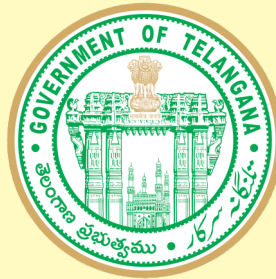




**Report of the
Comptroller and Auditor General of India
on
Revenue Sector
for the year ended March 2018**



लोकहितार्थं सत्यनिष्ठा
Dedicated to Truth in Public Interest



**Government of Telangana
Report No. 2 of 2020**

**Report of the
Comptroller and Auditor General of India
on
Revenue Sector**

for the year ended March 2018

Government of Telangana

Report No.2 of 2020

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PREFACE

This Report of the Comptroller and Auditor General of India for the year ended 31 March 2018 has been prepared for submission to the Governor of Telangana under Article 151 of the Constitution of India for being laid before Legislature of the State.

The Report contains significant findings of audit of Receipts and Expenditure of major revenue earning Departments under Revenue Sector including two Detailed Compliance Audits *i.e.*, “The role of Chief Commissioner of Land Administration in the Management of Government Land” and “Management of Endowment Assets” conducted under the Comptroller and Auditor General’s (Duties, Powers and Conditions of Service) Act, 1971.

For the Revenue Receipt functions which are computerized, Audit must necessarily be given access to transaction data, otherwise Revenue Audit functions will be severely impacted.

The instances mentioned in this Report are those, which came to notice in the course of test audit during the period 2017-18 as well as those which came to notice in earlier years but could not be reported in the previous Audit Reports; instances relating to the period subsequent to 2017-18 have also been included, wherever necessary.

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

OVERVIEW

I GENERAL

This report contains 27 paras including two Detailed Compliance audits on “Role of Chief Commissioner of Land Administration in the Management of Government land”, “Management of Endowment Assets” and an audit of “Preparedness for transition to Goods and Services Tax (GST). Some of the major findings are mentioned below.

The State’s performance in mobilisation of resources is assessed in terms of tax revenue and non-tax revenue, not including the State’s share in central taxes and Grants-in-Aid which is based on the recommendations of the Finance Commission.

The percentage of **tax and non-tax** revenue raised by State Government to the total revenue of the State increased from 70 *per cent* (₹ 58,189.43 crore) in 2016-17 to 72 *per cent* (₹ 64,345.21 crore) in 2017-18.

(Paragraph 1.2.1)

During the year 2017-18 assessment files, licence files and other relevant records of 65 offices relating to five Departments were not made available to audit for scrutiny.

Government may issue suitable instructions to the heads of the departments concerned for timely production of all the relevant records for audit scrutiny.

(Paragraph 1.7.5)

Test check of records of tax and non-tax receipts revealed under-assessment/ short-levy/ loss of revenue and other observations amounting to ₹ 957.14 crore in 1,836 cases in the year 2017-18.

(Paragraph 1.7.5)

II VALUE ADDED TAX, CENTRAL SALES TAX AND GOODS AND SERVICES TAX

- In 15 offices, 26 dealers were allowed ITC of ₹ 3.23 crore incorrectly on ineligible items. Incorrect allowance was due to non-restriction of ITC on damaged goods, invalid tax invoices and incorrect claim by hotels and bakeries.

(Paragraph 2.4.1)

- In 13 offices, 18 dealers were allowed excess Input Tax Credit (ITC) of ₹ 2.73 crore due to non-restriction of ITC by the Assessing Authorities (AAs) as per extant rules on exempt sale/ transactions resulted in excess allowance of ITC.

(Paragraph 2.4.2)

- In eight offices, the dealers paid/AAs short levied Tax at the rate of five *per cent* instead of at 14.5 *per cent* on sale of mobile phones in 20 cases. This resulted in short levy of Tax of ₹ 94.88 crore.

(Paragraph 2.5.1)

- In 13 offices, dealers paid/ AAs short levied Tax at the rate of four/five *per cent* instead of at 12.5/14.5 *per cent* due to application of incorrect rates of tax in 17 cases. This resulted in short levy of Tax of ₹ 31.65 crore.

(Paragraph 2.5.2)

- In 18 offices, there was a variation between sales turnover determined by the AAs and turnovers reported in Profit & Loss accounts in 31 cases. This resulted in short levy of tax of ₹ 2.17 crore.

(Paragraph 2.5.3)

- In 12 offices, the AAs levied less rate of tax on goods though dealers failed to furnish 'C' Forms in 12 cases in support of reported turnover. This resulted in short levy of tax of ₹ 99.98 lakh.

(Paragraph 2.6.1)

- An interest of ₹ 15.26 crore and penalty of ₹ 36.87 crore were not levied by the AAs of 44 offices though dealers in 364 cases had paid tax with delays ranging from one day to 1,165 days beyond the admissible period.

(Paragraph 2.7.1)

- The AAs did not levy penalty in 27 cases and short levied penalty in 30 cases in 30 offices on under-declaration of tax/ excess claim of ITC for reasons other than due to fraud or wilful neglect. This resulted in non-levy/short levy of penalty of ₹ 4.05 crore.

(Paragraph 2.7.2)

- In 10 offices, in 10 cases the dealers had under-declared tax wilfully. The AAs did not levy penalty in one case and short levied penalty in nine cases. This resulted in non-levy/short levy of penalty of ₹ 2.34 crore.

(Paragraph 2.7.3)

- AAs of eight offices adopted, incorrect taxable turnover under works contract in 13 cases. This resulted in short levy of tax of ₹ 3.13 crore.

