

CHAPTER-IV LAND REVENUE AND BUILDING TAX

4.1 Tax administration

The Revenue and Disaster Management (R&DM) Department is under the control of the Secretary at the Government level and the Commissioner of Land Revenue (CLR) is the head of the Department. The revenue collected by the Department includes basic tax, building tax, lease rent, plantation tax etc. The Department realises arrears of public revenue under the Kerala Revenue Recovery (KRR) Act, 1968, with interest and cost of process prescribed.

4.2 Internal audit

The Internal Audit Wing (IAW) of the Land Revenue Commissionerate is monitored by the Senior Finance Officer under the control of the Commissioner of Land Revenue. The IAW is manned by one Senior Superintendent, two Junior Superintendents and six Clerks. The audit of *Taluk* Offices, Revenue Divisional Offices, Revenue Recovery Offices, Offices of Vigilance Deputy Collectors and Central Stamp Depot are conducted in a periodicity of two to three years. The Department stated that the selection of offices to be audited were made on the basis of the date of audit last conducted. The files to be checked were randomly selected and no risk analysis was done before selecting an office for audit. During 2018-19, the IAW planned 24 units for internal audit and 19 units were covered during the year. During the year, the Department cleared 3,028 paragraphs out of 11,219 paragraphs which was 26.99 *per cent* of the outstanding objections. The Department stated that the poor clearance of audit observations was due to non-receipt of rectification reports from the sub offices audited (November 2020).

4.3 Results of audit

There are 121 auditable units in the Department. The records of 53 units were test checked during 2018-19. Non/short assessment/collection of building /luxury tax and other irregularities involving ₹ 40.31 crore were detected in 162 cases. As this was a test audit in the test checked cases and the audit observation of a nature that may reflect in other cases not covered in the test audit, the Department may therefore, like to internally examine the position in the rest of the units with a view to ensure that the instance of non/short payment of tax are taken care of by taking remedial measures, and may also fix responsibility for the lapses in all such cases. Audit pointed out some of the similar omissions in the earlier years also. Not only do these irregularities persist, but they also remain undetected till the next audit is conducted. Underassessment of tax and other irregularities involving ₹ 5,357.62 crore in 163 cases which fall under the following categories are given in **Table - 4.1**.

Table - 4.1

(₹ in crore)

Sl. No.	Categories	Number of cases	Amount
1	CA on Arrears of Revenue	1	5,317.31
2	Non/short assessment/collection of building/Luxury tax	147	39.08
3	Other irregularities	15	1.23
Total		163	5,357.62

During the course of the year, the Department accepted under-assessments and other deficiencies involving ₹ 5,399.98 crore in 359 cases. An amount of ₹ 41.77 crore pointed out was realised in 388 cases during the year 2018-19.

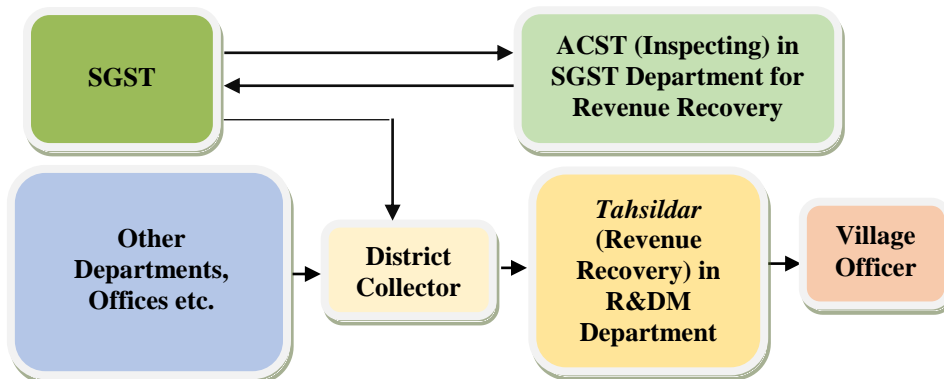
A few illustrative audit observations involving ₹ 5,339.40 crore are mentioned in the succeeding paragraphs.

4.4 Compliance Audit on Arrears of Revenue

4.4.1 Introduction

The Kerala Revenue Recovery Act (KRR Act), 1968 was enacted to consolidate and amend the laws relating to recovery of arrears of public revenue in the state of Kerala. The Act is implemented by the R&DM Department. Once a demand notice for tax, additional tax, interest, penalty etc. are issued by a department and the payment is not made within the stipulated period the amount becomes an arrear. In all departments, except the State Goods and Services Tax (SGST) Department, once the dues become overdue, a revenue requisition in Form 24 is forwarded to the District Collector for initiating revenue recovery (RR) proceedings against the defaulter. In the State Goods and Services Tax Department (SGSTD), the assessing authorities forward the revenue pending cases to the Assistant Commissioners of State Taxes (ACST) who is empowered (section 33 of KVAT Act 2003) with the RR powers of Collector under the KRR Act. When the ACSTs are unable to recover the dues, it is then forwarded to District Collector for RR. The District Collector then issues a Revenue Recovery Certificate (RRC) in Form 25 to the concerned *Tahsildar/Taluk* Office (TO) who shall forward the same to the concerned Village Office (VO) for the collection of arrear amount. The VO shall issue a demand notice and if the payment is not made by the defaulter, action shall be initiated for the attachment and sale of the movable or immovable property of the defaulter as per Section 5 of the KRR Act, 1968.

Process of recovery of arrears



4.4.2 Objectives and scope of Audit

The objectives of Audit were to examine whether:

- i) the Act, Rules and Government orders governing recovery of arrears of revenue due to government were complied with.
- ii) the monitoring and control mechanism for the recovery of arrears ensures timely collection of revenue due to the government.

The audit on arrears of revenue in six⁴⁰ departments for the period 2014-15 to 2018-19 was conducted from June 2019 to February 2020. Out of the 14 districts two⁴¹ districts were selected through judgemental sampling and three⁴² districts were selected through Simple Random Sampling without Replacement.

All the six departments selected for audit are headed by Additional Chief Secretary/Principal Secretary/Secretary at the Government level. At the departmental level Commissioner of State Taxes heads the SGSTD, Transport Commissioner heads the Transport department, Principal Chief Conservator of Forests heads the Forest and Wild Life department, Commissioner of Land Revenue heads the R&DM department, Director of Mining & Geology heads the Mining & Geology department and Inspector General of Registration heads the Registration department.

In the SGSTD, the Commissioner is assisted by ACSTs and some of the ACSTs act as RR officers. The District Collector heads the revenue administration in a District and is assisted by *Tahsildars* and Village Officers to carry out RR functions in the District.

Audit was conducted through test check of records such as files, registers etc., maintained in the Government Secretariat, the Commissionerates of SGST, Transport, Land Revenue; Forest Headquarters, Directorate of Mining & Geology, Inspector General of Registration, Dy. Commissioners of SGST and District Collectorates (DC), Revenue Divisional Offices (RDOs), TOs, ACSTs, Circle Offices, District Registrar Offices (General), Sub Registrar Offices (SROs), District offices of the Mining & Geology, Kerala Mineral Squads, Regional Transport Offices (RTO), Sub Regional Transport Offices (SRTO), Divisional Forest Offices (DFO) and Range Offices in the selected districts.

