

**THIRTEENTH KERALA LEGISLATIVE ASSEMBLY**

**COMMITTEE  
ON  
PUBLIC ACCOUNTS  
(2011-2014)**

**THIRTY FIFTH REPORT**  
(Presented on 28th January, 2014)



SECRETARIAT OF THE KERALA LEGISLATURE  
THIRUVANANTHAPURAM  
2014

THIRTEENTH KERALA LEGISLATIVE ASSEMBLY

**COMMITTEE  
ON  
PUBLIC ACCOUNTS  
(2011-2014)**

**THIRTY FIFTH REPORT**

**On**

**Paragraphs relating to Revenue Department contained in the Report  
of the Comptroller and Auditor General of India for the Financial  
year ended 31st March, 2009 (Revenue Receipts)**

327/2014.

## CONTENTS

	<i>Page</i>
Composition of the Committee	.. v
Introduction	.. vii
Report	.. 1-38
Appendices :	
I. Summary of main Conclusion/Recommendation	.. 39-42
II. Notes furnished by Government	.. 43-330

COMMITTEE ON PUBLIC ACCOUNTS (2011-2014)

*Chairman:*

DR. T. M. Thomas Isaac

*Members:*

Shri Kodiyeri Balakrishnan

” Benny Behanan

” C. Divakaran

” C. Mammatty

” C. P. Mohammed

” C. K. Nanu

” K. Radhakrishnan

„ Roshy Augustine

„ M. V. Sreyams Kumar

” M. Ummer

*Legislature Secretariat :*

Shri P. D. Sarangadharan, Secretary

„ K. Mohandas, Special Secretary

Smt. M. R. Maheswari, Deputy Secretary

Shri G. P. Unnikrishnan, Under Secretary.

## INTRODUCTION

I, the Chairman, Committee on Public Accounts, having been authorised by the Committee to present this Report, on their behalf present the Thirty Fifth Report on paragraphs relating to Finance Department contained in the Report of the Comptroller and Auditor General of India for the financial year ended 31st March, 2009 (Revenue Receipts).

The Report of the Comptroller and Auditor General of India for the financial year ended 31st March, 2009 (Revenue Receipts) was laid on the Table of the House on 1st March, 2010.

The Committee considered and finalised this Report at the meeting held on 21st August, 2013.

The Committee place on records their appreciation of the assistance rendered to them by the Accountant General in the examination of the Audit Report.

Thiruvananthapuram,  
28th January, 2014.

DR. T. M. THOMAS ISAAC,  
*Chairman,*  
*Committee on Public Accounts.*

## REPORT

### REVENUE DEPARTMENT

#### Land Revenue and Building Tax

##### AUDIT PARAGRAPH

##### Results of Audit

Test check of records of the offices of the Land Revenue Department conducted during the year 2008-09 revealed underassessment and loss of revenue amounting to ₹ 325.62 crore in 91 cases which fall under the following categories:

<i>(Rupees in crore)</i>			
<i>Sl. No.</i>	<i>Category</i>	<i>No. of cases</i>	<i>Amount</i>
1	Recovery of arrears of revenue under the Revenue Recovery Act (A review)	1	317.21
2	Underassessment and loss under other items	37	6.61
3	Underassessment and loss under building tax	53	1.80
	Total	91	325.62

During the year 2008-09, the department accepted and recovered underassessments and other deficiencies of ₹ 30.92 lakh involved in 15 cases, of which, one case involving ₹ 49,220 was pointed out during 2008-09.

A review on 'Recovery of arrears of revenue under the Revenue Recovery Act' involving ₹ 317.21 crore and other audit observations involving ₹ 2.29 crore are mentioned in the succeeding paragraphs.

#### Recovery of arrears of revenue under the Revenue Recovery Act

##### Highlights

- Revenue recovery requisitions/certificates covering an amount of ₹ 63.46 crore were seen returned without exhausting all means of recovery.
- Collection of revenue of ₹ 326.35 crore was blocked due to inordinate delay in RR action.
- Lack of co-ordination between Government Departments resulted in blocking up of revenue to the extent of ₹ 18.73 crore.
- Failure of the Excise Department to exercise the vested powers for recovery led to non-realisation of revenue of ₹ 102.69 crore.

- In the DCB Statement of Tahsildar (RR), Kochi, opening balance of 2004-05 was incorrectly carried forward from the closing balance of the previous year resulting in non-realization of revenue of ₹ 8.41 crore.
- Bought-in-land valued at ₹ 11.98 crore was kept undisposed without conducting re-auction.
- Remission of demand for revenue recovery without the orders of the competent authority resulted in loss of revenue of ₹ 3.50 crore.
- Revenue recovery proceedings in respect of a defaulter having arrears of ₹ 1.12 crore was closed in Ernakulam District.

### **Introduction**

The Kerala Revenue Recovery Act, 1968 (RR Act) governs the law relating to the recovery of arrears of public revenue in the State. The Act provides for recovery of arrears of public revenue together with interest and cost of process by attachment and sale of defaulter's movable and immovable property. Attachment can also be made either by appointing an agent for the management of defaulter's immovable property or arrest of the defaulter and his detention in prison. The Act is administered by Land Revenue Department (LRD).

A review on recovery of public revenue was incorporated in the Audit Report (Revenue Receipts) for the year ended 31st March 2000, Government of Kerala. The review has been discussed by the Public Accounts Committee. The present review on recovery of arrears of revenue under the Revenue Recovery Act covering the period from 2003-04 to 2007-08 revealed a number of deficiencies which are discussed in the succeeding paragraphs.

### **Organisational set-up**

The LRD functions under the administrative control of the Principal Secretary (Revenue) at the Government level. The Commissioner of Land Revenue (CLR) is the head of LRD who is assisted by District Collectors (DC) in 14 districts. The DCs are assisted by Tahsildars at 63 Taluks\* and Village Officers at 1477 Villages. In 20 Taluks, where the number of revenue recovery cases are substantial, there are Special revenue recovery units under the charge of Special Tahsildars (Revenue Recovery) exclusively for attending to revenue recovery proceedings.

---

\* Subdivision of districts.

### **Scope and Methodology of audit**

The review covering the period from 2003-04 to 2007-08 was conducted during December 2008 to June 2009 with reference to the records available with CLR, seven\* out of 14 District Collectorates and 18† out of 63 Taluks. One backward district, Idukki, was included as per the request of the Principal Secretary (Revenue).

### **Audit Objectives**

The review was conducted to ascertain whether:

- any lacunae exists in the Act, Rules and accounting system ;
- the provisions of the RR Act, Rules made thereunder and Government Orders issued governing realisation of public revenue were properly complied with ;
- revenue due to Government was recovered within the prescribed time frame and remitted to Government accounts ;
- remission/write off allowed in respect of revenue recovery dues were under proper orders of the competent authority ;
- timely follow-up action was taken for vacation of stay orders of various authorities ; and
- internal control mechanism existed and was effective.

### **Acknowledgement**

Indian Audit and Accounts Department acknowledges the co-operation of the Land Revenue Department in providing necessary information and records for the review. An entry conference was conducted on 25th February, 2009 in which the audit objectives were discussed with the Principal Secretary to Government. The review report was forwarded to the department and Government in June 2009. An exit conference was held with Principal Secretary (Revenue) and Commissioner of Land Revenue on 9th July, 2009 wherein the department was informed of the audit findings. Replies of the department and Government have not been received (September 2009).

---

\* Ernakulam, Idukki, Kollam, Kottayam, Kozhikode, Thiruvananthapuram and Thrissur.

† Aluva (RR), Kanayannur (RR), Karunagappally, Kochi (RR), Kodungallur, Kollam (RR), Kottarakkara, Kottayam (RR), Kozhikode (RR), Koyilandy, Meenachil (RR), Neyyattinkara (RR), Thiruvananthapuram (RR), Thodupuzha, Thrissur (RR), Udumbanchola (RR), Vadakara and Vaikom.



## AUDIT FINDINGS

**Trend of arrears under revenue recovery**

The position of total demand for revenue recovery, demand settled and balance demand carried over to the next year from 2003-04 to 2007-08 as per the details furnished by the CLR are furnished in table. Percentage vis-a-vis total demand is given in brackets.

(Rupees in crore)

Year	Demand		Demand settled/disposed			Total Demand settled/ disposed (col. 7 to 3)	Balance demand (col. 3-7)
	OB Demand for the year	Total	Remission/ Write off etc.	RRC returned	Collection effected		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
2003-04	<u>1,067.61</u>	1,804.35	185.26	445.08	63.89	694.23	1,110.12
	736.74		(10.27)	(24.67)	(3.54)	(38.48)	(61.52)
2004-05	<u>1,110.12</u>	1,889.97	446.63	208.76	64.43	719.82	1,170.15
	779.85		(23.63)	(11.05)	(3.41)	(38.09)	(61.91)
2005-06	<u>1,170.15</u>	1,773.69	271.95	229.67	63.28	564.90	1,208.79
	603.54		(15.33)	(12.95)	(3.57)	(31.85)	(68.15)
2006-07	<u>1,208.79</u>	1,775.80	274.01	178.82	69.08	521.91	1,253.89
	567.01		(15.43)	(10.07)	(3.89)	(29.39)	(70.61)
2007-08	<u>1,253.89</u>	1,734.87	213.89	288.96	70.38	573.23	1,161.64
	480.98		(12.32)	(16.66)	(4.06)	(33.04)	(66.96)
	Total	4,235.73*	1,391.74	1,351.29	331.06	3,074.09	1,164.64

\* Total demand for the period of five years is the aggregate of the opening balance for 2003-04 and fresh demand for 2004-05, 2005-06, 2006-07 and 2007-08.

The stage-wise breakup of demand in arrears as shown in column 8 are given in table (Percentage to total demand for the year is given in brackets) :

(Rupees in crore)

Year	Demand in arrear	Stage-wise details of arrear demand			Balance demand remaining un- collected during the year
		Court	Government	Stay by Appellate Authority	
2003-04	1,110.12	590.80 (32.74)	220.95 (12.25)	267.44 (14.82)	30.93 (1.71)
2004-05	1,170.15	573.19 (30.33)	262.84 (13.91)	284.84 (15.07)	49.28 (2.61)
2005-06	1,208.79	562.15 (31.69)	285.92 (16.12)	319.75 (18.03)	40.97 (2.31)
2006-07	1,253.89	550.18 (30.98)	273.44 (15.40)	351.91 (19.82)	78.36 (4.41)
2007-08	1,161.64	461.91 (26.63)	328.44 (18.93)	311.91 (17.98)	59.38 (3.42)

Though demand collection balance (DCB) statement is being maintained in the districts test checked, the age-wise pendency of arrears was not available either with the CLR or with the respective DCs. Due to this, further analysis of the pendency of arrears is neither possible by the department nor could be done by audit.

Collection effected varied from 3.41 per cent to 4.06 per cent (column 6 of the first table above) only as compared to the total demand for respective years detailed analysis of efficiency of revenue recovery mechanism in the districts covered under the review is illustrated in para 6.2.11.

There is no provision in the RR Act/Rules for return of revenue recovery certificates (RRC)/requisitions other than in those cases in which recoveries have to be effected by RR officers of other districts. It was noticed that during 2003-04 to 2007-08, cases involving revenue of ₹ 1,351.29 crore (column 5 of the first table above) were returned by the RR officers which was 31.90 per cent of the total demand. Further analysis on this aspect in respect of selected taluks is shown in paragraph 6.2.12.

Even though Government has no powers under the RR Act to stay recovery proceedings, an amount of ₹ 328.44 crore (column 4 of second table above) remained unrealised as on 31st March, 2008 due to stay by Government. Similarly, ₹ 311.91 crore (column 5 of second table above) remained outstanding as on 31st March, 2008 due to stay by various appellate authorities. Reason for not realising the collectable balance of ₹ 59.38 crore as on 31st March, 2008 was not available. Arrear as at the end of March 2008 stood at ₹ 1,161.64 crore due to various reasons like stay by Court/Government/appellate authority etc. which was 66.96 per cent of the total demand for the year.

