyance; and
- Creation and enforcement of dedicated service centres to cater to the needs of citizens.

As a part of implementation, National Institute for Smart Government (NISG) was appointed (December 2005) to render consultancy services and a legal firm was entrusted with (February 2006) preparation of “Land Titling Act” to have legal backing to the project. However, draft bills prepared by the firm for declaration of titles in favour of land owners could not be passed as they were in contravention of the Central Acts, such as, Indian Stamp (IS) Act, 1899, Registration Act, 1908 etc. A society called “Land Titling Society of Andhra Pradesh” was formed (October 2007) to implement the project. National Remote Sensing Agency (NRSA) was appointed to conduct aerial survey of both agricultural lands and non-agricultural lands. However, aerial survey of non-agricultural lands could not be completed due to technical issues. Out of 914 villages, aerial survey of agricultural lands of 911 villages

¹⁵² Bhu Bharati is a pilot project taken up (2005) to reconstruct the basic land records in Nizamabad district vide G.O.Rt.No.158, Revenue (SS-I) Department, dated 28 January 2005.

was completed. Ground truthing¹⁵³ of Land Parcel Maps¹⁵⁴ (LPM) was completed (2007) by the Implementing Agency in respect of these 911 villages. But no conclusive titles to the landed property were established till April 2016 for want of legal backing to the project. Despite incurring an expenditure of ₹ 37.73 crore up to March 2015, the Department had not built up any legally enforceable land records. Thus, the expenditure incurred on the project was unfruitful.

6.4.7 Scanning / Computerisation of Land Records

Erstwhile Government of Andhra Pradesh had issued orders¹⁵⁵ (March 1995) to scan and computerise the basic land records.

Status of scanning / computerisation of land records till the date of audit is given below:

Sl. No.	Name of the AD, S&LR office	No. of villages	Sethwars			Tippans			Village Maps		
			Total	Scanned	Balance	Total	Scanned	Balance	Total	Scanned	Balance
1.	Adilabad	1754	1754	837	917	346674	288453	58221	1754	1731	23
2.	Mahabubnagar	1558	1558	986	572	543603	450531	93072	1558	1514	44
3.	Nalgonda	1155	1155	1019	136	380189	270815	109374	1313	1287	26
4.	Nizamabad	922	922	650	272	423271	314853	108418	922	849	73
5.	Ranga Reddy	1055	1055	541	514	369250	128755	240495	1055	1045	10
TOTAL		6444	6444	4033	2411	2062987	1453407	609580	6602	6426	176

In three districts¹⁵⁶ the reasons for not scanning were torn condition and non-availability of land records. In two districts¹⁵⁷, though records were available, complete scanning was not done. DD, S and LR, Hyderabad and AD, S and LR, Khammam had not furnished the details of scanning.

Action needs to be taken to construct missing records by conducting re-survey or revision survey.

Consequences of improper maintenance of Land Records

Proper maintenance of land data/records at village / *mandal* level and conducting periodical re-surveys and regular updation of basic land records are of vital importance. A few cases of land disputes due to incorrect maintenance of land records are discussed below:

6.4.8 Disputes on account of incorrect preparation of Village Maps

6.4.8.1 Audit observed (January 2016) in the office of the A.D, S and LR, Nalgonda that in Gandhamvarigudem village, two survey numbers (418, 419) overlapped a different survey number (417) in the village map. As per the *pahani*, the land pertaining to two survey numbers (418, 419) was *patta*

¹⁵³ In remote sensing, the verification of image interpretation by direct observation of the ground.

¹⁵⁴ Field measurement books.

¹⁵⁵ G.O.Ms.No.166, Revenue (SS) Department, dated 30 March 1995.

¹⁵⁶ Mahabubnagar, Nalgonda and Nizamabad.

¹⁵⁷ Adilabad and Ranga Reddy.

land¹⁵⁸ and belonged to 35 pattadars. The land (survey no.417), which got overlapped, was Government land assigned to landless poor. As a result, dispute arose between pattadars and assignees when the assignees tried to cultivate the land assigned to them. Pattadars (in survey nos. 418 and 419) objected to cultivation by assignees on the ground that the land belonged to them. Thus, incorrect preparation of village map and *tippan* led to dispute between two parties.

In reply, Tahsildar confirmed (January 2016) that due to incorrect village map and *tippans*, survey numbers were overlapping on a different survey number.

6.4.8.2 In the office of Tahsildar, Miryalaguda, Audit observed (December 2015) from the land records pertaining to the Alagadapa village of Miryalaguda *mandal* that realtors had purchased a patch of 3 acres and 28 guntas of land in survey number 695 and applied for conversion of 2 acres and 11 guntas of land.

Audit observed from the village map of Alagadapa that the survey number 695 which had 3 acres and 28 guntas of land was smaller in size than survey number 720 which had only 37 guntas of Government land.

Based on this discrepancy, the realtors had represented (May 2015) to the Department to interchange the survey numbers along with related extent of land to match the physical size of the survey numbers, which was not done till the date of audit.

Tahsildar, Miryalaguda, stated (December 2015) that the extent of land in survey number 695 (3 acres and 28 guntas) and the extent of land in survey number 720 (37 guntas) were mistakenly printed *vice versa* for which the case was referred (January 2013) to the AD, S and LR, Nalgonda. Reply from AD, S and LR Nalgonda was awaited (December 2016).

6.4.8.3 During scrutiny of records of Tahsildar, Shamshabad, Audit observed (May 2016) that as per *khasra pahani*¹⁵⁹, survey number 62 of Bahadurguda village contained 500 acres of Government land. However, in the *tippan* and village map, the physical size of survey number 62 was shown as smaller than the physical size of five survey numbers (53, 54, 56, 61 and 63 consisting of 9 acres 8 guntas, 15 acres 5 guntas, 7 acres 16 guntas, 16 acres 12 guntas and 15 acres 16 guntas respectively) totaling to 63 acres 17 guntas. Further, Tahsildar stated that the above Government land of 500 acres falling under survey number 62 was not physically available. Incorrect preparation, maintenance and monitoring of land records thus led to unavailability of Government land valued ₹ 24.42 crore.

In response, Tahsildar stated (May 2016) that the matter would be examined and a detailed report submitted.

¹⁵⁸ Lands which are owned by individuals (private lands).

¹⁵⁹ *Pahani* which was prepared for the year 1954-55 was known as *khasra pahani*.

6.4.9 Dispute on account of improper changes based on *Khasra Pahani*

6.4.9.1 As per Sections 79 and 89 of Land Revenue Act, 1317 *Fasli* (Hyderabad Code Vol. I), supplementary *sethwars* have to be issued to correct the survey errors, duly obtaining the orders of competent authority.

During the scrutiny of *Sethwar* and correspondence files in the office of AD, S and LR, Ranga Reddy, Audit observed that survey number 65 of Khanapur village, Rajendranagar *mandal*, Ranga Reddy district contained an area of 5 acres 30 guntas of land and a larger chunk of this land, which was located between the above survey number and the Osman sagar tank, was un-surveyed.

However, as per *Khasra Pahani*, the area in survey number 65 was shown as 547 acres 27 guntas and was sub-divided into 33 parts (i.e., 65/1 to 65/33). Out of this, an extent of 156 acres 17 guntas were recorded as patta and the remaining 391 acres 10 guntas was recorded as *Kharij khata*¹⁶⁰. The un-surveyed land located between the above survey number and Osmansagar tank was given a new survey number 297 with 350 acres. This indicates improper maintenance of land records.

On this being pointed out, AD replied that the matter would be examined and a detailed reply submitted in due course.