Entry Conference was held on 05 July 2019 with the Additional Secretary to Government, R&DM Department, Additional Secretary, Taxes, Joint Secretary, Forest and Wild Life, Commissioner of Land Revenue, Deputy Conservator of Forest and Joint Commissioner, SGSTD in which the audit objectives, scope and criteria of the audit were discussed. An Exit Conference was also conducted on 09 September 2020 with the Principal Secretary, R&DM Department, Additional Secretary, Taxes, Deputy Secretary, Forest and Wild Life, Commissioner of Land Revenue, Principal Chief Conservator of Forest and Commissioner, SGSTD and the audit findings were discussed in detail. The replies of the Government/ Department received during the Exit Conference and on draft report have been incorporated in the relevant paragraphs wherever applicable.

⁴⁰ State Goods & Services tax, Forest & Wildlife, Transport, Revenue & Disaster Management, Mining & Geology and Registration.

⁴¹ Thiruvananthapuram district being the headquarters of all the departments and Ernakulam district having disproportionately high arrears.

⁴² Idukki, Thrissur and Malappuram.

4.4.3 Trend of Arrears in selected departments

In five of the six departments where audit was conducted, arrears to the tune of ₹ 18,022.49 crore were pending for recovery as on 31 March 2019. The year wise position of arrears and their recovery in these five departments for the period from 2014-15 to 2018-19 is given in the **Table - 4.2** and the department wise arrears given in **Appendix XXI**. The arrear figures of department of Mining & Geology were not included as the department stated that the consolidated arrear figure for 2018-19 alone was available which amounts to ₹ 69.76 crore.

Table - 4.2
Year wise Trend of arrears

(₹ in crore)

Year	Opening Balance of arrears	Addition during the year	Total arrears	Recovery/ Adjustment of arrears	Percentage recovery of arrears	Closing balance of arrears
2014-15	8,321.87	2,052.37	10,374.24	1,701.18	16.40	8,673.06
2015-16	8,673.06	1,750.56	10,423.62	747.99	7.18	9,675.63
2016-17	9,675.62	4,122.82	13,798.44	1,719.83	12.46	12,078.61
2017-18	12,078.61	3,370.54	15,449.15	1,417.56	9.18	14,031.59
2018-19	14,031.58	4,771.64	18,803.22	780.73	4.15	18,022.49

Source: Information furnished by the Departments

It can be seen from Table 4.2 that while the arrears of revenue increased from ₹ 8,321.87 crores to ₹ 18,022.49 crores in 5 years (growth of 116.57 per cent), the rate of recovery/adjustments of arrears had decreased from 16.40 per cent to 4.15 per cent. Out of the total recovery/adjustment of ₹ 6,367.29 crore, the actual recovery was only ₹ 1,545.44 crore (24.27 per cent) and the balance is related to remission and write-off⁴³. As seen from the **Appendix XXI**, 73.83 per cent of the arrears pertains to SGSTD and the recovery/adjustment of arrears is the lowest in Forest and Wild Life Department.

Out of the total arrears of ₹ 18,022.49 crore, ₹ 3,800.64 crore (21.09 per cent) are arrears from Governments, public sector undertakings, local bodies etc., and the remaining are from individuals, private firms etc.

Audit findings

When an amount due to Government is not paid within the time limit prescribed in the demand notice, it becomes an arrear. The department is to issue a requisition for RR to the revenue authority for recovering the arrear amount. Audit noticed the following lapses in collection of arrears and the implementation

⁴³ Remission:- Assessing authority can revise or modify as per the directions of appellate/judicial authorities.

Write off:- Commissioner of Land Revenue can write off a maximum of ₹ 9,000 and DC can write off a maximum of ₹ 5,000 per year (GO.(P) No. 512/99/Rev dept.) There is no limit for Government.

of the KRR Act.

4.4.4 Non/Incomplete maintenance of database

Accurate and reliable data is crucial for any organisation to function effectively, to evaluate needs of the system, to monitor progress and to deliver results. It is important to maintain a database with details relating to arrears to be collected to enable effective monitoring of collection of arrears. This database must be reliable and up to date so that data can be managed efficiently, and users can perform multiple tasks with ease.

Audit noticed that even though the SGSTD has developed an online database, the data entry process is not yet completed. In the case of the Registration department, the database is not properly maintained and the process of correcting errors in the database is going on. In the other selected departments, a database of arrears of revenue was not maintained. Audit observes that there is huge pendency of arrears in these Departments which is increasing year after year. Hence, the database of outstanding arrears has to be created to devise a concrete action plan to clear the arrears and to monitor the progress of collection of arrears.

In the case of R&DM department, the Government replied (September 2020) that the Department has developed an online platform and a database for RR proceedings from January 2017 and action will be taken to bring the pending RR cases prior to January 2017 as well into this platform and the database. The online portal i.e. RR online contains only details of RR action initiated cases. The Audit observation is on a complete database of arrears that include cases prior to initiation of RR action as well. The Government has neither given any assurance on the formation of a comprehensive arrear data base nor fixed a target date for completion of the database in the Revenue department.

The Government in respect of SGSTD stated (November 2020) that the Department is maintaining accurate and reliable data of arrears in Demand Collection and Balance (DCB) statement and has now developed an effective database of pending arrears in GST portal. The reply is not acceptable as the DCB statement gives only a consolidated statement of arrears and not item wise details on arrear cases. Besides, the audit observation is regarding the non-maintenance of database of arrears during the VAT regime.

In respect of Mining & Geology department, the Government replied (November 2020) that the department is maintaining DCB registers at the District level and a consolidated DCB register at the Directorate to monitor the realisation of arrears. The reply is not acceptable as, even though the maintenance of DCB statement is mandatory, it is in no way a replacement for system based database which aids in monitoring of arrear cases.

The Forest and Wild Life department stated (June 2020) that they are maintaining a comprehensive and up-to-date data base of arrears of revenue at their

Headquarters. The reply further states that every year the details regarding arrears of revenue are being collected from the Circle/division offices and submitted to AG. Even though the information on arrear figures for Chapter I of the Revenue Audit Report are furnished every year by the Department, these are consolidated figures. The information as sought for processing this Compliance Audit and/or a database of arrears having details of individual cases were not available in any of the offices test checked. This is evident from the fact that the department could not produce the arrear details of missing files which has resulted in loss of revenue as explained in Para 4.4.8. The Government reply is awaited (December 2020).

In respect of Transport Department Government stated (December 2020) that necessary follow up action will be continued for the comprehensive and up to date maintenance of database of arrears.

Reply has not been received from the Registration Department (December 2020).

Recommendation: A comprehensive and up to date database of arrears may be prepared and maintained by all the departments to monitor recovery and ensure prompt follow up.