(Paragraph 2.8.1)

- The AAs had not levied interest of ₹ 21.65 lakh on delayed payment of deferred Sales Tax in six cases in respect of five offices.

(Paragraph 2.9)

- Department gave instructions to the AAs to verify only top 30 cases where transitional credit of pre-GST was claimed on stock in GST regime. In four offices, excess claim of transitional credit of ₹ 62.43 crore was allowed in 78 out of 90 test checked cases which remained undetected by the Department.

The Department may formulate detailed guidelines for scrutiny of TRAN-1 forms and ensure that such forms are scrutinised at the earliest as per provisions of the TGST/ TSVAT Act.

(Paragraph 2.10.9.3)

III STATE EXCISE DUTIES

- In two offices, District Prohibition & Excise Officers (DP&EOs) fixed licence fee for five liquor shops at a rate less than the rate applicable resulting in loss of revenue of ₹ 5.32 crore.

(Paragraph 3.4)

IV STAMP DUTY AND REGISTRATION FEE

- Companies secured credit facilities from various financial institutions by creating charge on *paripassu* basis on their properties. Registering authorities collected ₹ 10,000 on each document instead of charging 0.5 per cent on the amount secured which resulted in short collection of Registration Fee of ₹ 26.30 crore.

(Paragraph 4.4)

- In four offices duties prescribed for ‘Gift in favour of relatives’ were adopted instead of the rates prescribed for ‘Gift in favour of others’. This resulted in short levy of duties amounting to ₹ 75.68 lakh.

(Paragraph 4.5)

- In 20 offices, District Registrars/ Sub-Registrars had not insisted on registration of Agreements of Sale in respect of 110 previously un-registered documents relating to sale agreements; thereby, duties/ fee amounting to ₹ 72.80 lakh remained un-realised.

(Paragraph 4.6)

- In eight offices of District Registrars/ Sub-Registrars, Agricultural rate was adopted in respect of land which had already been converted to non-agricultural use. This led to short levy of duties and fee of ₹ 64.61 lakh.

(Paragraph 4.7)

- In 15 offices, District Registrars/ Sub-Registrars undervalued the properties by ₹ 9.92 crore due to incorrect adoption of market value which resulted in short levy of duties and fee amounting to ₹ 51.91 lakh.

(Paragraph 4.8)

- In four offices, misclassification in four documents of Mortgage Deeds by the Registering Authorities resulted in short levy of duties and fees of ₹ 22.52 lakh.

(Paragraph 4.10)

V TAXES ON VEHICLES

- Non-raising of demands led to non-realisation of Quarterly tax of ₹ 1.27 crore and penalty of ₹ 64 lakh from owners of 1,406 transport vehicles for the years 2015-16 and 2016-17 in six offices.

(Paragraph 5.4)

- Test check of three offices revealed that 8,031 vehicles were plying without Fitness Certificates (FCs) due to lack of alerts in the system and failure of the Department to ensure renewal of FCs. This posed risk to public safety besides non-realisation of fee for FC of ₹ 15.37 lakh.

(Paragraph 5.5)

- Green Tax amounting to ₹ 10.72 lakh, remained uncollected in respect of 4,375 vehicles with expired Certificates of Registration (RCs).

(Paragraph 5.6)

VI LAND REVENUE

Detailed compliance audit on “Role of Chief Commissioner of Land Administration in the Management of Government land” in Telangana

- Government assigned Land measuring Acres 12,666.25 Guntas was under un-authorized occupation of third parties in 24 mandals of eight test checked districts with market value of ₹ 1,096.45 crore.

(Paragraph 6.4.3.4)

- In two cases land measuring Acres 35.00 Guntas was alienated to two private institutions at lower rates than prescribed conferring undue benefit of ₹ 117.40 crore and revenue loss to the Government.

(Paragraph 6.4.3.5)

- In Secunderabad area though lessees did not apply for renewal of expired lease in respect of 1,67,162.93 sq.yards valued at ₹ 708.53 crore, State Government did not resume the land.

(Paragraph 6.4.3.6)

VII OTHER TAX AND NON-TAX RECEIPTS

Detailed Compliance Audit on 'Management of Endowment Assets'

- In a sample of eight out of 19 temples, Pattadar Pass Books were not available for Acres 3,861.38 Guntas representing 48.41 *per cent* of the endowment land in their possession. Out of Acres 87,235.39 Guntas of endowment land, PPBs were not obtained by the Commissioner for Acres 59,898.32 Guntas.

(Paragraph 7.3.3.1)

- Physical possession of land to an extent of Acres 3.26 Guntas (category 6(a) temple) and Acres 7.09 Guntas (category 6(a) temple), though donated in 1948 and 1983 respectively, was not taken by the Assistant Commissioners.

(Paragraph 7.3.3.1)

- The extent of Endowment land encroached in the State was up to 23 *per cent* of the total endowment land.
- Absence of a proper mechanism to protect temple land increases the risk of further encroachments with attendant risk of increasing land disputes. Out of Acres 20,124.03 Guntas of land encroached, the Assistant Commissioners filed cases with Endowment Tribunal to an extent of only Acres 3,488.00 Guntas (17.33 *per cent*).

(Paragraph 7.3.3.2)

- In 10 out of the 14 category 6(a) temples, the accumulated gold of 91.87 kgs were not deposited in Gold Deposit Bond Scheme by the Executive Officers of the temples concerned.

(Paragraph 7.3.3.5)

- The Executive Officer, of one category 6(a) temple did not increase shop lease rentals while renewing the leases. This resulted in loss of revenue of ₹ 42.99 lakh.