[Para 6.1 to 6.2.7 contained in the Report of the C & AG of India for the financial year ended 31st March, 2009 (Revenue Receipts).]

Notes received from Government on the above Audit Paragraphs is included as Appendix II.

When enquired regarding the details that sought for during the last meeting, the official from Accountant General interfered to inform that those details were received only on the preceding day so that they could not get enough time to go through it. He added that in the statement furnished, the age-wise breakup of arrears of RR cases pending to be collected was not included. In this regard the official from Revenue Department deposed that within the short span of two weeks, the department could not collect all the information as directed by the Committee. Then the Committee opined that with the rapid growth of modern technologies, one could get any information at their fingertips within no time. So it would not be convincing that gathering of information required considerable time. It urged the department that the details regarding arrears of collection of RR in our State, number of RR cases pending and of which how many were stayed by different authorities, the amount due to recover etc. should be furnished at the earliest.

#### **Conclusion/Recommendation**

**2. The Committee expresses its displeasure over the lethargic attitude of the Revenue Department officials in furnishing the breakup details regarding RR cases in our State. The Committee remarks that a fortnight time is more than sufficient to get the information as one could get any information at their fingertips within no time, with the rapid growth of modern technologies. It urges the department that the details regarding arrears of collection of RR, number of RR cases pending and of which how many were stayed by different authorities, the amount due to be recovered etc. should be furnished within a week.**

## AUDIT PARAGRAPH

**Achievements against target fixed**

Targets fixed for RR collection was made available from 2005-06 onwards only. However, it was seen that the target included both Government and non-Government dues and there was no mechanism to ascertain the target set against the Government dues for the period covered under the review. Targets of revenue recovery for the State of Kerala (both Government and non-Government dues) for 2005-06, 2006-07 and 2007-08 against the total demand and actual collection at the end of the respective years are furnished in the table below:

*(Rupees in crore)*

<i>Year</i>	<i>Opening Balance</i>	<i>Fresh demand</i>	<i>Total</i>	<i>Cases under stay</i>	<i>Collectable demand</i>	<i>Target fixed (percentage with reference to collectable demand)</i>	<i>Collection effected</i>	<i>Percentage of collection with reference to Target Collectable demand</i>	
2005-06	2,079.01	924.29	3,003.30	1,915.43	1,087.81	300 (27.58)	208.70	69.57	19.18
2006-07	2,117.89	686.16	2,804.05	1,929.96	874.09	500 (57.20)	224.60	44.92	25.70
2007-08	1,941.66	942.76	2,884.42	1,797.90	1,086.52	500 (46.02)	253.46	50.69	23.33

It may be mentioned that, cases are referred to the RR authorities after the departmental machinery has ceased all possible scope of recovery. These dues are, therefore, already old and the LRD does not have a mechanism to watch the age-wise pendency and thus any further delay on the part of RR authorities may result in loss of revenue. Target should invariably be fixed at 100 per cent of the collectable dues and all out efforts should be made to recover these.

However, it can be seen from the table above that the targets fixed were very low and varied from 28 per cent to 57 per cent of the collectable demand. Collection varied from 45 per cent to 70 per cent of the target fixed and 19 per cent to 26 per cent of collectable demand. Norms for fixation of target and the reason for shortfall in collection were called for from the LRC and it was stated that no norms/criteria were laid down for fixing target.

[Para 6.2.8 contained in the Report of the C & AG of India for the financial year ended 31st March, 2009 (Revenue Receipts).]

Notes received from Government on the above Audit Paragraph is included as Appendix II.

3. The Committee understood that the department could not achieve the target fixed and enquired about the measures taken to achieve the targets. The representative from Revenue Department informed that message had been passed to all District Collectors for observing a special drive period up to March 31, to collect the arrears and to furnish daily collection reports to the Commissionerate of Revenue who in turn reviewed these reports regularly and necessary instructions were given to improve the collection. The District Collectors would assign fixed targets to the respective Tahsildars and Village Officers and campaign for recovering the amount towards bank loans are also been organised. He added that by all these means collection towards Revenue Recovery could be improved, when compared to that of last years. To a query of the Committee, the witness informed that RR collection in the current year up to October 2012 was ₹ 88.60 crore which was 63 per cent of the target, whereas collection for the previous year was ₹ 177.22 crore i.e., 66.14% of the target. The witness informed that most of the pending Revenue Recovery cases were pertained to Sales Tax Department. He added that out of the target of ₹ 645.01 crore, to be collected as RR related to Abkari Cases, only ₹ 413.79 had been collected and an amount of ₹ 856 crore had to be recovered as Sales Tax arrears in 2012.

4. Then the Committee sardonically enquired about the obstacles in recovering the amount, at least in the cases in which stay orders do not exist. To this the witness replied that during the Special Drive period, i.e. from the November to March 31, the defaulters were contacted personally to make them aware of the recovery and to persuade them to remit the amount within the specified period. But the department could not function fruitfully because of the limited infrastructure facilities like shortage of staff, vehicles etc. To withstand the circumstance, mostly vehicles from other departments would be hired, but as fuel charges could not be reimbursed in time, and renting of vehicles also was not an easy task. In Neyyattinkara Taluk the fuel charge for the vehicles hired during the Special drive period in last year was yet to be paid. In this regard, the Committee remarked that those were persistently repeated arguments and strongly demanded that earnest efforts, should be taken by the department to collect the amount due under RR by giving more preference to collect from the defaulters of huge amounts.

### Conclusion/Recommendation

5. The Committee notices that the target fixed for RR collection was very low and the Department could not even achieve the target. The Committee analyses that the performance of the Revenue Department was so pathetic that it could not realise the amount even in cases, which were not attached by Court Order. It disagrees with the arguments put forth by the Revenue Department officials that limited infrastructure facilities like shortage of staff, vehicles etc. constraint the performance of the department and opines that these were persistently repeating. The Committee strongly demands that earnest efforts should be taken by the Department in collecting amount due under RR by giving special attention to realise the amount from the defaulters of huge amounts. It urges the department to implement a monitoring mechanism in this regard.

#### AUDIT PARAGRAPH

#### Government dues pending recovery under RR Act

As mentioned in the preceding paragraph, though the target for recovery of Government dues cannot be separately shown, the demand and arrear position of Government dues as at the end of March 2008 in respect of 18 test checked Taluk Offices in seven districts were as follows:

*(Rupees in crore)*

Name of District (Taluks involved)	Total demand 2007-08	State-wise amount(Percentage)						Total
		Stay by Court	Stay by Govern-ment	Stay by Appl. authority	Re-assess ment pending	Collectable balance		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	
<b>Ernakulam</b> (Aluva, Kochi and Kanayannur)	450.14	177.46 (39.42)	10.25 (2.28)	110.37 (24.52)	43.83 (9.74)	21.92 (4.87)	363.83 (80.33)	
<b>Idukki</b> (Thodupuzha and Udumbanchola)	25.63	7.23 (28.21)	2.23 (8.70)	8.01 (31.25)	2.11 (8.23)	0.06 (0.23)	19.64 (76.62)	

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<b>Kollam</b> (Karunagappally, Kollam and Kottarakkara)	337.80	58.49 (16.35)	82.10 (24.30)	69.19 (20.48)	65.87 (19.50)	3.11 (0.92)	278.76 (82.52)
<b>Kottayam</b> (Kottayam, Meenachil and Vaikom)	76.73	29.79 (38.82)	4.64 (6.05)	9.77 (12.73)	..	0.46 (0.60)	44.66 (58.20)
<b>Kozhikode</b> (Kozhikode, Vadakara and Koyilandy)	42.33	7.33 (17.32)	4.10 (9.69)	4.51 (10.65)	1.44 (3.40)	1.62 (3.83)	19.00 (44.89)
<b>Thiruvananthapuram</b> (Thiruvananthapuram and Neyyattinkara)	136.79	7.98 (5.83)	71.31 (52.14)	15.89 (11.62)	..	6.49 (4.74)	101.67 (74.33)
<b>Thrissur</b> (Thrissur and Kodungallur)	75.44	45.35 (60.11)	0.67 (0.89)	17.99 (23.85)	..	2.96 (3.92)	66.97 (88.77)
<b>Total</b>	<b>1,144.86</b>	<b>333.64</b> (29.14)	<b>175.30</b> (15.31)	<b>235.73</b> (20.59)	<b>113.25</b> (9.89)	<b>36.62</b> (3.20)	<b>894.53</b> (78.13)

The above table shows that out of the total demand of ₹ 1,144.86 crore for the year 2007-08, an amount of ₹ 894.53 crore was pending collection while the balance amount of ₹ 250.33 crore was disposed by various procedures. Percentage of the arrear worked out to 78.13 per cent of demand which was on a higher side.

#### Recovery stayed by Government

The RR Act and Rules do not prescribe any provision for stay by Government. The Government have issued guidelines vide order dated 14th March, 2002 regarding their interference in RR procedure. It was reiterated therein that Government's intention was not to grant stay against realisation of RR dues but to grant instalment facility in appropriate cases to avoid hardship and inconvenience to the parties. However, from column 4 of the table in paragraph 6.2.9, it is seen that the Government had stayed the collection of demand to the extent of ₹ 175.30 crore, which is not justifiable and defeated the very purpose of the RR machinery. It was also seen that while calculating the collectable balance, this amount was excluded from the DCB statements. Exclusion of amount under 'Government stay' from collectable balance while preparing the DCB statements was not justifiable since intervention of the Government was only a temporary measure. Cases detected during the course of review are mentioned below :

Stay cards are issued on the basis of the orders passed by the Minister (Revenue) on the petitions for stay orders or instalments. This system is intended to enable the defaulters to produce the same before revenue officials for keeping the RR action in abeyance till the receipt of formal orders of the Government in the matter. Stay cards are normally issued for a period of one month.

In RR Office, Kottayam, RRC for recovery of arrears amounting to ₹ 14.06 crore in respect of a Public Sector Undertaking for the year 1999-2000 to 2004-05 was received from Commercial Tax Officer, Kottayam through the DC in February 2007. A notice was issued by the Tahsildar in March 2007. It was, however, noticed that the demand was stayed by issuing stay cards for more than one month for several occasions as mentioned below:

<i>Issuing Authority</i>	<i>Date of issue of stay card/order</i>	<i>Period of stay allowed</i>
Minister (Revenue)	7-3-2007	3 months (up to 6-6-2007)
do.	30-5-2007	3 months (up to 6-9-2007)
do.	24-8-2007	6 months (up to 6-3-2008)
do.	25-2-2008	6 months (up to 6-9-2008)
Principal Secretary to Government	5-6-2007	3 months
do.	29-3-2008	6 months
do.	24-10-2008	Unlimited (till decision of the Government in the matter)

The stay order issued by the Principal Secretary to Government in October 2008 has not been vacated till date (September 2009).

Two RRCs were issued by the DC, Thiruvananthapuram in the month of June 2004 and July 2004 for recovery of dues of ₹ 27.56 lakh from Kerala State Rural Women's Electronic Industrial Co-operative Federation Ltd. Thiruvananthapuram. Notices were served on the defaulter in July and August 2004. However, recovery has been blocked due to the continuous stay by Government from 9th November, 2004 onwards.

Thus, the Government machinery itself has defeated the RR procedure for realisation of ₹ 14.34 crore by granting indiscriminate stay orders/stay cards.