6.4.9.2 During scrutiny of records of AD, S and LR, Ranga Reddy, Audit observed that two survey numbers (36 and 37) of Gopanpally village of Serilingampally *mandal* consisted of 888 acres and 24 guntas without any subdivisions. Out of this, Government had allotted¹⁶¹ 205 acres and 20 guntas (survey number 37) and 191 acres and 36 guntas (survey number 36) of land to the Government Employees Housing Society and University of Hyderabad, respectively. However, some interested parties had made representations to the Department (December 2004) claiming right over 90 acres (44 acres in survey number 36 and 46 acres in survey number 37) in the above mentioned survey numbers.

Departmental inquiries disclosed that the revenue records were tampered with and wrong entries were recorded in the *Khasra Pahani* prepared in the year 1954-55. The Department, however, did not settle title of the land till date.

In response, AD, Ranga Reddy replied that the matter would be examined and a detailed reply would be submitted in due course.

6.4.10 Non-finalisation of disputes on *Maqtha*¹⁶² Land

As per Section 3(2) (b) of the Andhra Pradesh (Telangana Area) Abolition of *Inams* Act, 1955, all rights, titles and interests vesting in the *inamdars* in respect of the *inam* lands shall cease and be vested absolutely in the State, free from all encumbrances.

¹⁶⁰ Lands which have been relinquished by the pattadars.

¹⁶¹ G.O.Ms.No.589, Revenue (Assign-III) Department, dated 10 July 1991 and G.O.Ms.No.850, Revenue (Assign-III) Department, dated 24 September 1991.

¹⁶² *Maqtha* is a land grant similar to '*Inam*.'

6.4.10.1 During scrutiny of land records and correspondence files of the office of the AD, S and LR, Ranga Reddy, Audit observed that Mr. 'A' and his ancestors were the occupants of the *maqtha* land (to the extent of 196 acres and 11 guntas) in Fatheullahguda village of Ranga Reddy district prior to survey (1946) and even thereafter till the *Se-Salapahani*¹⁶³ for the years 1956-59. Survey of the lands was conducted in the year 1946 and the settlement records were published in 1952. These settlement records were implemented in revenue records of 1959 where the above mentioned lands were classified as *Gairan*¹⁶⁴ / *Poramboke*. Aggrieved by this, the claimants made several representations requesting the Department to verify the records and declare the title in their favour.

Though many departmental inquiries were conducted to verify the title over the land, no conclusive title was issued till April 2016. This resulted in dispute over land valuing ₹ 570.11 crore.

In response, AD, Ranga Reddy replied that the matter would be examined and a detailed reply submitted in due course.

6.4.10.2 Audit observed in the office of the Tahsildar, Malkajgiri that 16.01 acres of Government land in two survey numbers (578 and 585) of Pakalkunta area in Alwal village was classified as *maqtha* in the *Se-Salapahani*. However, the same lands were classified as *patta* lands in the village account 3 (*Pahani* for the year 2013-14). Based on this classification, occupants of the land made representations to the Department claiming ownership.

As *maqtha* is also a kind of *inam*, on abolition of *inams* under the above Act, all the *maqtha* lands were vested in the State. Thus, recording of the above land as *patta* in the *Pahani* was incorrect.

In reply, Tahsildar stated that the matter would be examined and a detailed reply submitted.

6.4.11 Non-updation of Sethwars of Forest Land

Audit observed (April 2016) in office of Assistant Director (AD), Survey and Land Records, Nizamabad that an area of 4,690 acres and 05 guntas was in dispute between the Departments of the Survey, Settlement and Land Records and Forests on the ownership of the land as a result, land records i.e., *Sethwars* were not updated till April 2016. The details of survey numbers, names of the villages and extent of land are given in Annexure-III.

In reply, the AD stated that non-furnishing of Gazette Notification issued by the Department of Forests declaring the above lands as forest lands along with handing over report of the Revenue Department to the Survey Department were the reasons for non-updation of land records.

¹⁶³ *Se-Salapahani* means *Pahani* prepared for the years 1956-57, 1957-58 and 1958-59.

¹⁶⁴ Grazing lands.

6.4.12 Delay in issue of Supplementary Sethwars

As per Sections 79 and 89 of Land Revenue Act, 1317 *Fasli* (Hyderabad Code Vol. I), supplementary *sethwars* are issued whenever there is a change on account of land assignment, land acquisition or change of irrigation sources and any other changes in settlement record. These are issued by conducting inspection of the lands after issuing notices to all the farmers having common boundaries with the subject land under Section 9(2) of Andhra Pradesh Survey and Boundaries Act, 1923. After approval of competent authority, this is to be issued to the Tahsildar concerned for implementing the changes in the revenue records.

During the scrutiny of records of offices of five ADs¹⁶⁵, Audit observed from the Register of Issue of Supplementary *Sethwars* that 830 applications had been received during 1994 to 2015 for correction of survey errors, subdivision of survey numbers on account of land assignment, land acquisition, etc., and to issue supplementary *sethwars*. Out of these, supplementary *sethwars* were issued in 500 cases leaving 330 cases pending as of April 2016. Of these, 94 cases pertained to office of AD, Ranga Reddy and were pending since 1994.

In response, AD, Nizamabad replied that inspection was completed and the work was under process; three ADs¹⁶⁶ replied that action would be taken to issue supplementary *sethwars* and AD, Ranga Reddy replied that issue of supplementary *sethwars* was pending for want of served copies of notices issued under Section 9(2) of Andhra Pradesh Survey and Boundaries Act, 1923.

6.4.13 Discrepancy in extent of Land between Sethwar and Pahani

During the scrutiny of records of office of the Tahsildar, Kamareddy, Audit observed that there was discrepancy in the extent of land between *sethwar* and *pahani* in respect of test checked village Rameshwarpally. As per *sethwar*, the total extent of land in the village was 1,198 acres and 20 guntas with 263 survey numbers. In 83 survey numbers, the extent of land in *Pahani* was 122 acres and 22 guntas more than that of the *sethwar* and in 36 survey numbers, extent of land in *Pahani* was less than that of the *sethwar* by 14 acres and 19 guntas.

In the office of the Tahsildar, Nalgonda, Audit observed that there was a difference of 819 acres and 35 guntas of land between *sethwar* (3,073 acres and 38 guntas) and *Pahani* (3,893 acres and 33 guntas) in respect of Panagal village.

In reply, two Tahsildars (Kamareddy and Nalgonda) stated that action would be taken to reconcile the discrepancy by verifying previous years' *pahanis* and information relating to mutations.

¹⁶⁵ Adilabad, Mahabubnagar, Nalgonda, Nizamabad and Ranga Reddy.

¹⁶⁶ Khammam, Mahabubnagar and Nalgonda.

6.4.14 Non-maintenance / Improper Maintenance of Village Level Land Records

Government of Andhra Pradesh had introduced¹⁶⁷ (March 1992) integrated village accounts and prescribed maintenance of nine types of village accounts¹⁶⁸ for different purposes. During scrutiny of records, it was observed that certain records were either not maintained or improperly maintained as discussed in the following sub-paragraphs.

6.4.14.1 Non-maintenance of Village Level Land Records

Out of 26 *mandal* offices test checked, Audit observed that in four *mandals*¹⁶⁹ Village Account 1 (Government Land Register) and in three *mandals*¹⁷⁰, Village Account 2 (Register of Changes) were not maintained.

In reply, all the Tahsildars stated that these village accounts would be maintained henceforth.

6.4.14.2 Non-updation of *Pahani*

During the scrutiny of the land records such as *pahani*, Village Account 2 and ROR I-B pertaining to Cheeryal village of Keesara *mandal*, the following discrepancies were observed.