(Paragraph 7.3.4)

CHAPTER I
GENERAL

CHAPTER I GENERAL

1.1 Introduction

This chapter presents the overview of trend of receipts of Government of Telangana and arrears of taxes pending collection against the backdrop of audit findings.

1.2 Revenue Receipts of the State

1.2.1 The tax and non-tax revenue of Government of Telangana, the State's share of net proceeds of divisible Union taxes and duties assigned to States and Grants-in-Aid received from the Government of India during 2017-18 and the corresponding figures for the preceding two years are presented in **Table-1.1:**

Table 1.1
Trend of Revenue Receipts

(₹ in crore)				
Sl. No.	Particulars	2015-16	2016-17	2017-18 ¹
1.	Revenue raised by the State Government			
	• Tax Revenue	39,974.63	48,407.73	56,519.81
	• Non-tax Revenue	14,414.36	9,781.70	7,825.40
	Total	54,388.99	58,189.43	64,345.21
2.	Receipts from the Government of India			
	• Share of Net Proceeds of Divisible Union Taxes and Duties	12,350.72	14,877.04	16,420.08
	• Grants-in-Aid	9,394.12	9,751.90	8,058.80
	Total	21,744.84	24,628.94	24,478.88
3.	Total revenue receipts of State Government (1 and 2)	76,133.83	82,818.37	88,824.09
4.	Percentage of 1 to 3	71	70	72

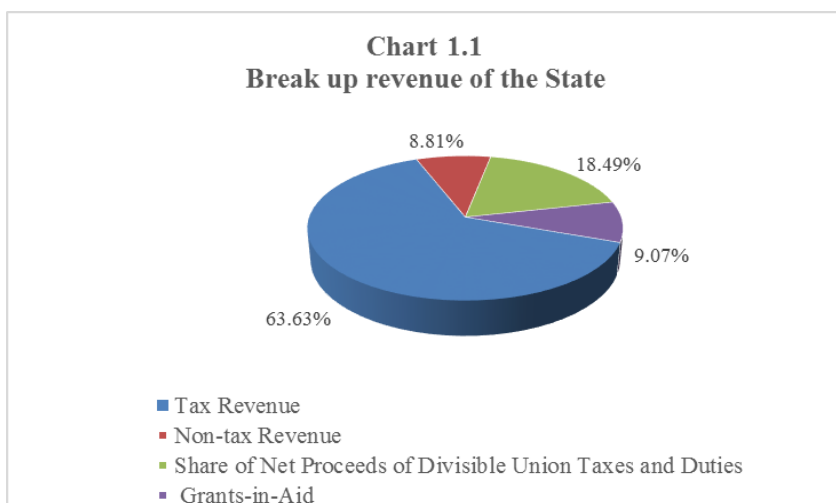
Source: Finance Accounts for the year 2017-18 of Government of Telangana

The State's performance in mobilisation of resources is assessed in terms of tax revenue and non-tax revenue, not including the State's share in central taxes and Grants-in-Aid which is based on the recommendations of the Finance Commission.

As can be seen from above, the percentage of **tax and non-tax** revenue raised by State Government to the total revenue of the State increased from 70 per cent in 2016-17 to 72 per cent in 2017-18.

1 For details please see Statement No.14-Detailed Accounts of Revenue by Minor Heads in the Finance Accounts of Telangana for the year 2017-18. Figures under the Minor Head 901-Share of net proceeds assigned to the States under the Major Heads '0005-Central Goods and Services Tax (CGST); 0008 Integrated Goods and Services Tax (IGST); 0020-Corporation Tax; 0021-Taxes on Income other than Corporation Tax; 0028-Other Taxes on Income and Expenditure; 0032-Taxes on Wealth; 0037-Customs; 0038-Union Excise Duties; 0044-Service Tax and 0045-Other Taxes and Duties on Commodities and Services booked in the Finance Accounts under A-Tax Revenue have been excluded from the revenue raised by the State and exhibited as State's share of divisible Union taxes.

The breakup of revenue receipts of the State for the year 2017-18 in terms of percentage is shown in **Chart-1.1**.



1.2.2 Details of tax revenue raised during the period 2015-16 to 2017-18 are given in **Table-1.2**:

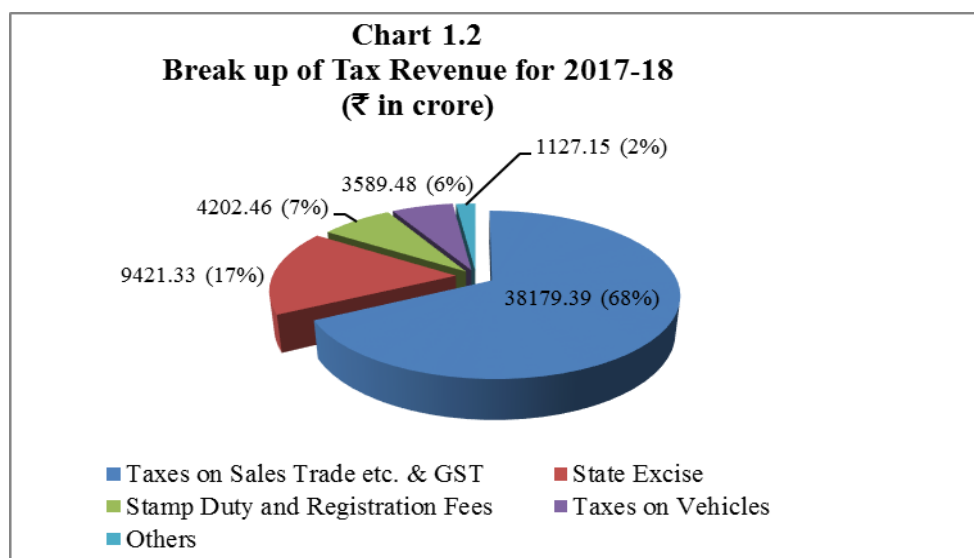
Table 1.2
Details of Tax Revenue Raised

(₹ in crore)