**Disposal of revenue recovery cases**

The performance and efficiency of the revenue recovery system in settling the cases in 18 selected Taluk Offices in seven Districts during the period 1st April, 2003 to 31st March, 2008 is shown in the table below (percentage to demand given in brackets) :

(Rupees in crore)

Name of District (Taluk involved)	Total demand from April 2003 to March 2008	Demand settled/disposed					Total
		Reduction in demand due to re-assessment	Remission/write off	Return of RRCs	Actual collection		
Ernakulam (Aluva, Kochi & Kanayannur)	826.33	Nil	Nil	380.27 (46.02)	73.80 (8.93)	454.07 (54.95)	
Idukki (Thodupuzha & Udumbanchola)	73.18	Nil	Nil	48.03 (65.63)	5.50 (7.52)	53.53 (73.15)	
Kollam (Karuna gappally, Kolam & Kottarakkara)	575.58	118.97 (20.67)	3.56 (0.62)	124.44 (21.62)	50.95 (8.85)	297.92 (51.76)	
Kottayam (Kottayam, Meenachil & Vaikom)	205.60	Nil	1.22 (0.59)	139.33 (67.77)	20.47 (9.96)	161.02 (78.32)	
Kozhikode (Kozhikode, Vadakara & Koyilandy)	186.10	35.81 (19.24)	Nil	115.70 (62.17)	15.66 (8.41)	167.17 (89.82)	
Thiruvananthapuram (Thiruvananthapuram & Neyyattinkara)	247.10	51.65 (20.90)	0.93 (0.38)	70.24 (28.43)	22.96 (9.29)	145.78 (59.00)	
Thrissur (Thrissur and Kodungallur)	123.70	Nil	Nil	40.50 (32.74)	16.28 (13.16)	56.78 (45.90)	
Total	2,237.59*	206.43 (9.22)	5.71 (0.26)	918.51 (41.05)	205.62 (9.19)	1,336.27 (59.72)	

\* Total demand for the period of five years is constituted by aggregation of opening balance as on 1st April 2003 and fresh demand for 2003-04 to 2006-07.

The collection effected in these Taluks were meagre and the collection was 9.19 per cent of total demand and large part of the demand was found settled by return of RRC which was 41.05 per cent of the total demand. As mentioned in paragraph 6.2.8, since the target as regards to Government dues cannot be separately shown, the performance of the RR authorities in collecting Government dues could not be analysed. vis-a'-vis the target set.

[Para 6.2.9 to 6.2.11 contained in the Report of the C & AG of India for the financial year ended 31st March, 2009 (Revenue Receipts)].

Notes received from Government on the above Audit Paragraph is included as Appendix II.

6. The Committee noticed that the amount under Government stay was excluded from collectable balance while the department prepared the DCB statements. It doubted whether the amount due after deducting the first instalment would be shown as collectable balance in the DCB statement in cases where arrears of RR were permitted to pay in instalments. To this the witness answered in the affirmative.

7. When enquired about the circumstances under which RR arrears to the tune of ₹ 15 crore was disposed by realising ₹ 1.63 crore only, the witness apprised that an amount of ₹ 14.06 crore was due to be recovered from the Kerala Forest Development Corporation as per the initial assessment made by the Sales Tax Authority. But it was later modified to ₹ 6.07 crore by the Inspecting Assistant Commissioner, Commercial Taxes, Kottayam. But later the case was settled for ₹ 1.63 crore under the One Time Settlement Scheme.

8. Regarding the performance and efficiency of the Revenue Recovery System in settling of the cases, the Committee understood from the explanation that even though collection was 9.19 % of the total demand, the total performance of the department had improved considerably. It accepted the explanation.

### **Conclusion/Recommendation**

#### **No Comments.**

#### AUDIT PARAGRAPH

#### **Irregular return of RR requisitions/certificates**

During the period of review, cases involving revenue of ₹ 1,351.29 crore were returned by various RR authorities, which was 31.90 per cent of the total demand during the same period. Of these, RR requisitions involving Government dues of ₹ 918.51 crore were returned by 18 RR authorities\* selected for the review against

\* Aluva, Karunagappally, Kanayannur, Kochi, Kollam, Kottarakkara, Kottayam, Kodungallur, Kozhikode, Koyilandy, Meenachil, Neyyattinkara, Thodupuzha, Thiruvananthapuram, Thrissur, Udumbanchola, Vadakara and Vaikom.

the total dues of ₹ 2,237.59 crore, whereas the collection effected by them during the same period was ₹ 205.62 crore. Thus, the return of RRCs was 41.05 per cent of demand whereas the collection was only 9.19 per cent. Return of RRCs involving revenue of ₹ 63.46 crore was test checked and found not in compliance with the Act and Rules and also without exhausting all the recovery modes and measures. The RRCs were mainly returned due to various factors like defaulter did not possess any movable/immovable property; defaulter expired; dues under modification/re-assessment; and correct address of the defaulter was not available or staying in other Taluks/Districts.

A few illustrative cases involved in the irregular return of RRCs are mentioned below :

- Government dues of ₹ 27.26 crore involved in 75 RRCs of 11\* Taluks were returned stating that the defaulter did not possess any movable/immovable property and the arrest of the defaulter would not yield the required result. For realisation of the dues, the Government can act upon any property even if transferred by the defaulter after the dues had fallen in arrears. However, these RRCs were returned merely based on the report of the concerned Village Officer and without any further probe at higher level.
- As per section 69(2) of the RR Act, recovery officer himself is empowered to modify amount whenever the requisitioned amount is modified. However, Government dues of ₹ 13.29 crore involved in 62 RRCs of seven Taluks were returned in order to modify the demand through fresh RRCs/requisitions consequent on revision/apellate decision.
- In the office of DC Kottayam, RRCs involving sales tax dues of ₹ 9.55 crore for the years 1994-95 and 1995-96 were returned stating that collection was not possible. However, as reported by the CTO Pala, the defaulter had some properties which were transferred after the demand had fallen in arrears.
- An arrear amount of ₹ 8.51 crore pertaining to a defaulter was returned by Tahsildar, Thodupuzha stating that the defaulter was residing in another Taluk. Audit scrutiny revealed that the defaulter had one-third share of ownership rights over 3.21 ares of landed property in the same Taluk, but the Tahsildar did not take any action to attach the property.

---

\* Aluva (RR), Kanayannur, Karunagappally, Kochi (RR), Kodungallur, Kottayam (RR), Kollam (RR), Meenachil (RR), Thodupuzha, Udumbanchola (RR) and Vaikom.

- An arrear amount of ₹ 2.69 crore involved in 12 RRCs of four Taluks\* were returned stating that the address was incorrect or the defaulters was absconding. Return of RRCs without ascertaining the correct address from the requisitioning department was not justified.
- Government dues of ₹ 94.28 lakh involved in one case was returned in March 2005 by the Tahsildar, Kozhikode stating that the defaulter firm could not be identified. The District Collector, Kozhikode again transferred the RRC to the Tahsildar in May 2005. Audit scrutiny revealed that the defaulter firm had approached the High Court against the RR proceedings. Hence, it was evident that the return of RRC at the first instance was without adequate enquiry about the defaulter.
- Recovery of arrears other than Land Revenue are effected as if they were arrears of land revenue. Under the RR Act landlord includes legal heirs. It was judicially held† that RR can be effected against the legal heirs of the deceased defaulter.
- Government dues of ₹ 1.22 crore involved in 10 RRCs in five Taluks‡ were returned stating that the defaulters had expired. But in none of these cases RR officer had ensured whether the legal heirs had inherited any property of the defaulter liable for attachment and auction.

Thus, it can be inferred from above that in all these cases further measures/action like whether the defaulter possesses landed property in other districts, the possibility of realising arrears from legal heirs, collection of arrears on the basis of revised assessments etc., were not resorted to by the RR officer in the best interest of revenue. It was further noticed that there was no mechanism to watch whether the requisitions returned were received back after modification for further recovery.

[Para 6.2.12 contained in the Report of the C & AG of India for the financial year ended 31st March, 2009 (Revenue Receipts)].

Notes received from Government on the above Audit Paragraph is included as Appendix II.

9. Regarding the audit paragraph, the Accountant General invited the attention of the Committee on the fact that many cases, where huge amount had to be recovered under RR were disposed off by officers at lower level. The audit evaluated that had such cases were reviewed at higher level, the difficulty in collecting the amount could have been dispensed with. At present no such system

---

\* Aluva (RR), Kanayannur, Meenachil(RR) and Vaikom.

† Devi Vs. State of Kerala 1977 KLT 781.

‡ Aluva (RR), Karunagapally, Kottarakkara, Kottayam (RR) and Meenachil (RR).

was prevalent. Then the Committee opined that the practices such as not remitting the sales tax collected from public into Government account and not initiating RR proceedings against the defaulter alleging non availability of proper address of the defaulter has to be curtailed. The Committee doubted some sort of false play in this regard and enquired about the measures taken to handle such situations. The witness from Taxes Department deposed that conferences of Deputy Collectors, Tahasildar etc., were conducted every month to review the RR Proceedings by the respective District Collector. In this regard the official from Accountant General's office invited the attention of the Committee on an instance in Kottayam and emphasized that the dispute between Government Departments caused great loss to the exchequer. Defending the points put forth by the Accountant General, the witness from Revenue Department said that in that particular case the defaulter did not possess property in his own name. Hence RRC were issued against the sureties. The Committee urged that there should be a consensus between Commercial Taxes and Revenue Department for the effective implementation of RR proceedings. It directed that steps should be taken to avoid loss of money to the exchequer due to non-corporation of departments.

10. Then the official from Revenue Department informed that RR collection for the current year as on that date was ₹ 177 crore. Earnest efforts had been made for effective RR collection though many hurdles had encountered. Then the Committee commented that there should be co-ordination among departments for the realisation of revenue in time. It also expressed its displeasure on the fact that the tax collected from the public by way of sales tax was not remitted to Government and the defaulter escapes stating lame excuses like lack of own property for attachment and lack of proper address of the defaulter etc. Then the official from Revenue Department put forth another difficulty that after the issuance of the RRC, the appellate authority takes decision to dispose off. Even large amount were settled in this way. The Committee observed it as a procedural error and decided to recommend that steps should be taken to avoid such incidents in future.

#### **Conclusion/Recommendation**

11. **The Committee expresses its dissatisfaction over the lack of co-ordination among the departments, which lost crores of rupees to the exchequer due to non-realisation of revenue in time. It directs that there should be a consensus between Commercial Taxes and Revenue Department for the effective implementation of RR proceedings. It also expresses its displeasure over the fact that the tax collected from the public by way of sales tax was not remitted to Government in time and the defaulter escapes from tax payment as he possess no asset in his own name to effect recovery. Regarding the disposal of the RR cases after the issuance of the RRC by the appellate authority, the Committee urges that steps should be taken to ensure that all departmental procedures were completed before resolving out for Revenue Recovery.**

## AUDIT PARAGRAPH

**Delay in the implementation at various stages of RR Action**

The LRD (erstwhile Board of Revenue) issued directives prescribing the periodicity for various stages of recovery procedure which stipulates that recovery process has to be completed within 20 weeks (maximum) from the date of registering a case.

The directives stipulated that on receipt of requisition from requisitioning authority, the DC concerned shall get it entered in the revenue recovery register and issue Revenue Recovery Certificate (RRC) to the Tahsildar concerned within seven days. The Tahsildar in turn shall prepare and forward the demand notice to Village officer concerned in the second week after entering the details in the recovery ledger. The Village officer shall take action to collect the dues.

While discussing the review included in the Audit Report for the year 1999-2000, the Public Accounts Committee in its report for 2006-08 has given strict instructions for supervision of issuance of RRCs and demand notices by DCs/Tahsildars. However, Government have not prescribed any periodic return at different levels and a mechanism to ensure compliance of instructions issued on the subject from time to time. Audit scrutiny revealed that there was no internal control mechanism at any level to ensure compliance with the time schedule prescribed in the directives of LRD. Huge pendency of cases was noticed at all Districts test checked which are discussed in succeeding paragraphs.