As per the Village Account 2, five sons had succeeded to properties on the death of their father. Father had lands in three survey numbers (155, 156 and 157) of Cheeryal village. Sons of the demised, applied for mutation of land in their names to the Tahsildar. Audit observed that lands in these survey numbers, though mutated in ROR I-B, were not incorporated in *pahani* for the *faslis* 1420 (2010-11) and 1424 (2014-15).

Similarly, while verifying village accounts pertaining to Rampally village, it was observed that as per Village Account 2, applications for mutation of land (survey number 563) were received in the year 2010. However, the names of applicants were not included in *Pahani* for the *fasli* years 1420 and 1424 (2010-11 and 2014-15) against relevant survey numbers. As a result of this mutation in the above two cases was not completed.

In Papannapet *mandal*, during the scrutiny of Mutation Register (2010-11) and *Pahani* (2011-12), Audit observed that the names of the claimants were not updated (in *pahani*) though mutations were ordered by the Tahsildar. In three cases, there was variation in survey numbers between *Pahani* and Mutation Register.

¹⁶⁷ G.O.Ms.No.265, Revenue (L.R.-II) Department, dated 10 March 1992.

¹⁶⁸ Village Account 1 (Government Land Register), Village Account 2 (Register of Changes), Village Account 3 (Adangal), Village Account 4 (Register of holidays and Asami-wise Land Revenue Demand Register), Village Account 5 (Demand Collection and Balance Register), Village Account 6 (Chitta – Daily Collection Register), Village Account 7 (Irsalnama - Register of Reconciliation), Village Account 8 (Register of Irrigation sources) and Village Account 11 (Receipt Register).

¹⁶⁹ Adilabad, Ghatkesar, Malkajgiri and Shamshabad.

¹⁷⁰ Ghatkesar, Malkajgiri and Shamshabad.

Tahsildars replied that the matter would be examined and a detailed reply furnished.

Discrepancy in Land Records

6.4.14.3 As per Section 88 of the Land Revenue Act, 1317 *Fasli* (Hyderabad Code Vol. I), all the survey numbers of village have to be shown within the boundaries of village map.

During the scrutiny of *Pahani* of Tahsildar, Shamshabad, Audit observed that Survey Numbers 138 to 141 covering an area of 10 acres and 3 guntas formed part of Chinna Golkonda village. On verification of village map, these survey numbers were shown outside the boundary of Chinna Golkonda village i.e., under the jurisdiction of Bahadurguda village which was adjacent to it. However, these survey numbers except survey number 139 (11 guntas) were not shown in the village map of Bahadurguda village. As a result, 9 acres and 32 guntas of land was neither included in village maps of Chinna Golkonda village nor in Bahadurguda village.

In reply, Tahsildar replied that the matter would be examined and a detailed report submitted.

6.4.14.4 During scrutiny of the records of 26 *mandal* offices test checked, Audit observed that in four *mandals*¹⁷¹ there were discrepancies between different registers being maintained in the Tahsildar offices as discussed below:

In Bodhan *mandal*, there was variation in extent of land between the *Mandal* level Government Land Register and Village Account 1 as detailed in Annexure-IV (a).

In Mancherial *mandal*, there was discrepancy between Village Account 3 (*pahani*) and *khasra pahani* as detailed in Annexure-IV (b).

In Nalgonda *mandal*, there was variation in extent of land between the *Mandal* level Government Land Register, Village Account 1 and *Pahani* as detailed in Annexure-IV(c).

In Miryalaguda *mandal*, on cross verification of Village Account No.1, *pahani*, ROR I-B and *Mandal* level Government Land Register, discrepancies were observed in extent, sub-survey numbers and names of the owners as detailed in Annexure-IV(d).

After this was pointed out by Audit, all the four Tahsildars replied that action would be taken to rectify the discrepancies.

Discrepancy in allotment of Sub-survey Numbers

6.4.14.5 When a part of land in a survey number is alienated on account of sale, partition etc., for carrying out mutations in revenue records, the main survey number is to be sub-divided and if the sub-survey number is to be

¹⁷¹ Bodhan, Mancherial, Miryalaguda and Nalgonda.

divided further, then sub sub-survey numbers are to be given/ allotted to avoid confusion and litigation in future.

In three Tahsildar offices¹⁷², Audit observed that there were discrepancies while allotting sub-survey or sub sub-survey numbers as detailed in Annexure-V (a).

In Nizamabad *mandal*, 97 acres and 36 guntas of land was assigned without allotting sub-division numbers as detailed in Annexure-V (b).

After this was pointed out by Audit, four Tahsildars¹⁷³ replied that action would be taken to rectify the discrepancies.

6.4.15 Non-maintenance of prescribed Registers/ Records at *Mandal* Level

As per the provisions of BSO and *Mandal* Accounts Manual, Register of Bought-in-Lands, Register of Leased out Lands, Register of Relinquishment and Register of Transfer of Lands are to be maintained in *mandal* offices to ensure proper maintenance of land records.

During scrutiny of records, Audit observed that these registers were not being maintained in any of the 26 *mandals*.

In response, 22 Tahsildars¹⁷⁴ replied that the above registers would be maintained and Tahsildar, Papannapet replied that the matter would be examined and detailed reply submitted.

Tahsildar, Miryalaguda replied that as there were no cases, these registers were not being maintained. The reply of the Tahsildar is not acceptable as a Register is required to be maintained to watch the track of the cases by indicating the number of cases as 'NIL'.

Tahsildar, Asifnagar replied that as town survey system was introduced in the *mandal*, these registers were not applicable and Tahsildar, Shaikpet replied that transfer of lands register need not be maintained in this office. The replies of the Tahsildars¹⁷⁵ were not acceptable, as without maintenance of these registers, mutation or change in classification could not be known.

As per the provisions of BSO 15, Government lands are assigned to the landless poor either on payment of market value or free of cost. Details of such lands have to be entered in a register as *Mandal* Account No.4 and should be maintained permanently to watch that these lands are not alienated by the assignee and also to avoid another claim for assignment of land by the same assignee.

¹⁷² Bodhan, Miryalaguda and Suryapet.

¹⁷³ Bodhan, Miryalaguda, Nizamabad and Suryapet.

¹⁷⁴ Adilabad, Bahadurpura, Bodhan, Gadwal, Ghatkesar, Itikyala, Jannaram, Kalher, Kalluru, Kamareddy, Keesara, Khammam (Urban), Kothagudem, Malkajgiri, Mancherial, Nalgonda, Nizamabad, Shamshabad, Suryapet, Tirumalgiri, Wanaparthy and Zaheerabad.

¹⁷⁵ Asifnagar and Shaikpet.

It was, however, observed that no such register was being maintained in four Tahsildar offices¹⁷⁶.

In response, three Tahsildars¹⁷⁷ replied that the above register would be maintained from now onwards; Tahsildar, Asifnagar replied that the above register was not required to be maintained as town survey system had been introduced in the mandal. The reply of Tahsildar, Asifnagar was not correct as this is a permanent register and was to be maintained and updated regularly to maintain a list of assignees and to watch that these lands are not alienated by the assignees and also to avoid another claim for assignment of land by the same assignee.

6.4.16 Failure to complete *Jamabandi* within stipulated time

As per the instructions issued in BSO 12(5), *jamabandi* is to be completed before the end of *fasli* i.e., 30 June. *Mandal* demand statements must be closed within 15 days after the completion of *fasli*, so as to finalise the settled demand in respect of water tax, road cess and preparation and updation of land records such as Government Land Register (Village Account 1), Register of Changes (Village Account 2) and *Pahani* (Village Account 3).