4.4.5 Pendency of arrears of selected departments in selected districts

Audit collected details of arrears from each field offices, which were maintained in registers, ledgers and DCB statements, and compiled them and analysed the year wise status of arrears of revenue. It was observed that the arrears have been steadily increasing from 2014-15 to 2018-19 and grew by 130.38 per cent during this period. The rate of growth of arrear amount was fluctuating between 13.50 per cent and 22.12 per cent whereas the recovery of the arrear amount remained sluggish with rate of recovery fluctuating between 4.58 per cent and 9.16 per cent during this period as shown in the **Table - 4.3** below:

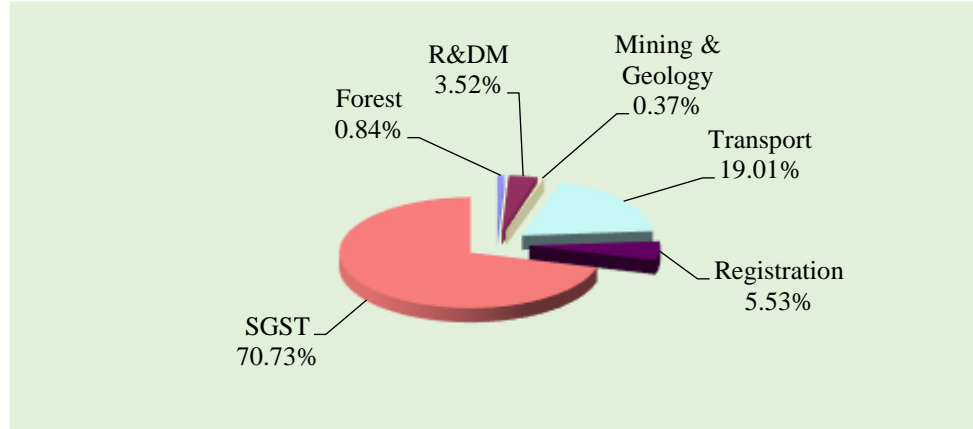
Table - 4.3
Recovery and growth of arrears

Year	Opening Balance of arrears		Arrears of revenue added during the year		Arrears realised/Adjustments made			Closing balance of arrears		Percentage growth of arrears
	No. of cases	Amount (1)	No. of cases	Amount (2)	No. of cases	Amount (3)	Rate of recovery (3/(1+2)) x100	No. of cases	Amount	
2014-15	10,84,893	4,933.72	1,10,977	1,093.04	4,91,638	426.74	7.08	7,04,232	5,600.02	13.50
2015-16	7,04,232	5,600.02	97,035	1,361.42	1,12,294	329.24	4.73	6,88,973	6,632.21	18.43
2016-17	6,88,973	6,632.21	8,08,891	1,771.26	1,21,088	770.10	9.16	13,76,776	7,633.36	15.10
2017-18	13,76,776	7,633.36	13,09,426	2,214.82	1,61,075	526.10	5.34	25,25,127	9,322.08	22.12
2018-19	25,25,127	9,322.08	2,39,068	2,590.37	21,55,781	546.10	4.58	6,08,414	11,366.35	21.93

Source: Information furnished by the field offices

During 2018-19 even though the departments closed up to 78 per cent of the arrear cases, it is not reflecting in the amount of arrears. On analysing the Department wise arrears it is seen that 70.73 per cent of the arrears pertain to SGSTD as shown in Figure 1.

Figure 1 – Department wise percentage of arrears



The office wise pendency of arrear cases and amounts as on 31 March 2019 is given in **Appendix XXII**.

Table - 4.4
Age wise details of arrears

(₹ in crore)				
Age wise pendency	No. of cases	Percentage of cases	Amount	Percentage of arrears
Less than one year	1,61,306	26.51	2,271.67	19.99
One year to less than two years	79,070	13.00	1,988.03	17.49
Two years to less than five years	89,544	14.72	2,790.96	24.55
Five years to less than 10 years	86,043	14.14	2,667.99	23.47
10 years and above	1,92,451	31.63	1,647.70	14.50
Total	6,08,414	100.00	11,366.35	100.00

Source: Information furnished by the field offices

Age wise analysis of the arrear cases (**Table 4.4**) revealed that 60.49 per cent of the cases were more than two years old involving a money value of ₹ 7,106.65 crore (62.52 per cent).

The Government stated that majority of the cases were pending due to stay by various appellate/judicial authorities. The reply is not acceptable since out of the total 6,08,414 arrear cases, 5,06,801 cases (83.30 per cent) were pending without any stay as observed in para no. 4.4.5.1 below.

4.4.5.1 Non-initiation of Revenue Recovery proceedings in respect of arrear cases

As per Section 68(1) of the KRR Act, 1968 all sums declared by any other law for the time being in force to be recoverable as arrears of public revenue due on land or land revenue; and all fees and other dues payable by any person to the Government, may be recovered under the provisions of this Act.

As per Section 69(2) of the KRR Act, 1968 when any amount, other than public revenue due on land, which is recoverable under this Act, is due, the officer in charge of realisation may send to the Collector of the district in which the defaulter or his surety resides or holds property a written requisition in the prescribed form, duly verified and certified by him.

As per Para 8.4.2 of the Kerala Forest Code Vol II, the advices for recovery of amounts due to Government under the RR Act should be issued to the RR authorities not later than six months from the date of default. As per Section 31 of the Kerala Value Added Tax Act, 2003 (KVAT Act, 2003) after issuing notice of demand, if the amount is not paid within 15 days it shall be treated as if it were an arrear of land revenue. In Transport department⁴⁴ when the amount is not paid within 15 days after issue of demand notice, recovery steps shall be initiated by addressing the District Collector concerned. No time limit was fixed in the case of Mining & Geology, Registration and R&DM Departments for addressing the DC for recovery under RR Act.

Out of the total arrear of ₹ 11,366.35 crore in 6,08,414 cases, RR proceedings were initiated in only 54,656 cases involving ₹ 3,886.43 crore. In 46,957 cases involving ₹ 3,994.95 crore, RR proceedings were not initiated due to reasons such as pending with various judicial/appellate authorities, proposed for write offs etc. Even though the remaining 5,06,801 cases (83.30 per cent) involving ₹ 3,484.97 crore (30.66 per cent) were available for RR, no RR action was requisitioned by the respective departments in these cases to realise the arrears, for which no reasons are recorded.

Department-wise data on non-initiation of RR cases is shown in the **Table - 4.5** below and the office wise split-up given in **Appendix XXII**.

Table - 4.5
Non initiation of RR action

(₹ in crore)

Name of Department	Total arrear cases	No. of cases not reported for RR	Percentage of cases not reported for RR	Amount	Percentage distribution of arrear amount
Forest	295	92	31.19	21.05	0.60
R&DM	1,60,016	1,45,809	91.12	18.67	0.54
Mining &	233	137	58.80	27.36	0.79

⁴⁴ Circular No.31/89 dated 20 December 1989 of Transport Commissioner.

Name of Department	Total arrear cases	No. of cases not reported for RR	Percentage of cases not reported for RR	Amount	Percentage distribution of arrear amount
Geology					
Transport	1,67,845	1,44,654	86.18	2,098.70	60.22
Registration	2,28,420	2,06,403	90.36	583.64	16.75
SGST	51,605	9,706	18.81	735.55	21.11
Total	6,08,414	5,06,801	83.30	3,484.97	100.00

Source: Information furnished by the field offices

- The Transport department tops the list of departments in terms of amount involved with ₹ 2,098.70 crore (60.22 *per cent*). Out of the above, ₹ 1,796.75 crore (85.61 *per cent*) is the transport vehicle tax arrears (road tax) of Kerala State Road Transport Corporation (KSRTC) for the period from 1 April 2008 to 31 March 2019. SGSTD accounts for 21 *per cent* of the arrear amount.
- 91.12 *per cent* of arrear cases in R&DM department and 90.36 *per cent* of arrear cases in Registration department were kept pending without initiating RR proceedings and without any valid reasons.