Test check of records of 7\* District Collectorates, 18† Taluk offices and 10‡ commercial tax offices revealed the following:

- A cross verification of records of the DC, Ernakulam with those of Deputy Commissioner of Commercial Taxes (Appeals), Ernakulam revealed that 399 appeal cases involving revenue of ₹ 105.29 crore were pending disposal as on 31st March, 2008 and the delay ranged from one to four years. There was no effective follow-up action by the department for expeditious disposal of cases which resulted in non-realisation of arrears of revenue of ₹ 105.29 crore.

---

\* Ernakulam, Idukki, Kollam, Kottayam, Kozhikode, Thiruvananthapuram and Thrissur.  
 † Aluva (RR), Kanayannur (RR), Karunagappally, Kochi (RR), Kodungallur, Kollam (RR), Kottarakkara, Kottayam (RR), Kozhikode (RR), Koyilandy, Meenachil (RR), Neyyattinkara (RR), Thiruvananthapuram (RR), Thodupuzha, Thrissur (RR), Udumbanchola (RR), Vadakara and Vaikom.  
 ‡ Special Circles I, II and III Ernakulam, Special Circle, Mattancherry, Circles I, II and III Thiruvananthapuram, Special Circle, Thrissur and Special Circles I and II Kozhikode.

- In District Collectorate, Kollam, it was noticed that the Government in October 2006 directed to keep in abeyance the recovery of the dues of ₹ 32.62 crore till disposal of the appeal petition before the appellate authority. Neither any action was taken by the RR officer to enquire about the State of the case nor was any intimation given by the requisitioning department about further developments in the case.
- In the office of the Tahsildar (RR), Kollam, revenue recovery action on arrears of sales tax of ₹ 64.87 crore covered by 40 RRCs pertaining to the assessment years 1972-73 to 2000-01 in respect of Kerala State Cashew Development Corporation Ltd., Kollam was still pending (January 2009). Of this, an amount of ₹ 25.87 crore was under stay by the appellate authority and an amount of ₹ 28.84 crore was under stay by Government until disposal of appeal petitions by the appellate authority. Latest position of the appeal petition was not available with the RR officer and the entire amount was pending collection even though the RRCs were issued during the period 1998-1999 to 2007-2008.
- In two collectorates\*, undue delay in issuing RRCs up to 11 months was noticed in respect of 88 cases resulting in non-realisation of revenue of ₹ 33.35 crore.
- In four† Districts, it was noticed that an amount of ₹ 33.19 crore involved in 149 cases was not pursued by the revenue authorities as the defaulters resided in other States.
- In 11 Taluks, it was noticed that in 28 cases there was delay in sale of attached properties covering 6.28 hectares resulting in non-realisation of revenue of ₹ 15.52 crore.
- In the case of a cashew dealer, sales tax arrears amounting to ₹ 12.67 crore was pending collection in the RR office, Kollam for more than 38 years on which no action was taken by the department.
- In 11 Taluks‡ in respect of 55 cases involving revenue of ₹ 10.32 crore, there was delay up to six years in issuing demand notices. In District Collectorate, Ernakulam it was noticed that the sales tax dues of ₹ 1.09 crore could not be realised even after a period of five years of the issue of RRCs, as the department delayed issue of demand notice. Delay ranged between 8 to 16 months. Consequently, the demand notice could not be served as the defaulter shifted to Rajasthan.

---

\* Kollam and Thrissur

† Ernakulam, Kozhikode, Thiruvananthapuram and Thrissur.

‡ Kanayannur, Kodungallur, Koyilandy, Kozhikode, Meenachil, Neyyattinkara, Thiruvananthapuram, Thodupuzha, Thrissur, Udumbanchola and Vadakara.

- In four offices\* delay ranging from one to seven years was noticed in the disposal of 12 cases. Consequently, revenue of ₹ 7.14 crore remained unrealised.
- Delay in attachment of property ranging from 1 to 80 months was noticed in 10 Taluks† in 65 cases. This resulted in non-realisation of revenue of ₹ 6.56 crore.
- Cross verification of entries in commercial tax offices in Thiruvananthapuram and Ernakulam with RR register of revenue recovery authorities revealed that 18 RRCs involving ₹ 3.73 crore were not traceable in revenue offices.

**Lack of co-ordination between the Government Departments resulted in blocking up of revenue**

As per the timeframe prescribed by the LRD, recovery of arrears should be completed within maximum of 20 weeks. Cases of inordinate delay in processing the cases resulting in non-realisation of revenue had been pointed out in preceding paragraph. Scrutiny of records revealed that mechanism for periodic reconciliation of figures between the requisitioning departments and the recovery officers has not been prescribed. Though some of the departments were found to have taken up reconciliation in a few cases, there was no system for periodic reconciliation of these figures. Due to this lack of co-ordination, cases of non-realisation of revenue were noticed, which are mentioned in the following paragraphs :

- In a case involving revenue of ₹ 4.99 crore, Revenue Divisional Officer, Thiruvananthapuram returned the request for confirmation of sale of 10.40 ares of land in Parasuvackal Village in August 2007 stating that the value of the property was not properly estimated and details of proceedings in connection with attachment and auction sale were not forthcoming in the files. However, the rectification report has not been received back even after a lapse of two years (September 2009).
- In Kanayannur, Thiruvananthapuram and Udumbanchola RR offices, it was noticed that 13 cases involving revenue of ₹ 4.87 crore were still pending (August 2009) for want of correct address/survey number of landed property on which RR action was discontinued between July 2003 and March 2007.

---

\* CTOs: Special Circle I Kozhikode and Thiruvananthapuram, Second and Third Circle Thiruvananthapuram.

† Kottayam, Kanayannur, Udumbanchola, Thodupuzha, Kodungallur, Thrissur, Kozhikode, Vadakara, Koyilandy and Thiruvananthapuram.



- In certain cases, recovery was kept in abeyance awaiting the detail of reassessment/modification. In four\* RR offices, 20 such cases involving revenue of ₹ 2.15 crore were pending (August 2009). However, timely information was not furnished by the requisitioning department.
- In Taluk office (RR), Kanayannur, one RR case involving revenue of ₹ 1.28 crore was closed in the RR ledger as irrecoverable. However, as per records of the Sales Tax Department, the case was still alive awaiting recovery particulars from LRD.
- Property transferred by the defaulter after Government dues had fallen in arrears(in the requisitioning department), is liable for attachment. For this, RR Officer has to ascertain the date of issue of demand notice by requisitioning department. Any transfer of property after this date, to defeat the recovery of arrears, is not binding on the Government. However, a test check conducted in Udumbanchola RR office revealed that in two cases involving revenue of ₹ 72.80 lakh, such enquiry was not conducted.
- Tahsildar (RR), Neyyattinkara in November 2004 attached property to the extent of 20.24 ares of land in Pallichal Village to realise Government dues of ₹ 40.25 lakh. The property was already attached by the RR officer, Kerala Financial Corporation Limited (KFC), for its dues. The DC, Thiruvananthapuram in June 2005 addressed the Manager, KFC to include Government dues also while selling the attached property. Further action for realisation of arrears of Government dues of ₹ 40.25 lakh was not taken by the RR officer.
- In nine Taluks†, the High Court had stayed RR proceedings involving ₹ 3.71 crore in 13 cases, till the disposal of appeal/revision. However, all these cases, stayed between March 2000 and February 2008 were still pending (July 2009) for want of disposal particulars from the requisitioning departments. In two cases involving revenue of ₹ 39.70 lakh in Tahsildar (RR), Kottayam and Kozhikode, present position of the court cases was not furnished by the Advocate General.
- In one case involving an arrear amount of ₹ 20 lakh, the Village officer reported that the firm stopped business. Tahsildar(RR), Kanayannur addressed the Commercial Tax Officer, second circle,Thrippunithura in December 2004 seeking more details about the defaulter firm/partners, but no reply has been received from CTO even after lapse of almost five years (September 2009).

---

\* Aluva, Kozhikode, Thrissur and Vadakara.

† Aluva, Kochi, Kodungallur, Koyilandy, Kollam, Kottarakkara, Kottayam, Kozhikode, Neyyattinkara and Vadakara.

**Failure of the Excise Department to exercise the vested powers for recovery of abkari revenue through RR action**

By a notification issued in July 1970, Government had appointed the Deputy Commissioners of Excise and all Assistant Commissioners to exercise the powers and perform the functions of a 'Collector' under the RR Act for the purpose of collection of abkari revenue.

As per the DCB statement in CLR for the year 2007-08, total amount of excise dues pending collection through RR action as at the end of March 2008 amounted to ₹ 102.69 crore which remained pending for the period prior to 2003-04.

As the excise authorities have the powers to act as recovery officers, the cases were irregularly sent to the LRD, which also accepted the cases instead of returning to the requisitioning department for further action as per the RR Act. It was also seen that the RR authorities had collected some revenue out of the requisitions as detailed below :

*(Rupees in crore)*

<i>Year</i>	<i>Total Demand</i>	<i>Amount recovered</i>	<i>Amount settled by remission/write off/ RRC returned</i>	<i>Arrear dues</i>
2003-04	127.29	3.36	7.09	116.84
2004-05	132.66	4.17	8.83	119.66
2005-06	123.22	4.92	21.69	96.61
2006-07	123.06	4.37	7.43	111.26
2007-08	128.41	8.89	16.83	102.69

It was seen that though the DCBs of respective districts were sent to CLR, even the CLR could not detect such irregular requisition and realisation of dues of excise department by its recovery machinery. As there was no system of periodic reconciliation of figures between the requisitioning and recovering departments, the Excise Department remained unaware of the position of recovery of dues.

Thus, there was failure of control mechanism at both the departments which ultimately led to non-realisation of revenue of ₹ 102.69 crore for such a long time.

[Audit Paragraph 6.2.13 to 6.2.15 contained in the Report of Comptroller and Accountant General of India for the financial year ended 31st March, 2009 (Revenue Receipts)].

Notes received from Government on the above Audit Paragraph is included as Appendix II.

12. Regarding the audit observation the Committee urged the Excise Department that as they have the power to act as the recovery officers, the department itself should take care of the realisation of arrears instead of sending the cases to LRD.

#### **Conclusion/Recommendation**

**13. The Committee urges the Excise Department to exercise the power for recovery of abkari revenue through RR action and to inform the latest position of the pending cases mentioned in the report.**

#### **AUDIT PARAGRAPH**

#### **Irregular mutation of 'attached property'**

Under Rule 7(2)(ii) of the Transfer of Registry Rules, 1996, the Village Officer shall check whether the property is under attachment by Government while preparing form 'A' statement for effecting transfer of registry (mutation) and facts should be reported to the tahsildar. Where a notice of attachment was issued to a defaulter, the defaulter shall restrain from transferring or charging\* the property.

In the Office of Tahsildar, Kottarakkara, one-half share of a property of 15.6 ares was attached by a proceedings initiated in January 2002 for recovery of sale tax arrears of ₹ 9.33 lakh. This property was finally posted for sale in a auction in December 2008. In the meantime, the property was sold between July and October 2007 by the defaulters and the purchasers got mutation of the property in their names in the village records nullifying the effect of attachment. Consequently, revenue of ₹ 9.33 lakh remained unrealised.

[Para 6.2.16 contained in the Report of the C&AG of India for the financial year ended 31st March, 2009 (Revenue Receipts).]

Notes received from Government on the above Audit Paragraph is included as Appendix II.