Audit scrutinised *jamabandi* records pertaining to five *fasli* years from 1420 to 1424 of the 26 selected *mandals* except four *mandals*¹⁷⁸ of Hyderabad district where *jamabandi* was exempted.

Out of 110 *jamabandis* due in 22 *mandals* during the last five *fasli* years, 36 *jamabandis* (32.73 per cent) were completed with delays ranging from one to more than three years and in the remaining 74 cases (67.27 per cent) *jamabandi* was not completed.

In eight *mandals*,¹⁷⁹ *jamabandi* was not completed in any of the five *fasli* years (1420 to 1424) as detailed in Annexure-VI.

In reply, 17 Tahsildars¹⁸⁰ replied that the matter would be brought to the notice of higher authorities for taking necessary action; two Tahsildars¹⁸¹ replied that the matter would be examined; Tahsildar, Mancherial replied that though *jamabandi* for the *faslis* 1420 and 1421 was completed, records could not be traced and *jamabandi* of *faslis*, 1422 to 1424 was under process; Tahsildar, Malkajgiri replied that as there was no water tax demand, *jamabandi* was not conducted; and Tahsildar, Zaheerabad replied that *jamabandi* of *faslis* 1422 to 1424 was under process.

¹⁷⁶ Asifnagar, Bahadurpura, Malkajgiri and Tirumalgiri.

¹⁷⁷ Bahadurpura, Malkajgiri and Tirumalgiri.

¹⁷⁸ Asifnagar, Bahadurpura, Shaikpet and Tirumalgiri.

¹⁷⁹ Gadwal, Ghatkesar, Itikyal, Keesara, Khammam (Urban), Kothagudem, Malkajgiri and Shamshabad.

¹⁸⁰ Adilabad, Bodhan, Gadwal, Ghatkesar, Itikyala, Jannaram, Kalher, Kalluru, Kamareddy, Keesara, Khammam (Urban), Kothagudem, Miryalaguda, Nalgonda, Nizamabad, Shamshabad and Suryapet.

¹⁸¹ Papannapet and Wanaparthy.

As delay in completion of *jamabandi* affects preparation and updation of Village Accounts 1, 2 and 3, the Department should take steps for timely completion of *Jamabandi*.

6.4.17 Conclusion

Audit observed that in many offices Provisions of Land Laws relating to maintenance of land records were not complied with. Even though more than 60 years had elapsed, no re-survey was taken up. Though a pilot project was taken up to build up land records by expending ₹ 37.73 crore, the Department could not build up any legally enforceable land records. Early precautionary measures such as scanning / computerisation were not taken up to preserve the basic land records. Basic land records, Village Accounts and registers maintained at *mandal* level were either not being maintained or maintained improperly. The improper maintenance of land records led to improper changes based on *Khasra Pahani*, non-finalisation of disputes on *maqtha* land, non-updation of forest land and disputes between pattadars and assignees, etc. Further, there was undue delay in finalisation of Village Accounts and lack of co-ordination was also observed within and between the departments such as Forest / Survey, Settlement and Land Records.

6.5 Non-realisation of Cost of Land

As per the Board's Standing Order (BSO) No.24, read with Government order¹⁸² dated 14 September 2012, alienation of Government land to a company, institution or private individuals for any public purpose will normally be on collection of its market value and subject to the terms and conditions prescribed in the BSO. The BSO allows the Government to permit possession of the land in advance by the applicant in the event of any emergent circumstances pending formal approval of the alienation proposal.

Audit scrutiny (between September 2015 and February 2016) of alienation records in the offices of Deputy Collector & Tahsildar, Saroornagar, and Tahsildars, Shaikpet and Suryapet showed that in five cases, the Government had permitted advance possession of 16.37 acres of land in Nalgonda, Hyderabad and Ranga Reddy districts between 2011 and 2013 to three entities viz., a State Government Company, a State Government Corporation and a local body pending finalisation of alienation proposals. However, in the absence of a specific time limit, the alienation proposals were still pending finalisation even after a lapse of two to four years from the date of handing over of land. Thus, non-finalisation of alienation proposals resulted in non-realisation of cost of land amounting to ₹ 8.01 crore in five cases.

After Audit pointed out the cases (between December 2015 and February 2016), Tahsildar, Shaikpet replied (August 2016) that the matter had been taken up with District Collector, Hyderabad for realisation of cost of land. The Deputy Collector and Tahsildar, Saroornagar stated (June 2016) that the cost of land could not be realised as a writ petition (WP No. 22947/2009) was pending in the High Court pertaining to the land alienated. The reply was not correct as the land alienated fell in the survey number 197/1, whereas the WP

¹⁸² G.O.Ms.No.571, Revenue (Assignment.I) Department, dated 14 September 2012.

pending in Hon'ble High Court related to survey numbers 197/2 to 197/49. The Tahsildar Suryapet replied that the matter would be examined and detailed reply furnished in due course.

The matter was referred to the Department in June 2016 and to the Government in July 2016; replies have not been received (December 2016).

6.6 Non-levy / Short Levy of Conversion Tax and Non-levy of Penalty

Section 3(1) read with Section 4 (1) of Telangana Agricultural Land (Conversion for Non-agricultural Purposes) Act, 2006, stipulates that no agricultural land in the State shall be used for non-agricultural purposes, without prior permission of the competent authority. Every owner or occupier of agricultural land shall pay a conversion tax at the rate of nine *per cent* of the basic value¹⁸³ of the land converted for non-agricultural purposes. If any agricultural land has been put to use for non-agricultural purposes without obtaining permission, the RDO, being the competent authority to convert the land use from agricultural purposes to non-agricultural purpose, shall impose a penalty of 50 *per cent* of the conversion tax under Section 6 (2).

Audit scrutiny (December 2015 and January 2016) of conversion tax files for the *fasli* years 1415 to 1424 (2005 to 2014) in three offices¹⁸⁴ of Tahsildars, showed that 23.69 acres of agricultural land were put to use for non-agricultural purposes without prior permission of the competent authorities in five cases. However, the Department levied only conversion tax without imposing any penalty. It was further observed that conversion tax of ₹ 2.48 lakh was not levied / short levied in two out of five cases due to incorrect adoption of basic value and adoption of lesser extent of land used for non-agricultural purposes. Besides, penalty leviable in the above five cases worked out to ₹ 3.98 lakh at the rate of 50 *per cent* of conversion tax. Thus, the total non-levy / short levy of conversion tax and non-levy of penalty amounted to ₹ 6.46 lakh.

After Audit pointed out (December 2015 and January 2016) these cases, Tahsildar, Khammam (Urban) replied that the matter would be brought to the notice of the competent authority for taking necessary action. The two remaining Tahsildars replied that the matter would be examined and intimated to Audit in due course.

The matter was referred to the Department in June 2016 and to the Government in July 2016; replies have not been received (December 2016).

¹⁸³ 'Basic value' means the land value entered in the Basic Value Register notified by Government from time to time and maintained by the Sub-Registrar.

¹⁸⁴ Ghatkesar, Khammam (Urban) and Miryalguda.

6.7 Failure to execute Lease Deed and Non-collection of Lease Rent

BSO 24 A, provides for grant of Government land and buildings for temporary occupation for non-agricultural purposes in favour of individuals, private bodies, companies or associations and local bodies.

Audit scrutiny (September 2015) of records of the office of Deputy Collector & Tahsildar, Serilingampally, showed that State Government in its order¹⁸⁵ dated 30 September 2005, had allotted (September 2005) 1 *acre* and 36 *guntas*¹⁸⁶ of land in Khajaguda Village, Serilingampally Mandal on lease basis for a period of 25 years to AP Billiards and Snooker Association. The lease rent was fixed at ₹ 50,000 per year with a provision for enhancement of rent by 10 *per cent* on the existing lease rent for every five years and on a condition that the land should be utilised within two years from the date of grant of lease failing which the lease would automatically stand terminated.