Sl. No.	Head of Revenue	2015-16		2016-17		2017-18		Percentage of increase (+)/ decrease (-) in 2017-18 over 2016-17
		Budget Estimates	Actuals	Budget Estimates	Actuals	Budget Estimates	Actuals	
1.	Taxes on Sales Trade etc.,	35,463.39	29,846.91	42,073.53	34,234.69	46,500.00	25,106.48	(+) 11.52
2.	GST -State Goods and Services Tax (SGST)	-	-	-	-	-	13,072.91	
3.	State Excise	3,916.43	3,809.07	4,543.06	5,580.71	9,000.00	9,421.33	(+) 68.82
4.	Stamp Duty and Registration Fee	3,700.00	3,102.23	4,292.00	3,821.66	3,000.00	4,202.46	(+) 9.96
5.	Taxes on Vehicles	2,500.00	2,309.13	2,900.00	3,394.16	3,000.00	3,589.48	(+) 5.75
6.	Land Revenue	13.46	103.71	15.61	6.70	15.00	4.12	(-) 38.51
7.	Others	901.46	803.58	1,045.71	1,369.81	1,104.00	1,123.03	(-) 18.02
	Total	46,494.74	39,974.63	54,869.91	48,407.73	62,619.00	56,519.81	(+) 16.76

Source: Budget Estimates, Finance Accounts for the year 2017-18 of Government of Telangana

The breakup of tax revenue for the year 2017-18 is shown in **Chart – 1.2**.



Goods and Services Tax was introduced w.e.f. 01 July 2017. Further details on implementation of GST are at **Para 2.10.9**.

Tax revenue accounted for 64 *per cent* (₹ 56,519.81 crore) of the total revenue (₹ 88,824.09 crore) of the State for the year 2017-18.

There has been a net increase of 17 *per cent* of tax revenue during the year 2017-18 over the previous year. The revenue under the heads VAT, Taxes on vehicles, Stamp Duty and Registration and State Excise, had increased. Reasons for decrease of revenue in Land Revenue and others was not furnished by the department.

Increase in tax revenue raised by State Government (17 *per cent*) in 2017-18 over the previous year was mainly due to increase in SGST, TSVAT (11.52 *per cent*), Taxes on Vehicles (6 *per cent*), State Excise receipts (69 *per cent*) and Stamp Duty and Registration Fee (10 *per cent*). The increase in State Excise was mainly due to revision of rates of taxation.

1.2.3 Details of non-tax revenue raised during the period 2015-16 to 2017-18 are indicated in **Table-1.3**:

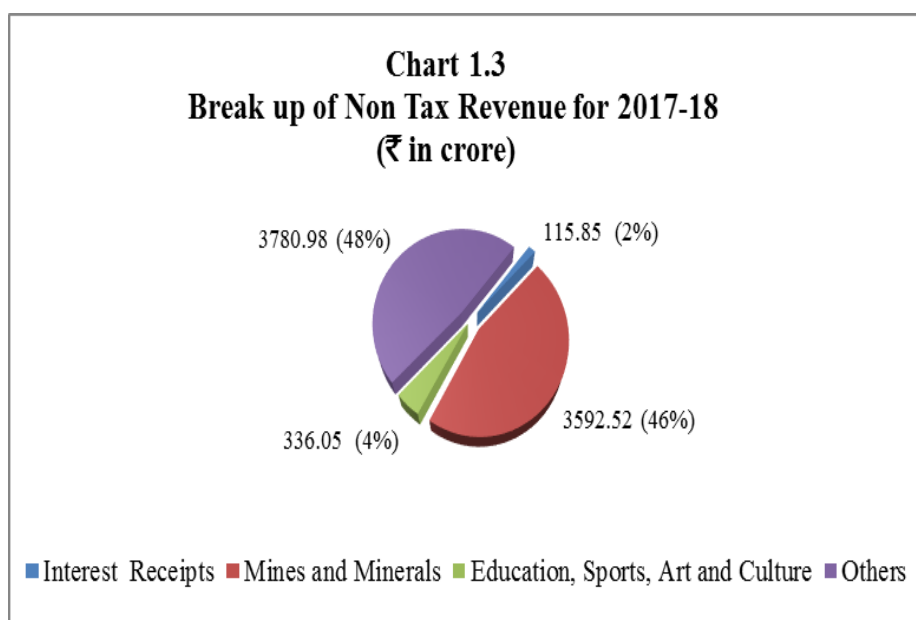
Table 1.3
Details of Non-tax Revenue Raised

Sl. No	Head of Revenue	2015-16		2016-17		2017-18		Percentage of increase (+)/ decrease (-) in 2017-18 over 2016-17
		Budget Estimates	Actuals	Budget Estimates	Actuals	Budget Estimates	Actuals	
1.	Interest Receipts	2,793.95	2,877.54	1,701.01	1,790.82	80.92	115.85	(-) 93.53
2.	Mines and Minerals	3,300.00	2,212.51	2,687.87	3,148.40	3,500.00	3,592.52	(+) 14.11