Audit observed that 46.81 *per cent* of these arrears were pending for more than five years as detailed in **Table - 4.6** below.

Table - 4.6
Age wise details of RR action non-initiated cases

(₹ in crore)

Age wise pendency	No. of cases	Percentage of cases	Amount	Percentage of arrears
Less than one year	1,39,455	27.52	720.40	20.67
One year to less than two years	60,038	11.85	491.73	14.11
Two years to less than five years	68,323	13.48	641.52	18.41
Five years to less than 10 years	73,006	14.41	1,043.26	29.94
10 years and above	1,65,979	32.75	588.06	16.87
Total	5,06,801	100.00	3484.97	100.00

Source: Information furnished by the field offices

Age wise pendency of arrears in the selected Departments given in **Appendix XXIII** shows that the *percentage* of arrears pending for more than five years in Forest, Registration and Transport Departments were 86.84 *per cent*, 82.40 *per cent* and 49.79 *per cent* respectively.

Audit test checked 314 cases for examining the reasons for non-initiation of RR proceedings and found that these cases have been kept pending without any valid reasons. Three illustrative cases involving huge arrears are as shown in **Table - 4.7**.

Table - 4.7

(₹ in crore)

Sl No	Name of the defaulter	Name of the office	Period of default	Amount	Nature of Default
1	M/s Lulu International Shopping Mall Pvt. Ltd	Taluk Office Kanayannur	2018-19	2.43	Building tax
2	M/s Hindustan News Print Limited	DFO Thrissur	2016-17 to 2018-19	0.92	Value of raw material extracted and Lease rent
3	M/s Forest Industries Travancore, Aluva	DFO Chalakudy	2014-15	0.28	Royalty on sale of timber

Thus, non-initiation of RR action by the respective departments in cases available for recovery with them has led to the accumulation of arrears.

On this being pointed out, with respect to R&DM Department, the Government stated (September 2020) that instructions were issued to the District Collectors to realise the recoverable arrears with in the stipulated date and to initiate revenue recovery proceedings, if necessary.

In case of Mining and Geology department, the Government replied (November 2020) that as per rule 64-A of the Mineral Concession Rules, 1960, 60 days are allowed to the lessee to clear the demand issued by department. On expiry of this period, the defaulters shall use the two appeal provisions and even use legal remedy measures, which may lead to delay in initiating RR action. The reply is not acceptable as Rule 64-A of the Mineral Concession Rules, 1960 relates to the charging of simple interest after a waiting period of 60 days and is not about giving a time period for payment of arrears. Also, no appeals or court cases are pending in these arrear cases and these cases were kept pending without initiating RR proceedings. The reply is also silent on the steps taken by the department for clearance of arrears.

The Forest and Wildlife department assured (June 2020) that concerted efforts would be made on a war footing to identify the 92 cases pointed out by Audit and reasons for non-initiation of RR proceedings shall be readily ascertained and intimated in due course. Laxity, if any, on the part of field officers shall be examined and dealt with appropriately.

In respect of SGSTD, the Government stated (November 2020) that in majority of cases the dealers appeal against the order with proof of payment of 20 per cent of disputed amount and there is automatic stay on recovery. Strict direction has been issued to verify and initiate RR proceedings for recovery of arrears at the earliest. The reply is not acceptable as the cases pointed out by Audit are not pending at any appellate authority level. Besides, the Department has not furnished any evidence to substantiate the claim that these cases are pending at appellate authority level.

Government in the case of Transport Department stated (December 2020) that 86.61 *per cent* of the arrears are related to KSRTC. It was also stated that Government of Kerala has exempted the tax payable under KMVT Act 1976, in respect of the buses owned by the KSRTC for a period up to 31 March 2021, in public interest. Also, in compliance to the audit report, all Regional Transport Officers and Joint Regional Transport Officers were given strict direction to initiate stringent action on recovery of revenue due to Government as RR cases and do necessary follow up action.

Recommendation: The assessing authorities of the concerned Departments should forward the cases due for Revenue Recovery to the District Collectors for RR Action at the earliest after making concerted efforts to recover the dues. Provision shall be made in KRR Act/Rules fixing a time period for initiating RR Action in case of default in payment of taxes and make it binding on all Departments.

4.4.5.2 Delay in modification of disposed appeal cases

Once a demand notice is served to an assessee and the assessee fails to remit the amount within the due date, the amount due is accounted as arrears by the department. The assessee may appeal against the order to an appellate authority, if the assessee feels the demand to be unjust. The appellate authority would either dismiss the appeal or ask the assessing authority to modify the previous assessment. The modification may be completed within a reasonable time in order to reduce the pending arrears in the Department. In Registration and Transport departments there were no appeal cases pending and in Forest and Wild life and Mining & Geology departments no such delay in modification of disposed appeal cases were noticed. The pending arrears were not finalised due to delay in modification of disposed appeal cases in SGST and R&DM departments.

- **State Goods and Services Tax Department**

As per Section 60 of the KVAT Act, 2003 and Rule 86 (2) of the KVAT Rules, 2005, once an appeal is disposed of by the first appellate authority, the revised/modified order should be issued within 150 days, if the second appeal is not preferred by any of the parties in a higher forum.

The DC (appeal) offices are maintaining appeal disposed database from 2016-17 onwards. Audit cross verified the database of five DC (Appeal) offices with the appeal disposal files of nine field offices (out of 68 SGST offices in the five districts selected) for the years 2016-17 and 2017-18. Audit noticed that, out of the 485 appellate cases involving ₹ 165.54 crore disposed by the first appellate authorities, 157 (32.37 *per cent*) cases were pending modification/disposal with the concerned assessing authorities involving arrear amount of ₹ 103.39 crore (January 2020).

The office wise details of non-modified cases by SGSTD are given in the **Table - 4.8** below:

Table - 4.8
Non-modification of disposed appeal cases in SGST department

(₹ in crore)

Name of Office	No. of cases or orders received for modification	No. of cases not modified	Amount involved
ACST Special Circle Malappuram	67	3	0.29
ACST Special Circle Thrissur	109	0	0.00
ACST Special Circle Thodupuzha	16	0	0.00
ACST Special Circle Thiruvananthapuram	40	10	3.17
ACST Special Circle - I Ernakulam	68	42	24.79
ACST Special Circle - II Ernakulam	80	48	47.49
ACST Special Circle - III Ernakulam	43	27	24.20
ACST(WC) Ernakulam	38	25	3.36
STO(WC) Thrissur	24	2	0.09
Total	485	157	103.39

Source: Information furnished by SGST field Offices

The non-implementation of the appellate orders resulted in non-realisation of revenue amounting to ₹ 103.39 crore.

This shows weakness in control and monitoring mechanism within the department which led to delay in compliance of orders of appellate authorities in respect of modification/rectification and consequent accumulation in arrears of revenue.

Government replied (November 2020) that action plan has been framed by fixing monthly target to officers for disposing modification cases within the stipulated time. Necessary directions have been given to take action to revise/modify the previous assessment orders in accordance with the appellate orders.

Recommendation: The Government may constitute an effective system to monitor the time bound modification/re-assessment of disposed appeal cases.