It was, however, observed from the records that though the land was handed over to the said Association on lease basis in 2005, no action was taken to execute the lease deed and consequently rent was not being collected as of November 2015. This resulted in non-collection of lease rent of ₹ 5.25 lakh.

After Audit pointed out (September 2015) the case, Deputy Collector & Tahsildar replied that action would be taken to collect the amount and execute a lease deed.

The matter was referred to the Department in June 2016 and to the Government in July 2016; replies have not been received (December 2016).

¹⁸⁵ G.O.Ms.No.1699, Revenue (ASN.V) Department, dated 30 September 2005.

¹⁸⁶ 40 *guntas* make one *acre*.

CHAPTER VII

OTHER TAX

AND

NON-TAX RECEIPTS

CHAPTER VII

OTHER TAX AND NON-TAX RECEIPTS

7.1 Results of Audit

Test check of records of offices of the following Departments¹⁸⁷ conducted during the year 2015-16 showed under-assessments of tax and other irregularities involving ₹ 837.79 crore in 34 cases, which broadly fell under the following categories:

Table 7.1: Results of Audit

(₹ in crore)			
Sl. No.	Category	No. of cases	Amount
I	INDUSTRIES AND COMMERCE DEPARTMENT		
	Mines and Geology		
1.	Short levy of royalty	7	0.13
2.	Short recovery of seigniorage fee	2	0.03
3.	Non-forfeiture of security deposit	5	0.14
4.	Other irregularities	3	0.03
II	ENERGY DEPARTMENT		
1.	Short payment of electricity duty	1	133.15
III	REVENUE DEPARTMENT		
	A. Land Revenue		
1.	Non-levy / short levy of road cess	3	0.04
2.	Non-levy of interest	6	0.08
3.	Short levy of water tax	1	0.02
4.	Remission of water tax	1	0.03
5.	Non-resumption of leased lands on expiry of lease	1	704.08
	B. Registration and Stamps		
1.	Non-collection of profession tax	4	0.06
Total		34	837.79

During the year 2015-16, the Departments accepted under-assessments and other deficiencies of ₹ 0.13 crore in seven cases, of which five cases involving ₹ 0.07 crore were pointed out during the year 2015-16 and the rest in earlier years. An amount of ₹ 0.06 crore was realised in two cases during the year.

A few illustrative cases, involving ₹ 0.17 crore, are discussed in the following paragraphs.

¹⁸⁷ Number of offices under Industries and Commerce (Mines and Geology) Department: 18; Energy Department: 14; Endowments Department: 14; Number of offices under Revenue Department are included in Results of Audit paras of respective Chapters.

REVENUE DEPARTMENT

Land Revenue

7.2 Non-levy of Interest on Arrears of Water Tax

As per Section 8 of Telangana Water Tax Act, 1988, water tax payable by a land owner in respect of any land shall be deemed to be public revenue due and provisions of Telangana Revenue Recovery (TSRR) Act, 1864¹⁸⁸ shall apply. Further, under Section 7 of TSRR Act, arrears of revenue shall bear interest at the rate of six *per cent* per annum.

During the scrutiny (December 2015 and January 2016) of statements showing water tax collection particulars in two Tahsildar offices¹⁸⁹, Audit observed that though arrears of water tax of ₹ 90.97 lakh was collected for *fasli* years¹⁹⁰ 1416 to 1422 (1 July 2006 to 30 June 2013), interest amounting to ₹ 5.46 lakh, leviable under Section 7 of TSRR Act, was not levied. The interest was computed by Audit at the rate of six *per cent* for a minimum period of one year as the period of delay could not be checked on account of non-maintenance or improper maintenance of Demand, Collection and Balance (DCB) registers.

After Audit pointed out these cases, Tahsildar, Kalluru replied (January 2016) that matter would be examined and detailed reply furnished in due course. Tahsildar, Miryalaguda replied (December 2015) that action would be taken to levy interest under TSRR Act.

The matter was referred to the Department in May 2016 and to the Government in August 2016; replies have not been received (December 2016).

Registration and Stamps

7.3 Non-collection of Profession Tax

Under Section 4 of AP Tax on Professions, Trades, Callings and Employments Act 1987,¹⁹¹ every person engaged in any profession in the State shall be liable to pay a tax as specified in the first Schedule to the Act. Government in their order¹⁹² dated 30 May 2006 appointed Sub-Registrars of Registration and Stamps Department as collecting agents for collection of Profession Tax (PT) from chit fund companies. As per amendment¹⁹³ to first Schedule, an amount of ₹ 2,500 per annum has to be collected as PT from individuals or institutions conducting / running chit funds.

¹⁸⁸ Government of Telangana through G.O.Ms.No.45, Law (F) Department, dated 1 June 2016 adapted the Act of combined State of Andhra Pradesh.

¹⁸⁹ Kalluru and Miryalaguda.

¹⁹⁰ *Fasli* year means period of 12 months from July to June.

¹⁹¹ Adapted by the State of Telangana by a Government Order G.O.Ms.No.169 Revenue (CT-II) Department, dated 18 September 2015.

¹⁹² G.O.Ms.No.610, Revenue (CT-IV) Department, dated 30 May 2006.

¹⁹³ G.O.Ms.No.82, Revenue (CT-IV) Department, dated 4 February 2013.

During scrutiny (May and September 2015) of records of offices of two District Registrars¹⁹⁴ and two Sub-Registrars¹⁹⁵, Audit observed that PT for the years 2011-12 to 2014-15 amounting to ₹ 6.07 lakh was not collected by the Registrars concerned from 184 institutions conducting chit funds.

The matter was referred to the Department and to the Government in August 2016; replies have not been received (December 2016).

INDUSTRIES AND COMMERCE DEPARTMENT

Mines and Geology

7.4 Short Levy of Royalty / Seigniorage Fee on Minerals

7.4.1 As per Rule 10 of Andhra Pradesh Minor Mineral Concession Rules, 1966 as adapted by the Government of Telangana through an order¹⁹⁶ read with Government Order¹⁹⁷ seigniorage fee or dead rent, whichever is higher shall be charged on all minor minerals despatched or consumed from the land at the rates specified in the Schedule to the Rules.

During scrutiny (August 2014 and January 2016) of records relating to seigniorage fee in office of the Assistant Director of Mines and Geology (ADMG), Karimnagar, Audit observed that the seigniorage fee was collected short by ₹ 3.31 lakh on sand, stone metal, muram (minor minerals) for the period from 2011-12 to 2013-14 in respect of works awarded by National Thermal Power Corporation Limited (NTPC) to private agencies. Further, during the scrutiny of assessment files in the office of Zonal Joint Director of Mines & Geology (ZJDMG), it was observed (October 2015) from the Mineral Revenue Assessment (MRA) of a lessee for the year 2013-14 that the quantities of colour granite despatches adopted were less than the quantities shown in the annual accounts resulting in short levy of seigniorage fee amounting to ₹ 1.12 lakh. Thus, there was a total short collection/levy of seigniorage fee amounting to ₹ 4.43 lakh.

After Audit pointed out these cases, ZJDMG, Hyderabad replied (October 2015) that necessary instructions would be issued to the ADMG, Karimnagar to revise the MRAs duly examining the despatched quantity submitted by the lessee under intimation to Audit. ADMG, Karimnagar replied (September 2014 and January 2016) that action would be initiated to collect seigniorage fee under intimation to Audit.

The matter was referred to the Department in August 2016 and to the Government in September 2016; replies have not been received (December 2016).