14. The Accountant General informed the Committee that in the Office of the Tahsildar, Kottarakkara, one-half of a property of 15.6 ares was attached for recovery towards sales tax arrears to the tune of ₹ 9.33 lakh and initiated RR proceedings in January 2002. That property was finally posted for sale in auction in December 2008. In the meantime, the property was sold by defaulters and the purchasers got mutation of land in their names nullifying the effect of attachment and hence a revenue of ₹ 9.33 lakh remained unrealized. In this opinion the mutation of ownership of property that was sealed for attachment is a serious

---

\* Creating an interest in the property in favour of another person.

offence. But, the official from Revenue Department defended that in this particular case, the defaulter had opted the amnesty scheme and remitted ₹ 4.20 lakh and cleared the liability. The 'pokkuvaravu' of the property was done even before RRC issued, but later on the pokkuvaravu was cancelled and the property brought back under the title of the defaulter. Then the Committee directed the department to furnish a written statement about the latest position of the subject matter.

#### **Conclusion/Recommendation**

**15. Regarding the irregular mutation of attached property in the Office of the Tahsildar, Kottarakkara, the Committee directs the Revenue Department to furnish a written statement about the present position of the case.**

AUDIT PARAGRAPH

#### **Internal control mechanism**

Internal controls are intended to provide reasonable assurance of orderly, efficient and effective operations, safeguarding resources against irregularities, adhering to laws, regulations and management directives and developing and maintaining reliable data. Effective internal control system both in the manual as well as computerised environments are a pre-requisite for the efficient functioning of any department. The following deficiencies are noticed in internal control mechanism :

Reconciliation of remittances into treasury was not done during the review period. Departmental inspection by LRC was pending and annual inspection of DC was not completed in many Taluk Offices. Reconciliation of RRCs issued by DCs and acknowledged by Tahsildars was not done.

#### **Lapses in the preparation of DCB statements of RR**

The DCB statement is a consolidated statement of figures of RR compiled from primary records and is the essential basis for assessing the achievements/shortfall of the system. As such these statements should project a true picture of all transactions and the correctness of figures is essential for proper review by the higher authorities. The Public Accounts Committee (2006-08) in their 68th report has given strict instructions for the proper maintenance of DCB statements. The

statement for March represents the consolidated figure for the whole year. The closing balance for a year should be the opening balance for the next year. The lapses noticed in the maintenance of DCB statements are given below:

**Variation between closing balance and opening balance**

Audit scrutiny of DCB statements of the Tahsildar (RR), Kochi for the year 2003-04, revealed that the closing balance for 2003-04 was ₹ 48.25 crore whereas the opening balance noted for 2004-05 was ₹ 39.84 crore only thereby the department had lost track of the RR action in respect of ₹ 8.41 crore.

The lapse was due to absence of an effective internal control mechanism for scrutiny of the entries in the DCB statement.

**Variation between the figures of RR collection as per DCB statement and as per collection register**

Details of all the RR collection effected in a month are entered in the RR collection register maintained in each Taluk Office. Monthly total of this register should agree with the collection figures as noted in the DCB statement for the month. Test check of these figures for a selected month in respect of sales tax (major item) in eight taluks revealed that in four taluks there were variations between the figures as mentioned below:

*(Rupees in lakh)*

<i>Name of Taluk</i>	<i>Month</i>	<i>RR collection figures</i>		<i>Figures inflated in the DCB statement</i>
		<i>DCB statement</i>	<i>Collection Register</i>	
Kochi RR	March 2006	50.70	20.18	30.52
Kollam RR	April 2007	141.61	129.06	12.55
Vaikom	March 2008	13.69	1.36	12.33

After this was pointed out, all Tahsildars stated between December 2008 and June 2009 that collections directly effected by the concerned requisitioning department (after commencement of RR actions) were ascertained and accounted in the DCB as collection of the concerned Tahsildar under RR. The reply was not correct, as the procedure adopted was not in order.

**Amounts of unencashed cheques and revenue deposit accounted as sales tax collections**

Figures of sales tax collections for the month of April 2007 as per the concerned registers of Tahsildar (Revenue Recovery), Kollam was ₹ 27.48 lakh.

Audit scrutiny revealed that cheque receipts are instantly accounted as collection for the month without waiting for realisation by the treasury. This is not in order as evidenced in the case of Cheque No. 667940 dated 30th April, 2007 of ICICI Bank Ltd., Tirupur for ₹ 33,334. This cheque was subsequently dishonoured by the Bank but the amount was already accounted as sales tax collection.

The Tahsildar (RR), Kollam accounted the bid amount of ₹ 20.59 lakh kept in revenue deposit (RD) in the month of April 2007 as sales tax collection for April 2007, pending confirmation of the auction sale. The amount was stated to be under RD and pending transfer credit to sales tax or refund to the bidder, as the case may be till date (September 2009).

**Discrepancy between the figures of District DCB and the consolidated figures of the Taluk DCBs**

Consolidated amount under 'remission', 'write off' in the DCB statement of District Collector, Kollam for the month of March 2008 was ₹ 3.30 crore whereas the total of individual figures furnished by the respective Taluks was ₹ 3.50 crore.

This discrepancy was a pointer to the lack of diligence in the preparation of DCB statements.

**Revenue recovery figures of Land Revenue dues**

DCB statements of RR should include the details of all the dues 'to be recovered/recovered' under the provisions of the RR Act. However, demand and collection in respect of land revenue dues covered by RR action was not incorporated in the DCB statement of RR in none of the districts test checked.

[Audit Paragraph 6.2.17 to 6.2.18 contained in the Report of the C&AG of India for the financial year ended 31st March, 2009 (Revenue Receipts).]

Notes received from Government on the above Audit Paragraph is included as Appendix II.

**Conclusion/Recommendation**

**No Comments.**

## AUDIT PARAGRAPH

**Bought-in-land**

Under the RR Act, when land is put up for auction sale for recovery of dues, if there is no bidder or if the highest bid is insufficient to cover the arrears, the officer conducting the sale may bid the property on behalf of Government for a nominal amount or for the highest amount of bid increased by nominal amount, as the case may be. After confirmation of sale and issue of sale certificate, the property vests with the Government, free of all encumbrances and its possession is taken up to treat it as any other Government land. On confirmation of sale, collector is duty bound to issue the sale certificate. The deficiencies in maintenance of registers, lapses in possession, irregular management of bought-in-land etc., noticed during scrutiny of records are mentioned below :

**Maintenance of registers**

In the Government Order\* issued in June, 1965, it was directed that all bought-in-land would be entered in a register used for the purpose in the Taluk Office and their disposal should be watched by the Tahsildar. However, register for watching bought-in-land was not maintained properly in all the test checked taluks. Besides, it was also noticed that the Tahsildar, Kottayam had not maintained records of 1.97 ares in Muttambalam and 585 ares in Nattakam Village.

**Lapses in possession**

Government in the aforesaid Government Order had ordered that possession of the bought-in-land shall be taken immediately after the issue of sale certificate and in no case delay should exceed more than one month from the date of sale certificate.

Audit scrutiny revealed that an extent of 3.25 ares was in possession of the defaulter in Kollam District. Similarly, 2.280 cents and 1.067 cents in Thopumpady, 2.40 cents and 34.50 cents in Rameswaram Village and 123 cents in Edakochi Village were in possession of the encroachers. This showed poor management of bought-in-land.

**Irregular management of bought-in-land**

During scrutiny of records of 18 Taluk Offices, it was noticed that 198 hectare 53 ares 77 sq. mtrs. of land in respect of 278 RR cases were kept as bought-in-land in these Taluks. Estimated value of 86.5093 hectares only was available which comes to ₹ 11.98 crore. Revenue Department had not taken any steps to examine the feasibility of re-auctioning the property to augment the revenue/reconvey the land to defaulters if they were ready to clear the arrears and pay the market value of the land within two years/assignment of the land on lease basis.

\* No. 578/Revenue dated 30th June, 1965.

### **Irregular sale of bought-in-land**

As per the guidelines, bought-in-land shall be resold in public auction if it is likely to fetch a bid amount more than or at least equal to the amount of arrears involved with interest and other charges and the sale proceeds shall be credited to Revenue Department.

An extent of 1 acre 7 cents in Muttuchira Village was sold in auction by Revenue Divisional Officer, Pala in September 2006 for ₹ 38,600 against the arrears of ₹ 8.22 lakh.

It was stated (March 2009) that the value of the said property was ascertained by the Village Officer and the property was included in 'Karinilam' which was suitable only for one seasonal paddy cultivation. As per the guidelines, if the amount realised through auction was not sufficient to clear the arrears, the sale should not have been confirmed. As such, the department could have opted for re-auction to fetch a better price.

In another case, an extent of 19.20 ares at Kondor Village under Meenachil Taluk was converted as bought-in-land in June 1995. However, a Co-operative Bank auctioned the same property in November 2002 to realise the dues from the same defaulter and sale certificate issued in December 2003. The purchaser sold the property to another person in March 2004. Irregular sale of bought-in-land came to the notice of revenue authorities only when the last purchaser applied for transfer of registry in village records. Thus, laxity in the management, possession and supervision of bought-in-land resulted in repeated sale of the same property by third parties.

### **Re-conveyance/surrender of bought-in-land**

As per the modification issued in February 1968, to the Government order dated 30th June 1965, the Government ordered that reconveyance of bought-in-land to the original owner will be consolidated only if applied within two years from the date of confirmation of sale. As per Government Order issued in March 1996, current market value of the land has also to be paid along with the arrears, interest, cost of process etc.

- In Meenachil Taluk, a defaulter filed application (July 2005) for reconveyance of 2 ares and 7.38 ares of land in Lalam Village which was converted as bought-in-land in October 2000 and November 2002 respectively. Government sanctioned reconveyance in these cases in January 2009 and November 2008 respectively on payment of entire arrears in April 2008. However, market value of ₹ 20 lakh in respect of the above land was not collected.



- In another case, application for reconveyance filed (September 2000) by a defaulter for reconveyance of 4.8 ares of land in Vellilappilly Village, which was converted as bought-in-land in April 1989, was reconveyed to the defaulter in April 2005 on payment of arrears only without collecting market value (not available) of the land.
- In one case in Manakkadu Village, an extent of 5.90 ares was bid in favour of Government as bought-in-land and the auction confirmed by Revenue Divisional Officer, Idukki in November 2001. However, DC Idukki in October 2002 ordered Tahsildar, Thodupuzha to release the bought-in-land to the defaulter on payment of arrears only. Consequently the bought-in-land was released without realising the market value (not available).
- In another case, an extent of 57.51 ares of land in Vizhinjam Village was converted as bought-in-land in public auction conducted in January 2001 by Tahsildar (RR), Neyyattinkara. Auction sales were confirmed in May 2002. District Collector, in January 2003 ordered to release the bought-in-land on payment of dues. The bought-in-land was released to the defaulter in 2003 itself after realising Abkari dues of ₹ 10.76 lakh, without realising balance ST dues of ₹ 4.87 lakh and market value thereof (not available).

[Audit Paragraph 6.2.17 contained in the Report of the C&AG of India for the year ended 31st March, 2009 (Revenue Receipts).]

Notes received from Government on the above Audit Paragraph is included as Appendix II.

16. The Committee noticed that though Government Order provided that all details regarding the bought-in-land would be entered in a register used for the purpose in the Taluk Office and their disposal should be clearly watched by Tahsildar, none of the offices did maintain such a register. The official from Revenue Department informed that instructions had been issued for the strict compliance of the orders during the last conference convened by the Collector. Then the Committee urged the department to furnish the district-wise details of bought-in-land available in our State to the Committee at the earliest.

17. In this regard the witness from Revenue Department informed that in most cases the value of bought-in-land would be less than the amount due. Hence the department was not proceeding with auction. The Accountant General (ERSA) brought to the attention of the Committee, the fact that in all the eighteen Taluk Offices test checked by Audit, the amount received on auction of the

bought-in-land was much less than the actual amount due. But the department had neither turned up for re-auction nor taken any other measures to realize the amount from the defaulter. The Committee remarked that there were incidents where low cost was recorded for properties having high market value. So the Committee has decided to recommend that the management of bought-in-land should be thoroughly scrutinized by the revenue authorities as per the existing norms.