- **Revenue and Disaster Management Department**

As per the records of 10 Taluk Offices of selected five districts, 226 appeal cases were pending with Revenue Divisional Officer for disposal. Cross verification of appeal cases stated as pending at RDO with the seven RDOs concerned revealed that 118 (52.21 per cent) out of 226 cases were already disposed of; however, assessment was not modified by *Tahsildars*. The non-reconciliation of appeal cases between the RDOs and TOs resulted in delay in modification of assessments by *Tahsildars* and consequent blockage of revenue amounting to ₹ 113.30 lakh in

118 cases. The *Taluk* wise details of non-modified cases by *Tahsildars* are given in the **Table - 4.9** below:

Table - 4.9
Non modification of disposed appeal cases in R&DM department

(₹ in lakh)				
Name of <i>Taluk</i> Office	Name of RDO	No. of RDO Appeal cases pending as per <i>Taluk</i> records	No of appeal cases which were disposed of by RDO, but TO not aware	Amount
Ernad	Perinthalmanna	18	8	5.99
Perinthalmanna	Perinthalmanna	14	3	0.30
Nilambur	Perinthalmanna	15	1	0.51
Tirur	Tirur	13	11	24.04
Thrissur	Thrissur	13	13	3.57
Thodupuzha	Idukki	21	8	3.06
Devikulam	Devikulam	15	6	9.47
Fort Kochi	Fort Kochi	25	20	12.10
Kanayannur	Fort Kochi	44	36	27.71
Thiruvananthapuram	Thiruvananthapuram	48	12	26.55
Total		226	118	113.30

Source: Information furnished by the *Taluk* Offices and RDOs

The Commissioner of Land Revenue replied that there is no internal control mechanism to cross verify the details and to find out the lapses.

Absence of proper system in the *Taluk* Offices to watch the disposal of appeal cases by RDO is contributing to accumulation of arrears in *Taluk* Offices.

The Government replied (September 2020) that periodical report on appeal cases would be collected from the District Collectors, progress ascertained and necessary instructions would be issued. The Land Revenue Commissioner has issued instructions to all the District Collectors to entrust the inspection wing in the Collectorates with responsibility to verify the progress in building tax booking, assessment, appeal and collection. The reply is silent about the reconciliation issue pointed out by Audit.

Recommendation: Necessary directions may be given to all the field offices to cross verify the appeal cases for watching the prompt collection of arrears pending under appeal.

4.4.5.3 Non-forfeiture of the security/Non recovery from surety leading to pendency of arrears

As per Section 17 and sub section 4 of Section 55 of KVAT Act, 2003 the registering authority and the appellate authority may demand sufficient security from the dealer to prevent any future evasion of tax. As per section

31(3) of KVAT Act 2003, if default is made, the whole of the amount outstanding on the date of the default shall become immediately due and shall be a charge on the properties of the persons liable to pay the tax or other amount under this Act.

Audit noticed that there were only 69 files having bank guarantee in the selected five districts. Out of this arrear amount was due in 18 files as on 31 March 2019. Audit observed that out of these 18 files, 16 files are pending with judicial authorities and that in two files, assessing authorities could have realised the arrears by invoking bank guarantee. However, it was not done, and arrears are still pending as shown in **Table - 4.10** below: -

Table - 4.10
Non-forfeiture of the security/Non recovery from surety

(₹ in crore)							
Sl No.	Office	Assessee	Principal Amount due	Assessment year	Amount of Bank Guarantee	Appeal disposed	Delay in years
1.	STO, Special Circle Mattanchery	M/s Binani Zinc Ltd	70.00	2007-08 to 2017-18	1.56	30 November 2013 ⁴⁵	Six years
2.	STO II Circle, Tripunithura	M/s Ingram Micro India Ltd	1.10	2008-09	0.66	10 June 2014	Five years

It was noticed that M/s Binani Zinc Ltd submitted two bank guarantees with amount of ₹ 1.09 crore and ₹ 0.46 crore. After being pointed out by audit (June 2019) the department replied that the guarantee of ₹ 0.46 crore was invoked (January 2020) and action is being taken for invoking the remaining guarantee.

Though there was provision to demand security, the department did not comply with the provisions and in cases where the assesseees have furnished bank guarantees, the department did not realise the amount against the pending arrears.

Government stated (November 2020) that a security register is maintained in all the concerned offices. Higher authorities are periodically monitoring the register and no such pendency in realising arrears through security bonds furnished is pending. In respect of the cases pointed out by Audit, steps have been taken by the assessing authorities to realise the amount. The reply is silent on the reason for the delay in realisation of arrears in these two cases.

Recommendation: The Department may initiate an effective system to demand security and encash the same in order to recover the arrears.

⁴⁵ The bank guarantees were furnished for filing appeal against the assessment orders for the return periods 2005-06 and 2007-08. Both these appeals were disposed by the Deputy Commissioner (Appeals) Commercial Taxes, Ernakulam vide orders dated 30 November 2013.

4.4.6 Delay in finalisation of cases where action for Revenue Recovery has been initiated

As per Section 2 of the KRR Act, 1968 the “defaulter” means a person from whom an arrear of public revenue is due and includes a person who is responsible as surety for the payment of any such arrear. On receipt of RR Certificate from District Collector, the *Tahsildar* forwards demand notice in Form - 1 and 10 to the defaulter under section 7 and 34 of the KRR Act in respect of movable and immovable properties respectively, specifying the date within which the due amount needs to be remitted. Non remittance of the amount within the prescribed time attracts attachment of properties by the VOs. In the case of the SGSTD, on receipt of the requisition for recovery from circle offices, the demand notice is issued to the defaulter by the ACSTs. When the ACSTs are unable to recover the dues, it is then forwarded to the District Collectors for Revenue Recovery.

4.4.6.1 State Goods and Services Tax Department

As per Section 33 of the KVAT Act, 2003, the Assistant Commissioners are having powers to act as the Collector in the case of recovery of dues and take measures to attach movable and/or immovable property to recover the arrear amount.

Out of the total 52,248⁴⁶ RR cases involving ₹ 8,284.67 crore received by ACST offices in the selected districts collection was made only in 17,967 cases involving ₹ 555.55 crore. 11,757 cases were returned and 22,524 cases involving ₹ 3,207.13 crore (38.71 per cent) were pending. Out of this, 10,674 cases involving ₹ 2,862.47 crore (89.25 per cent) were under stay by various judicial/appellate authorities and 11,850 cases involving ₹ 344.66 crore were pending without any stay as detailed below.

Office wise details of pending RR cases are shown in **Table - 4.11**.

Table - 4.11
Pending RR cases in SGST department

ACST Offices	No. of RRC received	Amount involved in RRC	RR cases pending without stay	Amount involved in pending RR cases without stay
Ernakulam	21,974	6,293.36	4,439	25.28
Mattanchery	5,781	456.13	2,311	139.70
Muvatupuzha	6,533	294.64	1,330	44.15
Kattappana	3,691	123.05	316	22.95

(₹ in crore)

⁴⁶ The RR action in SGSTD involves RR requisition to be sent to the ACST offices in which the dealer is registered or has property, which may not be in the same district. Hence, there is difference between the number of cases reported for RR by the assessment circles and the number of cases received by the ACST offices of the selected districts.