Sl. No	Head of Revenue	2015-16		2016-17		2017-18		Percentage of increase (+)/ decrease (-) in 2017-18 over 2016-17
		Budget Estimates	Actuals	Budget Estimates	Actuals	Budget Estimates	Actuals	
3.	Education, Sports, Art and Culture	841.72	184.00	400.75	768.33	1,150.75	336.05	(-) 56.26
4.	Others	15,477.60	9,140.31	12,752.69	4,074.15	1,869.70	3,780.98	(-) 7.20
	Total	22,413.27	14,414.36	17,542.32	9,781.70	6,601.37	7,825.40	(-) 20.00

Source: Budget Estimates, Finance Accounts for the year 2017-18 of Government of Telangana

The breakup of non-tax revenue for the year 2017-18 is shown in **Chart- 1.3**



Non-tax revenue accounted for nine *per cent* (₹ 7,825.40 crore) of the total revenue (₹ 88,824.09 crore) of the State for the year 2017-18. The non-tax revenue decreased by 20 *per cent* during the year 2017-18 over the previous year. The decline was mainly due to 94 *per cent* fall in interest receipts, dividends and profits especially due to fall in interest receipts from Departmental Commercial Undertakings. Revenue (₹ 3,592.52 crore) under Mines and Minerals increased by 14 *per cent* during 2017-18 over the previous year (₹ 3,148.40 crore). The increase was mainly due to increase in royalty (₹ 2,048 crore in 2017-18) of major minerals as compared to previous year (₹ 1,757 crore).

1.3 Analysis of Arrears of Revenue

The arrears of revenue was ₹ 9,670.64 crore as on 31 March 2018 from some principal heads of revenue like TSVAT, Taxes and Duties on Electricity, State Excise and Taxes on Vehicles. Out of this, ₹ 6,545.98 crore was outstanding for more than five years as detailed in **Table 1.4**:

Table 1.4
Arrears of revenue

(₹ in crore)

Sl. No.	Head of Revenue	Details of amount outstanding as on 31 March 2017		Details of amount outstanding as on 31 March 2018		Reasons
		Total	For more than five years	Total	For more than five years (per cent)	
1.	0040 - Taxes on Sales, Trade, etc.	8,027.03	4,049.86	6,885.45	5,113.87 (74)	Department stated that arrears were due to non-submission of statutory forms, court cases etc.
2	0043-Taxes and Duties on Electricity	2,367.36	1,355.88	2,500.75	1,358.67 (54)	Department stated that arrears of revenue involving ₹ 206.71 crore was covered by court cases in respect of two companies (Singareni Collieries Company Ltd- ₹ 21.67 crore, Other Licencees and Generating Companies - ₹ 185.04 crore) and demand notices were issued to remaining six ² Companies/ Corporations for an amount involving ₹ 2,294.04 crore.
3.	0039 – State Excise	39.79	39.79	39.79	39.79 (100)	Department stated that about 2,900 cases prior to 1990 were pending and these were either not collectable or under court cases.
4.	0041 – Taxes on Vehicles	75.66	31.46	244.65	33.65 (14)	Department has not furnished reasons for accumulation of huge arrears
	Total	10,509.84	5,476.99	9,670.64	6,545.98 (68)	

Source: Information furnished by the Departments

Note:- Figures in parenthesis denote per cent of total amount outstanding

It can be seen from **Table 1.4** that recovery of ₹ 6,545.98 crore was pending for more than five years which constituted more than 68 per cent of the total revenue realizable which indicates departments' inaction to act timely on huge arrears.

The departments of Land Revenue, Registration, Mines & Geology did not furnish the information on arrears of revenue.

The departments need to review the status of recovery of arrears of revenue periodically and monitor the progress of collection.

1.4 Arrears in assessments

As per the provisions of Telangana Value Added Tax (VAT) Act³, 2005, every dealer shall be deemed to have been assessed to tax, based on the return filed by him, if no assessment is made within a period of six years from the date of filing the return. Assessments under the Central Sales Tax (CST) Act are to be completed within four years. The details of assessment cases pending as on 31 March 2018 relating to State Tax Department are given in **Table 1.5**:

² Sanghi Group of Industries ₹2.70 crore, Rural Electric Co-operative Societies- ₹0.016 crore, A.P. Gas Power Corporation Ltd ₹138.31 crore, A.P. Genco ₹2,052.10 crore, two DISCOMs ₹100.40 crore, other High Tension (HT) installations ₹ 0.51 crore.

³ Changed from APVAT Act to Telangana VAT Act vide G.O.Ms. No. 32 Revenue (CT-II) Department, dated 15 October 2014.

Table-1.5
Arrears in Assessments

Category of Tax	Opening Balance	New cases due for assessment during 2017-2018	Total assessments due	Cases disposed of during 2017-2018	Balance at the end of the year (31 March 2018)	Percentage of disposal
CST	23,785	21,873	45,658	18,843	26,815	41
VAT	2,561	3,504	6,065	2,584	3,481	43
Luxury Tax	0	53	53	44	9	83
Total	26,346	25,430	51,776	21,471	30,305	41

Source: Information furnished by the Departments

The disposal by the Department was less than the new assessments due during 2017-18, leading to build-up of pending cases. With the introduction of GST, the clearance of this backlog of legacy assessments would need to be prioritized.