18. Regarding the audit paragraph, the Accountant General (ERSA) informed the Committee that in the first case of Muttuchira Village, an amount of ₹ 8.22 lakh had to be realised from 1.07 acres of land owned by the defaulter whereas the property was auctioned only for ₹ 38,600. But the witness from the Revenue Department informed that land was taken back to the possession of Government as bought-in-land.

19. In Kondoor Village, Meenachil Taluk, an extent of 19.20 acres was converted as bought-in-land in June 1995. But the same property was auctioned in 2002 by a co-operative bank to realize the dues from the defaulter. The purchaser sold the property to another person in 2004 without considering the fact that the property was converted as bought-in-land. The witness from Revenue Department apprised that it was a lapse on the part of the Village Officer and disciplinary action was taken against him for the negligence. He added that as per the Kerala Revenue Recovery Act, 1968, if a defaulter transferred his land to somebody else, the Government have the right to convert that property as bought-in-land. Then the Committee opined that had the details of bought-in-land was made available with the concerned Registrar Office, such malpractices could have been prevented. It urged the Revenue Department to furnish a report regarding the action taken against the Village Officer responsible for the lapse.

20. The Accountant General (ERSA) deposed that the Government Orders stipulates that re-conveyance of bought-in-land to the original owner would be considered only when he paid current market value of the land along with arrears, cost of process etc. But during audit inspection, it was noticed that in certain cases though arrears had been recovered, market value was not realized from the original owner while re-conveying the bought-in-land. Then the Committee urged the Revenue Department to furnish the details regarding such re-conveyance of bought-in-land at the earliest. The witness from Revenue Department agreed to do so.

#### **Conclusion/Recommendation**

**21. The Committee directs the Revenue Department that strict instructions should be issued to all Taluk Offices to maintain a register for watching bought-in-land. The Committee urges the department to furnish the district-wise details of bought-in-land available in our State to the Committee at the earliest.**

**22. Regarding the irregular sale of bought-in-land in Kondoor Village in Meenachil Taluk, the Committee urges the Revenue Department to furnish detailed report regarding action taken against the delinquent Village Officer.**

**23. The Committee notices that in certain cases of re-conveyance/ surrender of bought-in-land though arrears had been recovered, market value was not realized as provided in the rules from the original owner while re-conveying the bought-in-land. It urges the Revenue Department to furnish the details regarding re-conveyance of bought-in-land to the original owner at the earliest.**

AUDIT PARAGRAPH

**Irregular remission of public revenue**

Under the existing Government Orders, heads of department can sanction remission/write off departmental dues limited to ₹ 10,000 in each case subject to a maximum of ₹ 50,000 in a year.

It was noticed during scrutiny of records of remission/write off of Government dues under RR for the year 2007-08 in Taluk Office, Kottarakkara that a total demand of ₹ 3.50 crore was irregularly disposed as remission/write off, though there was no proper order for the same.

The Tahsildar stated (January 2009) that irrecoverable cases were shifted to this category for clearing the arrears from the books of accounts. The reply was not in order as it was against the Government directions.

On the basis of request from the DC (Land Acquisition), the DC, Ernakulam issued an RRC against M/s Cochin International Airport Ltd. for an amount of ₹ 2.68 crore along with interest and collection charges. Revenue Recovery action initiated by Tahsildar (RR), Aluva in March 2001 was withdrawn as Government had stayed the collection temporarily. Fresh RR action was initiated by Special Tahsildar in September 2003. Government finally vacated the temporary stay and decided to convert the dues as shares of the Government. An amount of ₹ 3.62 crore was adjusted as shares against the total amount of ₹ 4.74 crore (dues, interest and other charges) leaving a balance of ₹ 1.12 crore as outstanding. Even though arrears shown above was outstanding, Tahsildar (RR) closed the RR files resulting in non-realisation of revenue of ₹ 1.12 crore.

The Tahsildar (RR), Meenachil converted an extent of 81 ares of land as bought-in-land for nominal amount (₹ 1) in the public auction held in January 2004 for realisation of sale tax arrears of ₹ 21.60 lakh and RRCs were cleared from the register without realising the arrears resulting in loss of revenue of ₹ 21.60 lakh.

[Audit Paragraph 6.2.20 contained in the Report of the C&AG of India for the Financial year ended 31st March, 2009 (Revenue Receipts).]

Notes received from Government on the above Audit Paragraph is included as Appendix II.

24. The Accountant General (ERSA) informed the Committee that prevailing Government Orders empowers Heads of Department to sanction remission/write off of departmental dues to a limit of ₹ 10,000 in each case, subject to a maximum of ₹ 50,000 in a year. But in Kottarakkara an amount of ₹ 3.50 crore had been disposed irregularly. But the Department put forth the argument that in DCB statement both remission/write off and RRC returned cases were shown in one column. In RRC return cases, albeit High Court's verdict is accorded, the decision of remission/write off should be done by Tahsildar, without proper order from higher authorities. When enquired whether appeal was filed in the Supreme Court in such cases, the official from the Revenue Department replied in the negative. Then the Committee reiterated the Accountant General's (ERSA) observations and opined that in RRC returned cases, the decision to dispose the case should not be taken by an officer at a lower level even on the Court's verdict. It might lost crores due to the exchequer. It urged the department that steps should be taken to ensure that such cases would invariably be disposed off only with the approval of higher authorities.

#### **Conclusion/Recommendation**

**25. The Committee reiterates the Accountant General's (ERSA) observations and remarks that in RRC returned cases, the decision to dispose the case should not be taken by an officer at a lower level even on the Court's verdict. It urges the department that steps should be taken to ensure that this type of cases would invariably be disposed off only with the approval of higher authorities. It also recommends to furnish a report on what action has been taken to regularise the excess remission/write off of departmental dues in excess of amount allowed under Government Orders.**

AUDIT PARAGRAPH

#### **Short levy of collection charges**

Under the Kerala Revenue Recovery Rules 1968, collection charges are leviable on arrears collected at the rate of five per cent when the arrears do not exceed ₹ 5 lakh and at the rate of 7.5 per cent when the arrears exceed ₹ 5 lakh. Collection charges (CC) are leviable in respect of arrears recoverable on behalf of any institution and shall be deducted from the amount recovered and the balance alone shall be payable to the institution.

Under the RR Act, the requisitioning authority cannot collect the dues from the defaulters directly after giving requisition for initiating RR action. Audit checked the figures of total RR collection under Section 68 and 71 of the RR Act and the CC levied thereof for 2006-07 and 2007-08. It was found that in 11 Taluks\* CC levied was short to the extent of ₹ 1.97 crore even when the CC due was calculated at the minimum rate of five per cent.

### **Conclusion**

The Revenue Recovery Act is a law intended to enable the State to recover the dues with utmost expedition and without undue expenses. However, the collection effected was only 3.41 per cent to 4.06 per cent of the total demand during 2003-04 to 2007-08. The department had not installed any mechanism for analysing the outstanding balance at periodical intervals and to take up the matter at appropriate level for write off in cases of irrecoverable dues. Revenue recovery certificates ranging from 10.07 per cent to 24.67 per cent of the demand were returned by the department due to various reasons. Uncollected demand as on 1st April, 2008 worked out to ₹ 1,161.64 crore. Of this, an amount of ₹ 328.44 crore was under Government stay without any authority. Lack of prompt and sufficient action to get the court stay vacated, irregular stay by Government, delay in deciding appeal petitions and vacating stay of appellate authorities were the main contributing factors for the heavy arrears and poor performance of the RR system. Revenue recovery cases for ₹ 63.46 crore were returned without exhausting all means of recovery procedure. Collection of revenue of ₹ 326.35 crore was held up due to delay in various stages of RR proceedings. Lack of co-ordination between various departments had resulted in blocking up of revenue of ₹ 18.73 crore. Due to non-perusal of RR cases, ₹ 102.69 crore was not recovered. Records relating to bought-in-land were not properly maintained.

### **Recommendations**

Government may consider implementation of following recommendations for rectifying the system and compliance deficiencies.

- prescribe time limit/procedure to be followed by the RR officers for follow-up action on stay cases ;
- evolve a rational/scientific method in fixing targets and any shortfall in collection may be viewed critically to improve the efficiency of the system and collection of revenue ;
- insist that RRC should be returned only after exploring all means of realising the arrears by the requisitioning departments ;

---

\* Aluva, Karunagapally, Kochi, Kodungallur, Koyilandy, Kollam, Kottarakkara, Kozhikode, Thrissur, Udumbanchola and Vadakara.

- direct the requisitioning department to resort to revenue recovery action only after the expiry of appeal period ;
- insist that the Excise Department should take care of the realisation of arrears under RR Act ;
- enforce the timeframe prescribed strictly and periodic reconciliation of the RR cases to ensure that all requisitions are acted upon and sharing of information with other offices where the defaulters reside in other District/States ;
- serve a copy of the notice to the concerned Sub Registrar under his acknowledgment so as to comply with the provisions of the Transfer of Registry Rules, 1966 ; and
- dispense with the system of direct collection by requisitioning department after the commencement of RR action and in special schemes enabling direct collection, RRC should be recalled from the RR department.

#### **Other Audit observations**

Scrutiny of records of various Taluk Offices revealed several cases of non-compliance of the provisions of the Rules for Assignment of Land within Municipal and Corporation Areas 1995 (RALMCO) and Kerala Revenue Recovery Rules, 1968 (KRR Rules), Kerala Building Tax Rules (KBT) and other cases as mentioned in the succeeding paragraphs in this chapter. These cases are illustrative and are based on a test check carried out in audit. Such omissions on the part of the Tahsildars are pointed out in audit each year, but not only the irregularities persist; these remain undetected till an audit is conducted. There is need for the Government to improve the internal control system including strengthening of internal audit.

[Audit Paragraphs 6.2.21 to 6.3 contained in the Report of the C&AG of India for the Financial year ended 31st March, 2009 (Revenue Receipts)].

Notes received from Government on the above Audit Paragraph is included as Appendix II.

#### **Conclusion/Recommendation**

##### **No Comments.**

AUDIT PARAGRAPH

##### **Non-compliance of provisions of Acts/Rules**

The provisions of the KBT Act/Rules, RALMCO and KRR Rules require:

- (i) levy of lease rent on land assigned to various persons at the prescribed rates ;

- (ii) levy of collection charges on the amount recovered under RR Act; and
- (iii) assessment of building tax and luxury tax.

It was noticed that the Tahsildars, did not observe some of the above provisions at the time of levying tax. This resulted in short levy of lease rent/building/collection charges of ₹ 2.29 crore as mentioned in the paragraphs 6.4.1 to 6.4.5.

#### **Short levy of lease rent**

Under the provisions of RALMCO, land held under lease, either current or time expired, and granted under any Rule or Orders at the time of such grant shall at the time of incorporation within the corporation limits, be granted fresh lease for a period not exceeding three years subject to the condition laid therein. The rule further prescribes the rate at which the land is to be leased out based on the purpose for which it is required and arrears, if any for the period up to the coming into force of the revised rate i.e., 1st April, 2004, was to be settled by remitting 25 per cent of such amount.

During scrutiny of records in Taluk office, Thrissur in August 2008, it was noticed that no action was taken to execute fresh lease with seven leaseholders of land in the erstwhile Panchayats, which were brought under the corporation limits in October 2000. This resulted in short levy of lease rent of ₹ 1.59 crore.

After the case was pointed out, the Tahsildar stated in August 2008 that action to collect the lease rent is in progress and that the collection particulars will be intimated in due course. A report on recovery has not been received (September 2009).

The matter was reported to the department in September 2008 and Government in January 2009; their reply has not been received (September 2009).