ACST Offices	No. of RRC received	Amount involved in RRC	RR cases pending without stay	Amount involved in pending RR cases without stay
Manjeri	2,630	76.23	256	18.51
Neyyattinkara	1,680	68.32	256	7.88
Thiruvananthapuram	4,956	415.83	643	7.03
Irinjalakuda	2,018	328.88	1,606	61.50
Thrissur	2,985	228.23	693	17.66
Total	52,248	8,284.67	11,850	344.66

Source: Information furnished by the SGST circle offices

ACST Office, Ernakulam accounts for 37.46 *per cent* of the total RR cases pending without stay where as ACST, Mattanchery (40.53 *per cent*) has the highest amount pending.

Age wise analysis of the pending cases revealed that out of the total 11,850 pending cases 5,799 cases (48.94 *per cent*) are more than two years old having a money value of ₹ 126.06 crore (36.58 *per cent*) as shown in the **Table - 4.12** below.

Table - 4.12
Age wise details of pending RR cases – SGST department

Periodicity of Pending Arrears	No. of cases pending	Percentage of pending cases	Amount	Percentage of pending amount
less than one year	3,502	29.55	165.46	48.01
one year to less than two year	2,549	21.51	53.13	15.42
two year to less than five year	2,799	23.62	77.52	22.49
more than five years	3,000	25.32	48.54	14.08
Total	11,850	100.00	344.66	100.00

(₹ in crore)

Source: Information furnished by the SGST circle offices

When the ACST offices are unable to recover the dues, the case is returned to the concerned assessing authority. After that these cases may be forwarded to the revenue authorities by the concerned assessing authorities of the SGSTD and these cases will remain as arrears of revenue. The delay at ACST offices is unwarranted as there is provision to hand over the cases to R&DM Department as pointed out above to speed up the revenue recovery process.

Audit verified 331 out of 11,850 RR pending cases and noticed that other than issuing demand notice to the dealers, correspondences for freezing bank accounts and Prohibitory Orders to the concerned bank holding security deposits of the dealers, the ACST offices are not initiating any further action to recover the arrear amount. Some of the cases are shown in **Table – 4.13**.

Table - 4.13

(₹ in crore)

Sl No.	Office	Name of defaulter	Date of receipt of Form 23	Pendency in years	Principal amount due
1.	ACST, Ernakulam	M/s Kerala State Co-operative Federation Ltd	2017-18 to 2018-19	1	6.91
2.	ACST, Mattanchery	M/s Royal Wood Traders	2017-18	1	1.74
3.	ACST, Mattanchery	M/s Meera Homes	2012-13 to 2013-14	5	0.65

Government stated (November 2020) that as a result of the amnesty scheme in force and the severe flood and natural calamities during the last 2-3 years there is some limitation to initiate stringent action to recover the arrears. Despite the above limitations the Department has initiated effective and practical steps to recover the arrears through revenue recovery procedures. Audit acknowledges the difficulties faced by the Department due to the flood and other natural calamities in the last 2-3 years, but the fact that around 3,000 cases were pending for more than five years needs to be taken seriously by the Department. The reply is silent on the steps initiated, achievements made and the future plans to reduce the arrears by the Department.

Recommendation: Government may strengthen the ACST offices for time bound realisation of arrears and fixing a time limit for forwarding the cases to R&DM Department.

4.4.6.2 Revenue and Disaster Management Department

Out of the 3,27,608 RRC received cases involving ₹ 5,434.79 crore, RRC was returned in 66,977 cases and 2,04,955 cases were collected/settled by RR authorities/Requisition authorities. The remaining 55,676 cases involving ₹ 1,382.09 crore (25.43 per cent) were pending.

District wise details of pending RR cases is shown in **Table - 4.14**.

Table - 4.14
District wise details of pending RR cases in R&DM department

(₹ in crore)

District	No. of RRC received	Amount involved in RRC	No. of RRC returned	No. of RR cases collected/ settled	Amount involved in RR cases collected/ settled	Pending RR cases	Percentage of pending cases	Amount involved in Pending RR cases	Percentage of pending arrears
Ernakulam	82,918	1,863.81	16,543	50,773	368.19	15,602	28.02	593.16	42.92
Idukki	43,179	511.63	5,019	31,480	162.43	6,680	12.01	101.95	7.37
Malappuram	41,211	502.89	13,955	24,744	116.81	2,512	4.51	106.99	7.74
Thiruvananthapuram	1,15,311	1,756.14	26,802	61,092	525.12	27,417	49.24	459.77	33.27

District	No. of RRC received	Amount involved in RRC	No. of RRC returned	No. of RR cases collected/ settled	Amount involved in RR cases collected/ settled	Pending RR cases	Percentage of pending cases	Amount involved in Pending RR cases	Percentage of pending arrears
Thrissur	44,989	800.32	4,658	36,866	258.60	3,465	6.22	120.22	8.70
Total	3,27,608	5,434.79	66,977	2,04,955	1,431.15	55,676	100.00	1,382.09	100.00

Source: Information furnished by Tahsildars(RR)

Thiruvananthapuram district tops the list with 27,417 pending RR cases (49.24 per cent) with money value of ₹ 459.77 crore (33.27 per cent).

Out of the total 55,676 pending RR cases 28,107 cases (50.48 per cent) are more than two years old with money value of ₹ 755 crore (54.63 per cent) as shown in age wise pendency of RR cases **Table – 4.15** below.

Table - 4.15
Age wise details of pending RR cases – R&DM department

(₹ in crore)

Periodicity of Pending RR	No. of cases	Percentage of cases	Amount	Percentage of arrears
less than one year	14,975	26.90	278.69	20.16
one year to less than two year	12,594	22.62	348.40	25.21
two year to less than five year	22,068	39.63	417.56	30.21
more than five years	6,039	10.85	337.44	24.42
Total	55,676	100.00	1,382.09	100.00

Source: Information furnished by Tahsildars(RR)

The cases were pending at various stages as detailed in **Table - 4.16** below:

Table – 4.16
Stage wise details of pending RR cases – R&DM department

(₹ in crore)

Stage wise pendency	No. of cases	Percentage of cases	Amount	Percentage of arrears
Pending with Court	2,791	5.01	661.33	47.85
Pending with Tribunal	152	0.27	18.28	1.32
Pending with Appellate authority	2,181	3.92	226.73	16.41
Pending with Govt.	8,917	16.02	312.41	22.61
Pending with Village Officer	35,528	63.81	148.50	10.74
Pending with <i>Tahsildar</i>	6,107	10.97	14.84	1.07
Total	55,676	100.00	1,382.09	100.00

Source: Information furnished by Tahsildars(RR)

Audit observed that out of the total 55,676 cases, 41,635 cases (74.78 per cent) involving money value of ₹ 163.34 crore is pending with *Tahsildars* and Village

Officers. It was also noticed that 8,917 cases involving ₹ 312.41 crore (22.61 per cent) was pending with Government. During the test check of 318 RR pending files in the selected districts, it was noticed that all these RR cases were kept pending with Village Officers and *Tahsildars* without any valid reason. No action is seen taken in these cases.

Government replied (September 2020) that amendments to the KRR laws is under consideration.

Recommendation: Time limit for completing RR action may be incorporated in the RR Act and responsibility at various levels fixed for timely recovery of arrears. The Government may dispose the cases pending with them in a time bound manner and rigorously pursue the cases pending with judicial and appellate authorities.

4.4.7 Non-disposal of attached property

Section 34 to 50 of the RR Act stipulates the procedure to be followed for attachment and disposal of immovable property during RR action.