1.5 Pendency of refund cases

During 2017-18, 299 VAT refund claims were received involving ₹ 310.19 crore and all the claims were processed. Details on refunds under GST are at **Para-2.10.9.4**. Further, in respect of Transport Department, refunds were made in 114 cases involving an amount of ₹ 99.85 lakh.

There were no cases of refunds during 2017-18 as stated (May 2018) by State Excise Department. Details of cases of refund were not furnished by Energy, Land Revenue, Registration and Stamps departments though called for (May, June and November 2018).

1.6 Audit by Comptroller and Auditor General of India

1.6.1 Authority for Audit

Comptroller and Auditor General of India (CAG) derives authority for audit from Articles 149 and 151 of the Constitution of India and CAG's (Duties, Powers and Conditions of Service) Act, 1971 (DPC Act). CAG audits Revenue departments of the Government under Section 16 of the DPC Act.

1.6.2 Planning and conduct of Audit

The annual audit plan for the offices under various departments is prepared after categorising them as high, medium and low risk considering their revenue position, past trend of the audit observations *etc.*

During the year 2017-18, audit of 335 units out of total 1,080 auditable units under eight Departments⁴ was planned. A total 324 units (30 per cent) were audited. Two Detailed Compliance Audits *i.e.* “Role of Chief Commissioner of Land Administration in Management of Government land” and “Management of Endowment Assets” were conducted.

1.7 Response to Audit

Timely response to audit findings is one of the essential attributes of good governance as it provides assurance that the Government takes its supervisory role seriously.

1.7.1 Response to Recommendations of the Public Accounts Committee (PAC)

PAC Reports/Recommendations are the principal medium by which Legislature ensures financial accountability of the Executive. Government instructed⁵ that all the departments should furnish Action Taken Notes (ATN) on PAC recommendations to the PAC and Accountant General within six months from date of its receipt. All such ATNs had to be routed through the Finance Department and copies thereof to the Accountant General.

Action Taken Notes on 113 recommendations relating to Audit Reports (Revenue Sector) were due as of March 2018. Of these, 11 recommendations pertain to Telangana State and 102 pertain to combined state of Andhra Pradesh and Telangana.

1.7.2 Follow up action on earlier Audit Reports (ARs)

Serious irregularities observed in Audit are included in the Reports of the Comptroller and Auditor General of India those are presented to State Legislature. The internal working system of the Public Accounts Committee laid down that the departments shall submit the explanatory notes on audit paragraphs within three months of tabling the Report. In spite of these provisions, the explanatory notes on Audit Paragraphs of the Reports are delayed inordinately.

Reports of the Comptroller and Auditor General of India on Revenue Sector of the Government of Andhra Pradesh contained 170 paragraphs (including five Performance Audits and one Stand Alone Report) for the years from 2012-13 to 2016-17. These Audit Reports were placed before the State Legislative Assembly between November 2014 and March 2018. Of these, 118 paragraphs pertain exclusively to Telangana and 52 paragraphs (including two Performance Audits and one Stand Alone report) were common to both

⁴ State Taxes, Excise, Land Revenue, Transport, Registration, Energy, Endowments, Industries and Commerce.

⁵ Government of Andhra Pradesh U.O.Note No.1576-A/32/PAC/95 dated 17 May 1995.

Telangana and Andhra Pradesh States. Explanatory notes in respect of 164 paragraphs from eight Departments⁶ have not been received.

1.7.3 Response to past Inspection Reports

A review of IRs issued up to December 2017 pertaining to eight departments showed that 20,178 paragraphs relating to 4,531 IRs valuing ₹ 9,824.74 crore were outstanding at the end of June 2018 (*Appendix-1.1*). Even first replies from the Heads of offices which was to be furnished within one month has not been received in respect of 275 IRs issued during 2017-18.

Recommendation

The Government should ensure prompt and appropriate response to audit observations as well as take action against those failing to send replies to the IRs/ paragraphs as per the prescribed time schedules.

1.7.4 Departmental Audit Committee Meetings

The Government has to set up Audit Committees to monitor and expedite the progress of the settlement of the IRs and paragraphs in the IRs. During the year 2017-18, no Audit Committee Meetings were held by departments.

Recommendation

As the pendency of IRs and paragraphs are accumulating, Government may instruct all the Departments to regularly conduct Audit Committee Meetings to expedite settlement of IRs/paragraphs.

1.7.5 Constraints in Audit

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

During the period 2017-18, 65 offices pertaining to five departments⁷ did not produce crucial records like Annual Accounts of dealers, Assessment Files, Licence files of A-4 shops and related records, Cash Book, Demand Collection and Balance Register, Challan Remittance Register and reconciliation statement etc., where the records were made available, under-assessment/ short levy/ loss of revenue aggregating to ₹ 957.14 crore in 1,836 cases pertaining to 324 test checked units of eight departments⁸ were observed. During the year, departments accepted observations pertaining to

⁶ Commercial Taxes, State Excise, Land Revenue, Transport, Registration, Energy, Industries and Commerce, Endowments.

⁷ State Taxes, Prohibition and Excise, Registration and stamps, Land Revenue, Transport.

⁸ Endowments, Energy, Excise, Industries and Commerce, Land Revenue, Registration, State Taxes, Transport.

₹245.59 crore in 348 cases⁹ and ₹1.03 crore¹⁰ only was recovered in 93 cases.

Non production of records causes hindrance not only in discharging audit functions effectively by not being able to verify accuracy of revenue collections and expenditure; but also may deprive the Government of recoveries effected at the instance of Audit.