#### **Short realisation of collection charges**

Under the KRR Rules, collection charges at the rate of five per cent of the arrears not exceeding ₹ 5 lakh, collected on behalf of any Government department/notified institutions, are to be recovered from the defaulters.

During scrutiny of records in eight taluk\* offices between September 2007 and September 2008, it was noticed that collection charges amounting to ₹ 33.85 lakh were short realised from the defaulters while recovering the arrears amounting to ₹ 20.82 crore during the period from April 2005 to March 2008.

After the cases were pointed out, the Tahsildars stated between September 2007 and September 2008 that detailed reply would be furnished later. Further reply has not been received (September 2009).

---

\* Cherthala, Chengannur, Moovattupuzha, North Parur, Ponnani, Thaliparamba, Thiruvalla and Vythiri.

The matter was reported to the department between November 2007 and October 2008 and Government in February 2009; their reply has not been received (September 2009).

[Audit Paragraphs 6.4 to 6.4.2 contained in the Report of the C&AG of India for the Financial year ended 31st March, 2009 (Revenue Receipts)].

Notes received from Government on the above Audit Paragraph is included as Appendix II.

#### **Conclusion/Recommendation**

##### **No Comments.**

##### AUDIT PARAGRAPH

##### **Non-levy of irrigation cess**

Under the village office manual, irrigation cess is leviable on the beneficiaries of irrigation projects at the rates specified therein.

During scrutiny of records of Taluk office, Chengannur in August 2008, it was noticed that even though irrigation cess was leviable on 4974 hectares of land under the Pamba Irrigation Project, it was levied on 453 hectares of land only from 1st April, 1999. This resulted in non-levy of irrigation cess of ₹ 25.23 lakh.

After the case was pointed out, the Additional Tahsildar stated in August 2008, that joint verification of the areas has not been completed and all out efforts are made to finalise the assessment. Further development had not been reported (September 2009).

The matter was reported to the department in September 2008 and Government in January 2009; their reply has not been received (September 2009)

[Audit Paragraphs 6.4.3 contained in the Report of the C&AG of India for the year Financial year ended 31st March, 2009 (Revenue Receipts)].

Notes received from Government on the above Audit Paragraph is included as Appendix II.

26. Regarding the audit paragraph, the Committee directed the department to inform whether joint verification of areas for irrigation cess had been made by Irrigation and Revenue Departments and the steps taken to realize the irrigation cess in respect of the land left without assessment.

#### **Conclusion/Recommendation**

**27. The Committee directs the Revenue Department to furnish the details of joint verification of areas for irrigation cess done by Irrigation and Revenue Departments and the steps taken to realize the irrigation cess in respect of the land left without assessment.**



## AUDIT PARAGRAPH

**Non-assessment of building tax**

Under the KBT Rules, every Village officer shall transmit to the assessing authority, within five days of the expiry of each month a monthly list of buildings liable to assesment, together with extracts from the building application register of the local authority within whose area the buildings included in the list are situated.

During audit of records of two Taluk\* Offices between December 2006 and March 2008, cross verification of records of one Panchayat† and two Village offices‡ with that of the respective Taluk offices was done and it revealed that 22 buildings completed between 2004 and 2007, escaped assesment as the details of the buildings to be assessed were not furnished by the Village officers concerned to the assessing authorities. This resulted in non-assessment of building tax of ₹ 6.04 lakh.

After the cases were reported to the department between December 2006 and March 2008 and Government in January 2009 and February 2009, the Government stated in June 2009 that in two cases in Thalapilly Taluk, building tax has been assessed based on audit observation and an amount of ₹ 2.34 lakh collected and the balance amount is pending collection. Regarding the other 20 buildings mentioned in the report, 13 buildings have since been assessed, three buildings were functioning as soap factories with SSI license and the remaining will be identified and assessed to tax. Further development has not been reported (September 2009).

[Audit Paragraph 6.4.4 contained in the Report of the C & AG of India for the financial year ended 31st March, 2009 (Revenue Receipts)].

Notes received from Government on the above Audit Paragraph is included as Appendix II.

28. Regarding the audit paragraph, the Committee directed the Revenue Department to identify the buildings escaped from the assessment of tax and also to levy the building tax. It urged the department to furnish a report in this regard to the Committee at the earliest.

**Conclusion/Recommendation**

**29. The Committee recommends that the Revenue Department should identify the buildings escaped from the assessment of tax and levy the building tax. It urges the department to furnish a detailed report in this regard to the Committee at the earliest.**

---

\* Sulthan Bathery and Thalapilly.

† Sulthan Bathery.

‡ Kunnamkulam and Kanipayoor.

## AUDIT PARAGRAPH

**Non-levy of luxury tax**

Under the KBT Act as amended by the Finance Act, 1999, luxury tax at the rate of ₹ 2,000 is leviable each year on all residential buildings having a plinth area of 278.7 square metre or more and completed on or after 1st April, 1999.

During scrutiny of records in four Taluk offices\* between August 2007 and May 2008, it was noticed that luxury tax was not demanded/realised on 106 residential buildings of plinth area exceeding 278.7 square metres, completed after 1st April, 1999. This resulted in non-levy of luxury tax of ₹ 4.98 lakh.

After the case was reported to the department between September 2007 and May 2008 and Government in February 2009, the Government stated in July, 2009 that an amount of ₹ 1.78 lakh has since been collected. A report on recovery of balance amount has not been received (September 2009).

When noticed that out of ₹ 4.98 lakh, the amount to be levied as luxury tax, only ₹ 1.78 lakh was collected, the Committee urged the Department to furnish a detailed report on what steps had been taken to realize the balance amount.

[Audit paragraphs 6.4.5 contained in the Report of the C & AG of India for the financial year ended 31st March, 2009 (Revenue Receipts)].

Notes received from Government on the above Audit Paragraph is included as Appendix II.

30. The Committee directed the Revenue Department to furnish a detailed Report on what steps had been taken to realize the balance amount towards the Luxury Tax. The committee directed that the concerned departments should take steps to increase the percentage of RR collection jointly. The Revenue Department should take a lead role to ensure the co-operation of the requisitioning departments.

31. The Committee expressed its displeasure over the irresponsible attitude of the Department in furnishing RMT on 5 audit paragraphs scheduled to be examined by the Committee on that day and urged the department to submit the same at the earliest.

**Conclusion/Recommendation**

**32. The Committee urges the Revenue Department to furnish a detailed report on what steps had been taken to realize the balance amount towards the Luxury Tax.**

---

\* Karthikappally, Kochi, Thiruvalla and Vythiri.

**33. The Committee recommends that Revenue Department should take a lead role to ensure the co-operation of all the concerned departments for the effective implementation of Revenue Recovery Proceedings. It also urges to ensure concerted effort on the part of the concerned departments to increase the percentage of RR collection.**

DR. T. M. THOMAS ISAAC,

Thiruvananthapuram,  
28th January, 2014.

*Chairman,  
Committee on Public Accounts.*

## APPENDIX I

## SUMMARY OF MAIN CONCLUSION/RECOMMENDATION

<i>Sl. No.</i>	<i>Para No.</i>	<i>Department concerned</i>	<i>Conclusion/Recommendation</i>
(1)	(2)	(3)	(4)
1	2	Revenue	The Committee expresses its displeasure over the lethargic attitude of the Revenue Department officials in furnishing the break up details regarding RR cases in our State. The Committee remarks that a fortnight time is more than sufficient to get the information as one could get any information at their fingertips within no time, with the rapid growth of modern technologies. It urges the department that the details regarding arrears of collection of RR, number of RR cases pending and of which how many were stayed by different authorities, the amount due to be recovered etc., should be furnished within a week.
2	5	„	The Committee notices that the target fixed for RR collection was very low and the Department could not even achieve the target. The Committee analyses that the performance of the Revenue Department was so pathetic that it could not realize the amount even in cases, which were not attached by court order. It disagrees with the arguments put forth by the Revenue Department officials that limited infrastructure facilities like shortage of staff, vehicles etc., constrain the performance of the department and opines that these were persistently repeating. The Committee strongly demands that earnest efforts should be taken by the department in collecting amount due under RR by giving special attention to realise the amount from the defaulters of huge amounts. It urges the department to implement a monitoring mechanism in this regard.

(1)	(2)	(3)	(4)
3	11	Revenue/ Taxes	The Committee expresses its dissatisfaction over the lack of co-ordination among the departments, which lost crores of rupees to the exchequer due to non-realisation of revenue in time. It directs that there should be a consensus between Commercial Taxes and Revenue Department for the effective implementation of RR proceedings. It also expresses its displeasure over the fact that the tax collected from the public by way of sales tax was not remitted to Government in time and the defaulter escapes from tax payment as he possess no asset in his own name to effect recovery. Regarding the disposal of the RR cases after the issuance of the RRC by the appellate authority, the Committee urges that steps should be taken to ensure that all departmental procedures were completed before resolving out for Revenue Recovery.
4	13	Taxes	The Committee urges the Excise Department to exercise the power for recovery of abkari revenue through RR action and to inform the latest position of the pending cases mentioned in the report.
5	15	Revenue	Regarding the irregular mutation of attached property in the office of the Tahsildar, Kottarakkara, the Committee directs the Revenue Department to furnish a written statement about the present position of the case.
6	21	„	The Committee directs the Revenue Department that strict instructions should be used to all Taluk Offices to maintain a register or watching bought-in-land. The Committee urges the department to furnish the district-wise details of bought-in-land available in our State to the Committee at the earliest.

(1)	(2)	(3)	(4)
7	22	Revenue	Regarding the irregular sale of bought-in-land in Kondoor Village in Meenachil Taluk, the Committee urges the Revenue Department to furnish detailed report regarding action taken against the delinquent Village officer.
8	23	„	The Committee notices that in certain cases of re-conveyance/surrender of bought-in-land though arrears had been recovered, market value was not realized as provided in the rules from the original owner while re-conveying the bought-in-land. It urges, the Revenue Department to furnish the details regarding re-conveyance of bought-in-land to the original owner at the earliest.
9	25	„	The Committee reiterates the Accountant General's (ERSA) observations and remarks that in RRC returned cases, the decision to dispose the case should not be taken by an officer at a lower level even on the Court's verdict. It urges the department that steps should be taken to ensure that this type of case, would invariably be disposed off only with the approval of higher authorities. It also recommends to furnish a report on what action has been taken to regularise the excess remission/write off of departmental dues in excess of amount allowed under Government Orders.
10	27	„	The Committee directs the Revenue Department to furnish the details of joint verification of areas for irrigation cess done by Irrigation and Revenue Departments and the steps taken to realize the irrigation cess in respect of the land left without assessment.

(1)	(2)	(3)	(4)
11	29	Revenue	The Committee recommends that the Revenue Department should identify the buildings escaped from the assessment of tax and levy the building tax. It urges the department to furnish a detailed report in this regard to the Committee at the earliest.
12	32	„	The Committee urges the Revenue Department to furnish a detailed report on what steps had been taken to realize the balance amount towards the Luxury Tax.
13	33	„	The Committee recommends that Revenue Department should take a lead role to ensure the co-operation of all the concerned departments for the effective implementation of Revenue Recovery Proceedings. It also urges to ensure concerted effort on the part of the concerned departments to increase the percentage of RR collection.

The position of total demand for revenue recovery, demand settled and balance demand carried over to the next year from 2003-04 to 2007-08 as per the details furnished by the CLR, are furnished in table. Percentage vis-vis total demand is given in bracket.