Audit observed that out of 834 attachment cases of immovable properties under RR action, 181 cases are pending under stay order. Out of the balance 653 cases auction was held only in 414 cases and 239 cases (28.66 per cent) were pending without stay by any authorities. The year wise details of attachment of immovable properties and their present status is given in **Table – 4.17** below and the *Taluk* wise details are available in **Appendix XXIV**.

**Table – 4.17
Non disposal of attached property**

Year	No. of cases attached under RR	No. of cases under stay after attachment	No. of cases auctioned after attachment	No. of cases not auctioned after attachment
Up to 31.03.14	375	56	276	43
2014-15	68	21	31	16
2015-16	75	21	34	20
2016-17	106	24	34	48
2017-18	109	36	21	52
2018-19	101	23	18	60
Grand Total	834	181	414	239

Source: Information furnished by Tahsildars (RR)

As per table 4.17, out of the total 239 attachment cases pending without stay 43 cases (17.99 per cent) are pending auction for more than five years. Non-auction of attached property would lead to risk of encroachments, legal issues etc., in addition to blockage of Government revenue.

The Government stated (November 2020) that the CLR has given directions to all the District Collectors to complete the auction process of all the attached properties at the earliest.

Recommendation: *Government/Department may strengthen the monitoring mechanism on attached properties and ensure their timely auction for realisation of arrears.*

4.4.8 Missing arrear files and resultant loss of revenue

The arrears of revenue due to Government are to be watched through the arrear files and DCB statements prepared at each office. The files kept at these offices contain details of the defaulter such as address, personal information, details of assets etc. for enabling the department or RR authorities to collect the arrears. Mere figuring of names in the arrear list is not enough to collect the arrear.

Audit noticed that 87 (29.49 per cent) out of 295 files, involving arrear pending collection amounting to ₹ 107.83 lakh, were missing in seven out of 15 DFOs as shown in **Table – 4.18** below. Only an arrear list with name of defaulters was present in these offices.

Table – 4.18

(₹ in lakh)			
Sl No	Name of the office	No. of files missing	Principal amount involved
1	DFO Kothamangalam	18	7.18
2	DFO TSD Perumbavur	36	37.75
3	DFO Chalakudy	5	5.92
4	DFO Thrissur	3	1.50
5	DFO Marayur	6	11.66
6	DFO Munnar	12	41.74
7	DFO Nilambur South	7	2.08
Total		87	107.83

Source: Information furnished by DFOs

On this being pointed out by Audit the DFOs replied that these files are not traceable. As no follow up action is possible on these missing files, the Government has lost revenue amounting to ₹ 107.83 lakh.

The Forest and Wild Life department stated (June 2020) that concerted efforts shall continue to be made to trace out all the missing files referred in the audit findings and to recover arrears of revenue due to Government.

Recommendation: *The Department should strengthen the Internal Audit and verify the status of long pending arrear cases.*

4.4.9 Absence of DCB Statements

As per Circular No. 55/2007/Fin. dated 29 June 2007 of Finance Department all the revenue earning Departments should maintain a Demand, Collection and Balance (DCB) register in the prescribed form showing Monthly Demand, Collection and Balance Statement. The Heads of Departments shall consolidate the statements in the prescribed forms and forward it to the Accountant General with a copy to Government. In all the Departments test checked DCB statements were maintained except in Forest and Wild life department.

DCB register or statement was not maintained in any of the Forest Range offices and DFOs. Instead an arrear list was prepared by them. It contains only the name of defaulter and the amount pending collection. The DCB statement being a continuous statement periodically verified by the head of department, the maintenance of the DCB statement as mandated under the Forest Code shall ensure the completeness of the arrear list.

Non-maintenance of DCB statement in proper format leads to ineffective accounting of demand and collection including arrears.

The Forest and Wild Life department stated (June 2020) that strict instructions shall be given to all subordinate offices to maintain the DCB statements in the prescribed proforma for watching the prompt collection and recovery of arrears due to the Government.

Recommendation: The Department may issue instructions to maintain DCB statement in the prescribed proforma.

4.4.10 Conclusion

Tax proceeds are the main source of revenue for the State Government. It is essential that due attention is paid for prompt recovery of taxes. During the test check of six revenue earning departments in the State, Audit noticed that the arrears of revenue was steadily increasing and the rate of recovery was continuing to be meagre throughout the audit period i.e. 2014-19. The non/incomplete maintenance of database by the major revenue earning departments is a hurdle to prompt monitoring and recovery of arrears. The RR mechanism of the State often fails in initiating timely RR proceedings and finalising them. Undue delay occurs in taking action on the basis of appellate orders. Even bank guarantees and attached properties are not disposed on time to realise the pending arrears. Unless the Government initiate steps for proper accounting of arrears, fix time limit for collection of arrears and initiation of RR action, enforce accountability and ensure prompt follow up the arrears of the State would continue to increase and hamper the financial management of the State.

4.5 Non assessment of Building tax in cases reported by the Village Officers

Section 5(1) of the Kerala Building Tax Act 1975 stipulates that Building tax shall be charged on every building, the construction of which is completed on or after 10th February 1992, based on the plinth area of the building, at the rates prescribed. As per Rule 3 of the Kerala Building Tax (Plinth Area) Rules, 1992, 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 assessment under section 5 of the Kerala Building Tax Act 1975, together with extracts from the building application register of the local authority within whose area the buildings included in the list are situated. As per Rule 13 of the Kerala Building Tax (Plinth Area) Rules a register of assessment shall be maintained by each assessing authority in Form A, and a register showing the details of buildings reported to the assessing authority for assessment will be maintained in the villages in Form C appended to the KBT Rules.

In 28⁴⁷ out of 77 Taluk Offices in Kerala, Audit cross verified the registers in Form 'C' maintained in Village Offices with the registers in Form 'A' maintained in the respective Taluk Offices. Out of the total 1,20,790 buildings reported by the Village Officers to the respective Taluk Offices 87,560 buildings were test checked. Audit noticed that 2,453 buildings coming within the purview of these 28 Taluk Offices were not assessed to building tax by the Tahsildars concerned, though the Village Officers had reported these cases in 2016-17 and 2017-18. Non assessment of building tax resulted in a short levy of ₹ 13 crore as detailed in Appendix - XXV.

On this being pointed out (May 2020), the Government replied (December 2020) that an amount of ₹ 3.62 crore was collected in 730 cases. Further progress is awaited (December 2020).

The issue of non-assessment of building tax in cases reported by the village officers has been persisting in the department for long and it was already pointed out in the previous Audit Reports for the years ended March 2016 and March 2017. As per Circular No. S.C.3/77/2018/Rev. dated 11 September 2018 issued by the Government assessment of building tax by the Tahsildars shall be completed within a period of three months from the date of reporting by the Village Officer.

Recommendation: The Department may strictly enforce the above circular to avoid future delay in assessment of building tax.

⁴⁷ Ambalapuzha, Chengannur, Cherthala, Chirayinkeezhu, Ernadu, Idukki, Iritty, Kodungallur, Kollam, Kondotty, Kottarakara, Kottayam, Kozhanchery, Kozhikode, Mallappally, Mananthavady, Mannarkad, Nedumangad, Neyyatinkara, Pattambi, Punalur, Sulthan Bathery, Thiruvalla, Tirur, Tirurangadi, Udumbanchola, Varkala, Vellarikundu (28 TOs).