¹⁹⁴ Karimnagar and Mahabubnagar.

¹⁹⁵ Golconda and Tandur.

¹⁹⁶ G.O.Ms.No.55, Industries and Commerce (M.I) Department, dated 26 August 2015.

¹⁹⁷ G.O.Ms.No.198, Industries and Commerce (M.I) Department, dated 13 August 2009.

7.4.2 As per Section 9 of Mines and Minerals (Development & Regulation) (MMDR) Act, 1957, the holder of a mining lease shall pay royalty in respect of any mineral (other than minor minerals) removed or consumed by him or by his agent, manager, employee, contractor or sub-lessee from the leased area at the rates specified in the Second Schedule. As per Second Schedule to the Act, the rate of royalty for 'Dolomite' shall be charged on tonnage basis. The rate of royalty to be levied on 'Dolomite' was ₹ 63 per tonne up to 31 August 2014 and ₹ 75 per tonne with effect from 1 September 2014.

During scrutiny of assessment files in the office of ADMG, Khammam, Audit observed (January 2016) that the ADMG while finalising the MRA, had adopted fewer quantities of mineral despatches than the quantities of despatches shown in the annual returns submitted by the lessee for 'Dolomite' mineral. Consequently, there was short levy of royalty amounting to ₹ 0.63 lakh.

The matter was referred to the Department in August 2016 and to the Government in September 2016. The Director of Mines & Geology replied (October 2016) that the MRA was revised. However, reply from Government has not been received (December 2016).

CHAPTER VIII
FOLLOW-UP AUDIT

CHAPTER VIII

FOLLOW-UP AUDIT

8.1 Follow-up Audit on Recommendations pertaining to the Performance Audit on “Functioning of the Prohibition and Excise Department”

8.1.1 Introduction

A Performance Audit on “Functioning of Prohibition and Excise Department” covering the period from 2005-06 to 2009-10 was conducted in 2010-11 and a Stand-alone audit report on the above topic was tabled in the erstwhile Andhra Pradesh State Legislature in December 2011 wherein the following nine recommendations were included to enable the Government to address the deficiencies and irregularities pointed out in the report.

1. Monitor closely the manufacture of rectified spirit (RS) by the State distilleries commensurate with the licensed capacity.
2. Make it mandatory for the distilleries to commence production within the validity period of application for licence and frame suitable penal provisions to encourage timely commencement of production.
3. Expedite the process of introducing barcoding system.
4. Factor in the sales potential of the sales outlets while determining their upset prices, based on the material lifted by them in the previous cycles or introducing a system of charging additional licence fee for the goods lifted by the outlets beyond specified limits.
5. Computerise the entire process of dispatch of liquor bottles from the distilleries to the marketing depots and to the sales outlets in order to trace and track their movement using their identification numbers so as to prevent and monitor unauthorised sales.
6. Carry out a State-wide review of liquor shops operating near educational / religious institutions and hospitals, ignoring the distance limits prescribed in the Act, and to enforce condition of grant of licence strictly to ensure that outlets are not permitted near educational / religious institutions.
7. Introduce a system of recording the complaints in a register, which may be monitored by a responsible officer for their timely disposal.
8. Strengthen the border check posts in the districts which are proven to be vulnerable to illicit distillation, with competent excise staff and better communication facilities for the purpose of handling excise offences.

9. Frame a training policy that makes training a compulsory requirement for all the officers and the enforcement staff at periodical intervals. Review the curriculum followed at the State Excise Academy to make it contemporary and to include sessions on topics like communication and analysis of criminal evidence to equip the enforcement staff in meeting the challenges of changing crime scenario.

After re-organisation, the State Government of Telangana accepted eight out of nine recommendations.

8.1.2 Audit Objective

Audit was conducted between October 2015 and July 2016 to assess the progress made on the accepted recommendations made in Standalone Audit Report.

8.1.3 Audit Findings

Out of nine recommendations, the Government accepted eight recommendations for taking necessary corrective actions. The status of implementation of the eight audit recommendations accepted by Government has been brought out under three categories i.e., fully implemented, substantially implemented and insignificant or no progress. The Department completed action on four recommendations while in the case of two recommendations, the Department had initiated action but it is yet to be completed. In respect of the remaining two recommendations, the Department had not taken action.

Action taken by the Department and results of verification of the implementation of recommendations are discussed in the following paragraphs.

Fully Implemented

8.1.3.1 It was recommended (No.3) to expedite the process of introducing barcoding system.

Government had introduced (July 2014) Hedonic Path Finder System (HPFS) to track and trace manufacture and sale of Indian Made Foreign Liquor (IMFL). This system included affixture of Holographic Excise Adhesive Labels (HEALs) embedded with barcode on bottles of IMFL in distilleries. HEALs were being affixed on bottles of liquor manufactured at distilleries.

8.1.3.2 It was recommended (No.4) to factor in the sales potential of the sale outlets while determining their upset prices, based on the material lifted by them in the previous cycles or introducing a system of charging additional licence fee for the goods lifted by the outlets beyond specified limits.

Excise Policy, based on auction system, was dispensed with from the year 2012-13. A new Excise Policy, based on fixed licence fee was implemented from the year 2012-13. In the new excise policy, Government levied privilege fee on sale of liquor at the rate of eight per cent and value added tax thereon

when the cumulative value of purchases during the licence year exceeded six times of the annual licence fee.

8.1.3.3 It was recommended (No. 7) to introduce a system of recording the complaints in a register, which may be monitored by a responsible officer for their timely disposal.

After formation of Telangana State, a complaint register was being maintained.

8.1.3.4 It was recommended (No.9) to frame a training policy that makes training a compulsory requirement for all the officers and the enforcement staff at periodical intervals, review the curriculum followed at the State Excise Academy to make it contemporary and include sessions on topics like communication and analysis of criminal evidence to equip the enforcement staff in meeting the challenges of changing crime scenario.

Periodic training to enforcement staff was being imparted and topics like communication and analysis of criminal evidence were included in training schedules. A total of 889 personnel were imparted training during the years 2012-13 and 2013-14.

Substantially Implemented

8.1.3.5 It was recommended (No.5) to computerise the entire process of dispatch of liquor bottles from the distilleries to the marketing depots and to the sales outlets in order to trace and track their movement using their identification numbers so as to prevent and monitor unauthorised sales.

The HPFS, introduced (July 2014) to track and trace manufacture and sale of IMFL, included computerisation at three levels i.e. Distilleries, Depots and Retail sale outlets. Computerisation at Distilleries and Depots was completed and computerisation of retail sale outlets is pending.

8.1.3.6 It was recommended (No.8) to strengthen the border check posts in the districts which were vulnerable to illicit distillation, with competent excise staff and better communication facilities for the purpose of handling excise offences.

After formation of Telangana State, Government increased the number of check-posts in Khammam district from one to four and deployed two border mobile patrolling parties. Apart from this, three check-posts in Nalgonda and one check-post in Mahabubnagar were also set up. No check-post was set up in Karimnagar. No posts were sanctioned to new check-posts and no communication facilities were provided to any check-post.

Insignificant or No Progress

8.1.3.7 It was recommended (No.1) to monitor closely the manufacture of RS by the State distilleries commensurate with the licensed capacity.

Audit observed that the actual production ranged between 28 and 47 *per cent* of licensed capacity of the distilleries during the period from 2012-13 to 2014-15 which indicated that this was even lower than the production capacity (between 59 and 69 *per cent*) utilised during the period 2006-07 to 2009-10.

8.1.3.8 It was recommended (No.6) to carry out a State-wide review of the liquor shops operating near educational / religious institutions and hospitals ignoring the distance limits prescribed in the Act and to enforce condition of grant of licence strictly to ensure that outlets were not permitted near educational / religious institutions.