Recommendation:

Government may issue suitable instructions to the Heads of the Departments concerned for timely production of all the relevant records for audit scrutiny.

1.7.6 Response of the Departments to the draft audit paragraphs

The draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India (CAG) were forwarded by the Principal Accountant General to the Principal Secretaries/ Secretaries of the concerned Departments. They were requested to send their response to audit findings within six weeks.

Audit forwarded 43 draft compliance audit paragraphs including two draft detailed Compliance Audit Reports to the Principal Secretaries/Secretaries concerned between August 2018 and December 2018. Replies have not been received from the Government (February 2020).

1.7.7 Analysis of the mechanism for dealing with the issues raised by Audit in Registration and Stamps Department

The system of addressing the issues highlighted in the Inspection Reports/ Audit Reports by the Departments/ Government in respect of Registration and Stamps Department was evaluated. The evaluation was on action taken on the cases detected in local audit during 2014-15¹¹ to 2017-18 and Compliance Audit Paragraphs/ Performance Audit Reports included in the Audit Reports for the years 2012-13 to 2016-17.

The overall performance of the Department in clearance of Inspection Reports and action taken on recommendations of Audit was not encouraging as given in **Table 1.6:**

⁹ of which 155 cases involving ₹ 44.36 crore were pointed out in earlier years.

¹⁰ of this, recovery of ₹ 0.44 crore in 56 cases related to previous years.

¹¹ Telangana State formed w.e.f. 02 June 2014.

Table 1.6
Position of Inspection Reports (IRs)

Sl. No.	Year	Opening Balance			Addition during the year			Clearance during the year			Closing Balance		
		IRs	Paras	Money Value (₹ in crore)	IRs	Paras	Money Value (₹ in crore)	IRs	Paras	Money Value (₹ in crore)	IRs	Paras	Money Value (₹ in crore)
1.	2014-15	1,042	3,716	475.87	79	644	25.66	6	77	0.87	1,115	4,283	500.66
2.	2015-16	1,115	4,283	500.66	105	672	19.26	108	772	333.72	1,112	4,183	186.20
3.	2016-17	1,112	4,183	186.20	119	688	41.80	9	162	0.43	1,222	4,709	227.57
4.	2017-18	1,222	4,709	227.57	118	857	341.70	23	470	2.91	1,317	5,096	566.36

Source: Records of Office of Principal Accountant General (Audit), Telangana

The above position indicates that overall performance of the Department in clearance of paragraphs was not encouraging. Against 1,042 outstanding IRs with 3,716 paragraphs at the beginning of 2014-15, the number of outstanding IRs increased to 1,317 with 5,096 paragraphs at the end of 2017-18.

Two Performance Audits were conducted during 2012-13 and 2015-16 on the subject¹² pertaining to Registration and Stamps Department and 12 recommendations were issued. Explanatory Notes were not received from the Government in respect of these Performance Audit Reports as of December 2018. Details of recommendations and their status are given in **Appendix-1.2**.

1.8 Coverage of this Report

This Report contains 27 compliance audit paragraphs including two Detailed Compliance Audits viz, “Role of Chief Commissioner of Land Administration in the Management of Government Land” and “Management of Endowment Assets” with tax effect of ₹ 418.16 crore.

The audit observations in the report are based on the results of the test check of records made available to audit. There may be similar irregularities, errors/omissions in other units under the department but not covered in the test audit. Department may, therefore, examine all the units with a view to ensure that the taxes are levied as per provisions of the Act and Rules.

¹² Functioning of Registration and Stamps Department including Information Technology (IT) audit of Computer Aided Administration in Registration Department (CARD); Revision and implementation of Market Value Guidelines.

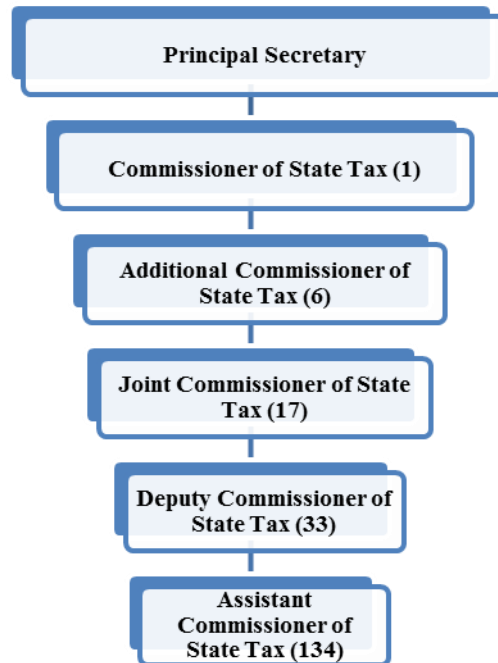
CHAPTER II
VALUE ADDED TAX,
CENTRAL SALES TAX
AND
GOODS AND SERVICES
TAX

CHAPTER II

VALUE ADDED TAX, CENTRAL SALES TAX AND GOODS AND SERVICES TAX

2.1 Tax Administration

Value Added Tax and Central Sales Tax Act¹³ and Rules framed there under are administered at the Government level by Principal Secretary of Revenue Department and the organisational set up is depicted in the organogram given below. The total revenue from State Tax Department during 2017-18 was ₹ 38,179.39 crore¹⁴.



2.2 Internal Audit

Internal audit is an important mechanism for ensuring proper and effective functioning of a system for detection and prevention of control weaknesses. The Department did not have a dedicated Internal Audit Wing that would plan and conduct audit in accordance with a scheduled audit plan. Each STU/circle is audited by audit teams consisting of five members headed by either ACs or State Tax Officers (STOs). The information relating to audits conducted was however not furnished by the Department (March 2019).