*(Rupees in crore)*

Year	Demand		Demand settled/disposed			Total Demand settled/ disposed (col. 7 to 3)	Balance demand (col. 3-7)
	OB/ Demand for the year	Total	Remission/ Write off etc.	RRC returned	Collection effected		
	Percentage with reference to total demand given in brackets						
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
2003-04	<u>1,067.6</u> 736.74	1,804.35	185.26 (10.27)	445.08 (24.67)	63.89 (3.54)	694.23 (38.48)	1,110.12 (61.52)
2004-05	<u>1,110.12</u> 779.85	1,889.97	446.63 (23.63)	208.76 (11.05)	64.43 (3.41)	719.82 (38.09)	1,170.15 (61.91)
2005-06	<u>1,170.15</u> 603.54	1,773.69	271.95 (15.33)	229.67 (12.95)	63.28 (3.57)	564.90 (31.85)	1,208.79 (68.15)
2006-07	<u>1,208.79</u> 567.01	1,775.80	274.01 (15.43)	178.82 (10.07)	69.08 (3.89)	521.91 (29.39)	1,253.89 (70.61)
2007-08	<u>1,253.89</u> 480.98	1,734.87	213.89 (12.32)	288.96 (16.66)	70.38 (4.06)	573.23 (33.04)	1,161.64 (66.96)
Total		4,235.73*	1,391.74	1,351.29	331.06	3,074.09	1,164.64

During the period of Review Audit, balance of demand up to the end of 2007-08 was 1,161.64 crore, but at the end of 2009-10, the demand was 1,915.86 crore. Demand will vary every year depending on the facts like fresh demands, remission, write-off, RRC return, stay and collection etc. The balance of demand up to the end of 2009-10 is given in annexure I & II.

Age wise break up of arrears of pending collection in RR items are called for from the District Collectorates, Taluk Offices and RR Special Offices, and the compilation of received datas is being going on.

In appropriate cases instalment facilities are extend to facilitate prompt payment of dues. This is in view of the fact that even attachment and auction of property of the defaulters do not help in realizing the full amount of dues due to legal hurdles. Govt. consider that the party will be able to settle the dues if suitable instalment facilities are allowed.



The stage-wise break up of demand in arrears as shown in column 8 are given in table (percentage to total demand for the year is given in brackets)

Year	Demand in arrear	Stage-wise details of arrear demand				Balance demand remaining un- collected during the year
		Stay by				
		Court	Government	Appellate Authority		
(1)	(2)	(3)	(4)	(5)	(6)	
2003-04	1,110.12	590.80 (32.74)	220.95 (12.25)	267.44 (14.82)	30.93 (1.71)	
2004-05	1,170.15	573.19 (30.33)	262.84 (13.91)	284.84 (15.07)	49.28 (2.61)	
2005-06	1,208.79	562.15 (31.69)	285.92 (16.12)	319.75 (18.03)	40.97 (2.31)	
2006-07	1,253.89	550.18 (30.98)	273.44 (15.40)	351.91 (19.82)	78.36 (4.41)	
2007-08	1,161.64	461.91 (26.63)	328.44 (18.93)	311.91 (17.98)	59.38 (3.42)	

Though demand collection balance (DCB) statement is being maintained in the districts test checked, the age wise pendency of arrears was not available either with the CLR or with the respective DCs. Due to this, further analysis of the pendency of arrears is neither possible by the department nor could be done by audit.

In the interest of protecting the revenues of the state the Government vide G.O. (Ms.) No. 37/02/RD dt. 14-3-2002 has decided to continue the present system of giving instalments in cases where the parties apply for granting extension of time. While granting instalment facilities, a maximum period of 15 days are allowed.

As on 31st March 2008, balance remaining uncollected was Rs. 59.38 crore, out of which Rs. 25.73 crore was collected up to the end of 31st March 2010. Directions have already been issued to all District Collectors to improve the collection for the coming years. District Collectors have reported that, Directions have been given to all Tahsildars and Village Officers to expedite the collection of arrears.

District Collectors have also reported that stay cases are regularly reviewed in RR Conferences and necessary instructions are issued to all concerned for taking action to get stay vacated in the least possible time.

Collection effected varied from 3.41 per cent to 4.06 per cent (column 6 of the first table above) only as compared to the total demand for respective years. Detailed analysis of efficiency of revenue recovery mechanism in the districts covered under the review is illustrated in para 6.2.11.

There is no provision in the RR Act/Rules for return of revenue recovery certificates (RRC)/requisitions other than in those cases in which recoveries have to be effected by RR officers of other districts. It was noticed that during 2003-04 to 2007-08, cases involving revenue of Rs. 1,351.29 crore (column 5 of the first table above) were returned by the RR officers which was 31.90 per cent of the total demand. Further analysis on this aspect in respect of selected taluks is shown in paragraph 6.2.12.

Even though Government has no powers under the RR Act to stay recovery proceedings, an amount of Rs. 328.44 crore (column 4 of second table above) remained unrealised as on 31st March 2008 due to stay by Government. Similarly, Rs. 311.91 crore (column 5 of second table above) remained outstanding as on 31st March 2008 due to stay by various appellate authorities. Reason for not realizing the collectable balance of Rs. 59.38 crore as on 31st March 2008 was not available. Arrear as at the end of March 2008 stood at Rs. 1,161.64 crore due to various reasons like stay by Court/Government/appellate authority etc., which was 66.96 percent of the total demand for the year.

#### **6.2.8 Achievements against target fixed**

Targets fixed for RR collection was made available from 2005-06 onwards only. However, it was seen that the target included both Government and non-Government dues and there was no mechanism to ascertain the target set against the Government dues for the period covered under the review. Targets of revenue recovery for the State of Kerala (both Government and non-Government dues)

RRCs are being returned after exhausting all possible means for the collection of defaulted amount.

Government allows the defaulters to remit the defaulted amount in installments. When this facility is given to the defaulters, the balance amount to be collected in the succeeding months has to be shown as Government stay in DCBs. Actually this amount will be collected as installment in the coming months and thus this is not against the clauses of RR Act.

In the beginning of every year, target amount has been fixed for both LR and RR items based on the previous years achievements. These target amounts are allotted to the Districts in certain proportions and directions are given to achieve their targets.

for 2005-06, 2006-07 and 2007-08 against the total demand and actual collection at the end of the respective years are furnished in the table below :

(Rupees in crore)

Year	Opening Balance	Fresh demand	Total	Cases under stay	Collectable demand	Target fixed (percentage with reference to collectable demand)	Collection effected	Percentage of collectable with reference to Target	Collectable demand
2005-06	2,079.01	924.29	3,003.30	1,915.43	1,087.81	300 (27.58)	208.70	69.57	19.18
2006-07	2,117.89	686.16	2,804.05	1,929.96	874.09	500 (57.20)	224.60	44.92	25.70
2007-08	1,941.66	942.76	2,884.42	1,797.90	1,086.52	500 (46.02)	253.46	50.69	23.33

It may be mentioned that, cases are referred to the RR authorities after the departmental machinery has ceased all possible scope of recovery. These dues are, therefore, already old and the LRD does not have a mechanism to watch the age-wise pendency and thus any further delay on the part of RR authorities may result in loss of revenue. Target should invariably be fixed at 100 per cent of the collectable dues and all out efforts should be made to recover these.

In the meeting held at the Secretariat Conference hall on 25-2-2009, the Principal AG and the Principal Secretary decided that there is no need to fix the target in RR items. Target is not feasible in the case of RR items because collections are depending on the demands and the demand varies every year. On the basis of this decision, circulars have been issued to all District Collectors and Taluk offices to consider total demand as target of the year, and to collect 100% of collectable demand.

However, it can be seen from the table above that the targets fixed were very low and varied from 28 per cent to 57 per cent of the collectable demand. Collection varied from 45 per cent to 70 per cent of the target fixed and 19 per cent to 26 per cent of collectable demand. Norms for fixation of target and the reason for shortfall in collection were called for from the LRC and it was stated that no norms/criteria were laid down for fixing target.

#### **6.2.9 Government dues pending recovery under RR Act**

As mentioned in the preceding paragraph, though the target for recovery of Government dues cannot be separately shown, the demand and arrear position of Government dues as at the end of March 2008 in respect of 18 test checked Taluk offices in seven districts were as follows :

*(Rupees in crore)*

<i>Name of District (Taluks involved)</i>	<i>Total demand 2007-08</i>	<i>Stage-wise amount (Percentage)</i>					<i>Collectable balance</i>	<i>Total</i>
		<i>Stay by Court</i>	<i>Stay by Govern-ment</i>	<i>Stay by Appl. authority</i>	<i>Re-assess-ment pending</i>			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	
<b>Ernakulam</b> (Aluva, Kochi and Kanayannur)	450.14	177.46 (39.42)	10.25 (2.28)	110.37 (24.52)	43.83 (9.74)	21.92 (4.87)	363.83 (80.83)	
<b>Idukki</b> (Thodupuzha and Udumbanchola)	25.63	7.23 (28.21)	2.23 (8.70)	8.01 (31.25)	2.21 (8.23)	0.06 (0.23)	19.64 (76.62)	

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<b>Kollam</b>							
(Karunagappally, Kollam and Kottarakkara)	337.80	58.49 (16.35)	82.10 (24.30)	69.19 (20.48)	65.87 (19.50)	3.11 (0.92)	278.76 (82.52)
<b>Kottayam</b>	76.73	29.79 (38.82)	4.64 (6.05)	9.77 (12.73)	..	0.46 (0.60)	44.66 (58.20)
(Kottayam, Meenachil and Vaikom)							
<b>Kozhikode</b>	42.33	7.33 (17.32)	4.10 (9.69)	4.51 (10.65)	1.44 (3.40)	1.62 (3.82)	19.00 (44.89)
(Kozhikode, Vadakara and Koyilandy)							
<b>Thiruvananthapuram</b>	136.79	7.98 (5.83)	71.31 (52.14)	15.89 (11..62)	..	6.49 (4.74)	101.67 (74.33)
(Thiruvananthapuram and Neyyattinkara)							
<b>Thrissur</b>	75.44	45.35 (60.11)	0.67 (0.89)	17.99 (23.85)	..	2.96 (3.92)	66.97 (88.77)
(Thrissur and Kodungallur)							
<b>Total</b>	<b>1,144.86</b>	<b>333.64</b> (29.14)	<b>175.30</b> (15.31)	<b>235.73</b> (20.59)	<b>113.25</b> (9.89)	<b>36.62</b> (3.20)	<b>894.53</b> (78.13)

The above table shows that out of the total demand of Rs. 1,144.86 crore for the year 2007-08, an amount of Rs. 894.53 crore was pending collection while the balance amount of Rs. 250.33 crore was disposed by various procedures. Percentage of the arrear worked out to 78.13 per cent of demand which was on a higher side.

Out of Rs. 894.53 crore pending collection, Rs. 125.92 crore was collected up to the end of 31st March 2010. Details are furnished in Annexure III.

As for cases involved in stay, necessary directions are given to all Tahsildars concerned to vacate the stay and boost up collection in tune with target fixed.

#### **6.2.10 Recovery stayed by Government**

The RR Act and Rules do not prescribe any provision for stay by Government. The Government have issued guidelines vide order dated 14th March, 2002 regarding their interference in RR procedure. It was reiterated therein that Government's intention was not to grant stay against realisation of RR dues but to grant installment facility in appropriate cases to avoid hardship and inconvenience to the parties. However, from column 4 of the table in paragraph 6.2.9, it is seen that the Government had stayed the collection of demand to the extent of Rs. 175.30 crore, which is not justifiable and defeated the very purpose of the RR machinery. It was also seen that while calculating the collectable balance, this amount was excluded from the DCB statements. Exclusion of amount under 'Government stay' from collectable balance while preparing the DCB statements was not justifiable since intervention of the Government was only a temporary measure. Cases detected during the course of review are mentioned below.

Government allows the defaulters to remit the defaulted amount in instalments. When this facility is given to the defaulters, the balance amount to be collected in the succeeding months has to be shown as Government stay in DCBs. Actually this amount will be collected as instalments in the coming month and thus this is not against the clauses of RR Act.