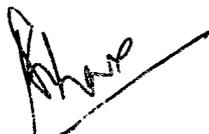
Though the Government had accepted the recommendation, has not conducted a state-wide review of bars and shops.



(Lata Mallikarjuna)
Accountant General
(Economic & Revenue Sector Audit)
Andhra Pradesh and Telangana

Hyderabad
The 13 February 2017

Countersigned



(Shashi Kant Sharma)
Comptroller and Auditor General of India

New Delhi
The 17 February 2017

***ANNEXURES
AND
GLOSSARY***

**Annexure I
Paragraph 4.6**

Short Levy of Duties and Fees due to Undervaluation of Properties

(₹ in lakh)

Office	No. of documents	Month & Year of Registration	Act/Rule/Circular provisions violated	Reasons for undervaluation	Duties and fees leviable	Duties and fees levied	Short levy of duties and fees
SR, ACHAMPET	1	October 2014	Section 27 of Indian Stamp Act Rule 7 of AP Revision of MV Guidelines Rules	Applied MV applicable to agricultural lands for lands already converted into plots/used for non-agricultural purpose.	2.64	0.30	2.34
SR, BHEEMGAL	1	February 2014			0.67	0.05	0.62
SR, YADAGIRIGUTTA	1	May 2013			29.41	3.17	26.24
SR, YELLAREDDY	1	December 2014			12.20	4.14	8.06
SR, SHAMIRPET	8	December 2013 to March 2015	Circular Memo No. MVI/8483/2013-2, dated 10 October 2013	Non-adoption of market value of main survey number when MV for sub-divisions of main survey number are not available.	11.05	2.47	8.58
SR, GOLCONDA	1	October 2014	Article 47-A of Schedule I-A	Adopted market value which is less than sale consideration.	8.74	7.24	1.50
DR, NIZAMABAD	1	February 2015			17.47	11.49	5.98
SR, CHOUTUPPAL	1	January 2014	Procs. No.MV1/20363-A/90, dated 10 August 1990	Non-adoption of higher value recited in previous transactions.	28.98	27.03	1.95
DR, HYDERABAD	1	October 2014			3.02	1.58	1.44
SR, CHOUTUPPAL	1	August 2014	Rc.No.MV2/10472/2008, dated 11 July 2008	Applied lesser MV by splitting of land abutting national highway.	5.11	1.28	3.83
SR, MIRYALAGUDA	1	October 2014	Procs.No.MV6/12658/2012, dated 02 February 2013	Adopted structure rate applicable for Minor Gram Panchayat instead of municipality.	8.86	5.77	3.09
SR, MIRYALAGUDA	1	March 2015	Circular Memo No. MVI/8483/2013-2, dated 10 October 2013	Non-adoption of composite values.	17.29	13.00	4.29
SR, VALLABHNAGAR	2	February to March 2015			12.69	9.69	3.00
TOTAL	21				158.13	87.21	70.92

Annexure II
Paragraph 4.9

Short Levy of Duties and Fees due to misclassification of Documents

Office	Details of transactions	Document actually classified	Violation under Act and Rules	Document to be classified	Duties and fees leviable	Duties and fees levied	Short levy of duties and fees
SR, MIRYALAGUDA	Gift with a condition to clear the loan of the donor.	Gift deed	Section 122 of Transfer of Property (TP) Act, Article 47-A of IS Act; Section 54 of TP Act.	Release deed	2.78	0.96	1.82
SR, SHAMIRPET	Ownership of land was transferred to the assignee. It was recited in the document that the assignor received ₹ two crore from assignee.	Assignment deed	Article 47-A of IS Act; Section 54 of TP Act; Article 29 Schedule I-A to IS Act.	Sale deed	12.00	0.50	11.50
	Attorneys had paid an amount of ₹ 1.15 crore to land owner.	General Power of Attorney (GPA)	Article 42 (e) of Schedule I-A to IS Act.	GPA given for consideration	5.75	1.15	4.60
SR, SAROORNAGAR	Developer authorised to sign and execute any application to get the plan etc approved by authorities concerned and to sell flats allotted to the developer.	Development Agreement	Article 6-B of Schedule I-A to IS Act.	DGPA	1.93	0.97	0.96
TOTAL					22.46	3.58	18.88

**Annexure III
Paragraph 6.4.11**

Non-updation of *Sethwars* of Forest Land

(Extent in acres)

Sl. No.	Name of the village	Total extent (Ac. Gts.)	Survey number - Extent (Ac. Gts.)
1	Janakampet (V)& Dhupally(V)	573.17	758/1 - 557.21, 770 - 14.37, 756 - 0.39
2	Nizamabad (V) & (M)	714.07	1803-328.38, 1809 - 364.37, 1800-3.25, 1801-0.31, 1802-7.08, 1804-3.23, 1805-1.30, 1806-0.14, 1794-0.38, 1795-0.13, 1798-0.06, 1796-1.10, 1794-0.14
3	Jalalpur (V)	3,402.21	114-698.27, 116/1-534.07, 135-666.10, 136-548.15, 137-0.15, 138/1-542.36, 138/2-13.11, 138/3-13.06, 139/1-235.14, 139/2-150.00
Total:		4,690.05	

**Annexure IV (a)
Paragraph 6.4.14.4**

Discrepancy in Land Records

Difference between Survey Numbers and Extent

(Extent in acres)

Name of the village	Name of the Register/Account	Total Survey Numbers	Extent
Jadijamalpur (V), Bodhan(M)	As per Mandal Level Government Land Register	42	135.01
	As per Village Account No.1	38	128.10
Variation		4	6.31

**Annexure IV (b)
Paragraph 6.4.14.4**

Discrepancy in extent of Land between *Khasra Pahani* & *Pahani*

(Extent in acres)

Name of the village	Survey No.	As per <i>Khasra Pahani</i>	As per <i>Pahani</i> (2011-12)	Difference
Naspur (V), Mancherial(M)	137	0.35	0.37	+ 0.02
	187	0.36	0.04	- 0.32
	253	0.21	0.22	+ 0.01
	260	0.26	0.12	- 0.14

**Annexure IV (c)
Paragraph 6.4.14.4**

**Discrepancy in extent of Government Land between *Pahani* and
Village Account 1**

Sl. No.	Name of the <i>Mandal</i> & Village	Extent as per <i>Pahani</i>	Extent as per Village Account 1	Difference
1	Nalgonda - Chanderlapally	Ac. 114.05 gts.	Ac. 106.20 gts.	Ac. 7.25 gts.
Discrepancy between Mandal Government Land Register and Village Account 1				
Sl. No.	Name of the <i>Mandal</i> & Village	Extent as per Mandal Govt. Land Repr.	Extent as per Village Account 1	Difference
2	Nalgonda - Gundlapally	Ac. 183.09 gts.	Ac. 130.16 gts.	Ac. 52.33 gts.

**Annexure IV(d)
Paragraph 6.4.14.4**

Discrepancies in Land Records regarding Extent, Survey Number

Sl. No.	Name of the <i>Mandal</i>	Name of the Village	Notings as per 2010-11 ROR I-B	Notings as per 2011-12 <i>Pahani</i>
1	Miryalaguda	Kothagudem	A - Sy. No. 146/A ¹ - Ac. 0.20 gts.	C - Sy. No. 146/A ¹ - Ac. 1.00 gts.
				A - Sy. No. 146/A ¹ /1 - Ac. 0.20 gts.
2	Miryalaguda	Kothagudem	B - Sy. No. 77/A – Ac. 1.00 gts.	B - Sy. No. 77/1/1 – Ac. 1.00 gts.
Discrepancy in land records regarding sub-survey number				
Sl. No.	Name of the <i>Mandal</i>	Name of the Village	Notings as per 2010-11 ROR I-B	Notings as per 2011-12 and 2014-15 <i>Pahani</i> s
1	Miryalaguda	Kothagudem	B - Sy. No. 77/A – Ac. 1.00 gts.	B - Sy. No. 77/1/1 – Ac. 1.00 gts.