4.6 Non levy of building tax due to buildings escaping assessment

Section 5 (1) of the Kerala Building Tax Act, 1975 stipulates that building tax shall be charged on every building, the construction of which is completed on or after 10 February 1992; based on the plinth area of the building, at the rates prescribed. Further Rule 3 of the Kerala Building Tax (Plinth Area) Rule 1992, specifies that for the purpose of determination of the plinth area of the building assessable under the provision of the Act, the Village Officer shall prepare in Form I, a monthly list of buildings liable to assessment, in duplicate and transmit the same to the assessing authority not later than 5 days of the expiry of the month, with extract from Building Application Register of the local authority within whose area the buildings in the list are situated.

In 2018-19, Audit examined the issue of buildings escaping assessment in 20⁴⁸ out of 77 *Taluk* Offices. Audit randomly selected 2,559 buildings out of 13,138 buildings assessable to building tax, and completed/assessed during 2016-18 from the property assessment register of 26⁴⁹ local bodies within the geographical boundary of these 20 *Taluk* Offices and cross verified it with the building tax assessment records of the concerned *Taluk* Offices and Village Offices. It was noticed that 898 buildings assessed under property tax by these local bodies were not identified by the Village Officers and reported to the *Tahsildars* concerned for assessment under Building Tax Act/Rules. This has resulted in the buildings escaping assessments and consequent non levy of building tax amounting to ₹ 6.72 crore as detailed in **Appendix XXVI**.

The issue of non-levy of building tax due to buildings escaping assessment has been persisting in the department for long and it was already pointed out in the previous Audit Reports for the years ended March 2016, March 2017 and March 2018.

The Government had issued orders vide G.O.(M.S) No. 231/15/LB dated 9 July 2015 that the local bodies shall ensure that the building tax under Kerala Building Tax Act, 1975 may be collected prior to issue of building no. or fixing and collection of property tax. And the Govt vide Circular No. S.C.3/77/2018/Rev. dated 11 September 2018 fixed the time limit of 2 - 3 months for the completion of building tax assessment failing which the local bodies may issue the building number. Other than issuing these orders Audit has not found any follow up action

⁴⁸ Ambalapuzha, Chalakudy, Chengannur, Cherthala, Idukki, Iritty, Kondotty, Kottarakara, Kottayam, Kozhenchery, Kozhikode, Mananthavady, Mannarkad, Neyyatinkara, Pattambi, Sultan Bathery, Thirurangadi, Thiruvalla, Varkala, Vellarikundu (20 TOs)

⁴⁹ Alappuzha (M), Ayyankunnu (GP), Budhanoor (GP), Chalakudy (M), Cherthala (M), Kattappana (M), Kodakara (SGP), Kondotty (M), Kottarakara (M), Kottayam (M), Kozhikode (C), Mananthavady (M), Mannarkad (M), Mulakuzha (GP), Nagalassery (GP), Neyyatinkara (M), Ongallur (GP), Pallickal (GP), Panathady (GP), Pathanamthitta (M), Pattambi (M), Sulthan Bathery (M), Thirurangadi (M), Thiruvalla (M), Varkala (M), Vengara (GP) (26 local bodies)

on the part of Government or the Department to enforce this order/circular, and the building tax assessment is continuing to get delayed.

The PAC in its 32nd Report (2016-19) based on the CAG Audit Report (Revenue Receipts) for the year ended 31 March 2012 observed that the building tax laws are very complicated and it shall be simplified for proper implementation. It was also observed that arrears in land revenue and building tax are increasing due to lack of proper land recording system. In the action taken report received in January 2020, the Government replied that it has decided to amend Section 6 of the Kerala Building Tax Act 1975 as below:

Section 6: Determination of plinth area for the purpose of assessment of building tax or luxury tax: “The plinth area of a building for the purpose of assessment of building tax or luxury tax under this Act shall be plinth area of such building as may be specified in the Completion Certificate/Occupancy Certificate approved by the Local Self Government Authorities”.

The amendment when brought out, will only help in making the assessment of building tax and luxury tax less complicated. In order to enforce strict adherence of the Act, the payment of building tax/luxury tax will have to be linked invariably with the process of allotting building number, water connection as well as electric connection. This was the audit recommendation on the subject in the Audit Report on Revenue Sector for the year ended March 2015. The PAC vide their Report no. 60 (2019-21) had accepted the Audit view and recommended for the issuance of water /electricity connection only on submitting proof of building tax remittance. However, the Government has not acted on the PAC recommendation.

On this being pointed out (May 2020), the Government replied (December 2020) that an amount of ₹ 1.58 crore was collected in 262 cases. Further progress is awaited (December 2020).

Recommendation: It is recommended that PAC’s recommendation issued vide Report No. 60 (2019-21) may be implemented.

4.7 Short/Non levy of Basic/Land Tax

As per Section 5 of the Kerala Land Tax (KLT) Act, 1961, basic tax/land tax is levied and collected on land in the State of Kerala, other than those having exemptions under Section 2 of the Act. As per Section 5(2) the tax shall be paid by the land holder before such date as may be prescribed. The rate of tax is prescribed in Section 6 of the Act.

The rate of land tax is given in **Table – 4.19**.

Table – 4.19

Local body	Area	01 April 2018 onwards ⁵⁰
Corporation	Less than or equal to 1.62 Are	₹ 10.00/Are
	More than 1.62 Are	₹ 20.00/Are
Municipality	Less than or equal to 2.43 Are	₹ 5.00/Are
	More than 2.43 Are	₹ 10.00/Are
Panchayath	Less than or equal to 8.10 Are	₹ 2.50/Are
	More than 8.10 Are	₹ 5.00/Are

Audit verified 12,716 land tax records of land holders having more than 2 ha of land in 32⁵¹ Taluk Offices as on 31 March 2019 and observed that the land tax amounting to ₹ 2.37 crore was neither demanded nor collected in 1,162 cases in 28 Taluk Offices, as detailed in **Appendix XXVII**.

Audit observed that no notices were issued by the village officers to any of the land holders having tax dues. Further, the taxpayers paid the tax on their own volition, without demand of land tax by the village officers and the amount so collected was shown as demand and collection in the DCB statement.

On this being pointed out (June 2020), the Government stated (September 2020) that in order to take Revenue Recovery action against the defaulters of basic tax, steps are being taken to integrate revenue website⁵² and revenue recovery website⁵³. The reply is silent on the action taken and recovery made in respect of the defaulters pointed out by Audit.

Recommendation: It is recommended that a system to demand land tax may be implemented at the village office level and their collection monitored through DCB statements.

⁵⁰ Vide Kerala Finance Act 2018.

⁵¹ Aluva, Chalakudy, Chavakkad, Chirayinkeezhu, Devikulam, Ernad, Fort Kochi, Idukki, Kanayannur, Kattakada, Kodungallur, Kondotty, Kothamangalam, Kunnamkulam, Kunnathunadu, Mukundapuram, Muvattupuzha, Nedumangad, Neyyattinkara, Nilambur, Paravur, Peermade, Perinthalmanna, Ponnani, Talappilly, Thirurangadi, Thiruvananthapuram, Thodupuzha, Thrissur, Tirur, Udumbanchola, Varkala.

⁵² The revenue website is used to avail e-services, including payment of basic tax, from R&DM department by the public.

⁵³ The revenue recovery website i.e. RR portal is used to provide online revenue recovery services to the Departments.