Annexure V (a)
Paragraph 6.4.14.5

Variation in number / numbering of Sub-divisions

Sl. No.	Name of the Mandal	Name of the Village	As per Mandal Level Government Land Register	As per Village Account No.1	Remarks
1	Bodhan (M)	Husna (V)	Sy.No.75 (sub-divided in to 16 parts)	Sy.No.75 (sub-divided in to 18 parts)	There was a variation of 2 sub-division numbers
2			Sy.No.91 (sub-divided in to 50 parts)	Sy.No.91 (No sub-division numbers were allotted to 43 parts)	Sub-division numbers were not allotted for 43 parts

Sl. No.	Name of the Mandal	Name of the Village	As per Pahani F1420	As per Pahani F1421	Actual noting to be in Pahani F1421
1	Miryalaguda	Narsimhlu-gudem	D - Sy. No. 29/1 - Ac. 0.32 gts.	D - Sy. No. 29 – Ac. 0.17 gts.	D - Sy. No. 29/1 – Ac. 0.17 gts.
				E - Sy. No. 29/1 – Ac. 0.15 gts.	E - Sy. 29/1/1 – Ac. 0.15 gts.
			F - Sy. No. 29/2 - Ac. 0.31 gts.	F - Sy. No. 29/2 – Ac. 0.16 gts.	F - Sy. No. 29/2 – Ac. 0.16 gts.
				E - Sy. No. 29/2 – Ac. 0.15 gts.	E - Sy. No. 29/2/1 – Ac. 0.15 gts.
2	Suryapet	Tekumatla	G - 217/2 – 2.01 acres	217/5	217/2

Annexure V(b)
Paragraph 6.4.14.5

Assignment without sub-division numbers

Name of the Village	As per Mandal Level Government Land Register	As per Village Account No.3	Remarks
Malkapur (J) (V), Nizamabad (M)	Sy.No.180 - (97 acres 36 guntas was assigned to 78 assignees without sub-division)	Sy.No.180 (97 acres 36 guntas was shown. However, 14 assignees were allotted sub-division number)	Assignment was made without allotting sub-division numbers

Annexure VI
Paragraph 6.4.16

Failure to complete Jamabandi within stipulated time

Sl. No.	Fasli year	Completed in one year	Completed in the second year	Completed in the third year	Completed after three years	Completed but dates not known	Total completed	Not completed at all	Total
1	1420	Nalgonda, Suryapet, Wanaparthi	Bodhan, Jannaram, Kalher, Miryalaguda, Zaheerabad	Kalluru, Papannapet	Kamareddy, Nizamabad	Adilabad, Mancherial	14	Itikyala, Shamshabad, Gadwal, Ghatkesar, Malkajgiri, Khammam (Urban), Kothagudem, Keesara	8
2	1421	Suryapet, Bodhan, Zaheerabad, Jannaram	Nalgonda, Papannapet, Miryalaguda	Kalluru	Kamareddy, Nizamabad	Mancherial	11	Kalher, Adilabad, Itikyala, Shamshabad, Gadwal, Ghatkesar, Malkajgiri, Khammam (Urban), Kothagudem, Keesara	10
3	1422	Wanaparthi	Kalluru, Bodhan	Suryapet, Kalluru	Kamareddy, Nizamabad		7	Nalgonda, Zaheerabad, Jannaram, Papannapet, Kalher, Miryalaguda, Mancherial, Adilabad, Itikyala, Shamshabad, Gadwal, Ghatkesar, Malkajgiri, Khammam (Urban), Kothagudem, Keesara	16
4	1423		Suryapet	Kamareddy, Nizamabad			3	Adilabad, Nalgonda, Kalluru, Bodhan, Zaheerabad, Jannaram, Papannapet, Kalher, Wanaparthi, Miryalaguda, Mancherial, Itikyala, Shamshabad, Gadwal, Ghatkesar, Malkajgiri, Khammam (Urban), Kothagudem, Keesara	19
5	1424	Bodhan					1	Suryapet, Nalgonda, Kalluru, Kamareddy, Kalher, Zaheerabad, Jannaram, Itikyala, Nizamabad, Papannapet, Gadwal, Adilabad, Wanaparthi, Miryalaguda, Mancherial, Shamshabad, Ghatkesar, Malkajgiri, Khammam (Urban), Kothagudem, Keesara	21
Total:		9	11	7	6	3	36		74

GLOSSARY

AA	Assessing Authority
AAR	Average Annual Rent
AC	Assistant Commissioner
ADMG	Assistant Director of Mines and Geology
AGPA	Agreement-cum-General Power of Attorney
APRMVG	Andhra Pradesh Revision of Market Value Guidelines
BL	Bulk Litre
BOT	Build, Operate and Transfer
BSO	Board of Revenue Standing Order
CARD	Computer Aided Administration in Registration Department
CCRA	Chief Controlling Revenue Authority
CCT	Commissioner of Commercial Taxes
CIGRS	Commissioner and Inspector General of Registration and Stamps
CMV	Central Motor Vehicles
CST	Central Sales Tax
CTO	Commercial Tax Officer
CVAC	Central Valuation Advisory Committee
DC	Deputy Commissioner
DC	District Collector
DCB	Demand, Collection and Balance
DD/AD, S and LR	Deputy Director/Assistant Director, Survey and Land Records
DGPA	Development Agreement-cum-General Power of Attorney
DIG	Deputy Inspector General
DR	District Registrar
DTC	Deputy Transport Commissioner
ENA	Extra Neutral Alcohol
FC	Fitness Certificate
FCOLR	Final Check Operations Land Register
GHMC	Greater Hyderabad Municipal Corporation
GPA	General Power of Attorney

HEAL	Holographic Excise Adhesive Label
HPFS	Hedonic Path Finder System
IMFL	Indian Made Foreign Liquor
IS Act	Indian Stamp Act
IST	Inter State Wing
IT	Information Technology
ITC	Input Tax Credit
JC	Joint Commissioner
JTC	Joint Transport Commissioner
KL	Kilolitres
LPM	Land Parcel Maps
LTU	Large Taxpayer Unit
MMDR	Mines and Minerals (Development & Regulation)
MRA	Mineral Revenue Assessment
MV	Market Value
NIC	National Informatics Centre
NISG	National Institute for Smart Government
NRSA	National Remote Sensing Agency
NTPC	National Thermal Power Corporation
P&ES	Prohibition and Excise Superintendent
PA	Performance Audit
R&B	Restaurant & Bar
R&T	Registration & Turnover
RDO	Revenue Divisional Officer
ROM	Record of Measurement
ROR	Record of Rights
RS	Rectified Spirit
RTA	Regional Transport Authority
RTO	Regional Transport Officer
SEZ	Special Economic Zone
SR	Sub-Registrar
STA	State Transport Authority
TC	Transport Commissioner
TCS	Toddy Co-operative Society

TFT	Tree for Tappers Scheme
TOT	Turnover Tax
TS	Telangana State
TSBCL	Telangana State Beverages Corporation Limited
TSLR	Town Survey Land Register
TSRR Act	Telangana Revenue Recovery Act
VAT	Value Added Tax
VCR	Vehicle Check Report
VRO	Village Revenue Officer
ZJDMG	Zonal Joint Director of Mines & Geology

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