¹³ Consequent on introduction of GST (Goods and Services Tax) w.e.f. 01 July 2017, the department is known as State Tax Department.

¹⁴ Source: State Finance Accounts 2017-18.

2.3 Results of Audit

During the year 2017-18, the assessment files, refund records and other connected documents in 81 out of 112 offices of the Commercial Taxes Department were test checked. Instances of under assessment of Sales Tax/VAT and other irregularities involving ₹776.75 crore in 1,227 cases were observed. These fall under different categories as given in **Table 2.1**:

Table 2.1
Category of Audit observations on revenue receipts

Sl. No.	Categories	No. of audit observations	(₹ in crore)
			Amount
1.	Short levy of tax on works contracts	24	11.56
2.	Non-levy/short levy of interest and penalty	246	152.83
3.	Excess claim/allowance of Input Tax Credit	257	76.08
4.	Non-levy/short levy of tax under VAT Act	418	289.52
5.	Non-levy/short levy of tax under CST Act	88	55.28
6.	Sales tax deferment	22	49.03
7.	Compliance Audit on “Transition from VAT to GST”	1	62.43
8.	Other irregularities	171	80.02
	Total	1,227	776.75

Department accepted audit findings involving tax effect of ₹125.15 crore in respect of 281 cases out of which it recovered an amount of ₹0.45 crore in 37 cases during the year 2017-18.

There are six broad categories of audit observations under VAT/ CST Act and one broad category of audit observation under GST Act. There may be similar irregularities, errors/omissions in other units under the department but not covered in the test audit. Department may, therefore, examine all the units with a view to ensure that the taxes are levied as per provisions of the Act and rules. In reply to the observations discussed in the chapter, the test checked Assessing Authorities (AA) stated that files were submitted to higher authorities for revision; show cause notices were being issued; action is under process; matter would be examined; orders passed for collection of balance tax; orders passed and demand taken in to Debt Management Unit (DMU); penalty and interest would be levied *etc.*

Non-observance/compliance of provisions of the Telangana VAT Act and Rules read with Government notifications

The Telangana VAT Act, 2005, the Telangana VAT Rules made there under, CST Act, 1956 and CST Rules, 1957 provide for:

- Allowance of input tax credit on purchases made at the prescribed rate for each type of commodity
- Levy and collection of output tax by adopting rates of tax prescribed by the Act
- Levy and collection of tax on inter-state sale turnovers

- Levy of penalty and interest on belated payment of tax
- Levy of tax on the correctly assessed taxable turnover
- Levy of tax on works contract turnover

The Telangana Goods and Services Tax (GST) Act, 2017 provides for levy of tax on intra-state supply of goods or services (*except alcohol for human consumption and five specified petroleum products*¹⁵). Further, Integrated GST (IGST) is being levied on inter-state supply of goods or services (including imports) and the Parliament has exclusive power to levy IGST. The GST Act also provides for Transitional provisions and legacy issues such as claim of refunds and, transitional credits.

The AAs, while finalising the audit assessments of the dealers did not observe some of the aforesaid provisions involving ₹ 261.84 crore which are discussed in the following paragraphs. Such omissions are pointed out in audit every year, but not only do the irregularities persist; these remain undetected till an audit is conducted. There is a need for improvement of internal controls so that repetitions of such omissions can be avoided or detected timely and rectified.

2.4 Input Tax Credit

2.4.1 Allowance of input tax credit on ineligible items

Input Tax Credit amounting to ₹3.23 crore was allowed on ineligible items.

Under Section 13(1) and 13(3) of the Telangana VAT Act, 2005, Input Tax Credit (ITC) shall be allowed to a VAT dealer for tax charged in respect of all purchases of taxable goods, made from a registered VAT dealer during the tax period, if such goods are for use in his business and if he is in possession of valid tax invoices. On test check (between January 2017 and October 2017) of 15¹⁶ out of 112 offices and found that in 26 cases¹⁷, ITC amounting to ₹3.23 crore was incorrectly allowed on ineligible items as shown in **Table 2.2:**

¹⁵ Petroleum products: crude, high speed diesel, petrol, aviation turbine fuel and natural gas.

¹⁶ JCs(ST)-Abids, Hyderabad Rural and Karimnagar; ACs(ST)-Ashoknagar, Basheerbagh, Bowenpally, Charminar, Hydernagar, Jubilee Hills, Madhapur, Mahabubnagar, M.J.Market, Punjagutta, Rajendranagar, and Vengalraonagar.

¹⁷ Cases in this Chapter means 'Dealers'.

Table 2.2
Incorrect allowance of ITC

Authority	Subject	No. of Division/ Circles	No. of Cases	Incorrect allowance of ITC (₹ in crore)
As per Section 13(5)(h) of the Telangana VAT Act, 2005, no input tax credit is allowed on the supply of goods on which VAT dealer pays tax under clause (b) and (d) of sub section (9) of section 4 of the Act.	Incorrect claim of ITC by dealers running Hotel business	Nine ¹⁸	18	2.96
Under section 13(4) of the Act read with Rule 20(2) of Telangana VAT Rules, 2005, a VAT dealer shall not be entitled for ITC in respect of purchase of items used for personal consumption such as Refrigerators, coolers, etc.	ITC claimed on ineligible items	Two ¹⁹	2	0.13
As per Rule 27(1)(d) of Telangana VAT Rules, 2005, a tax invoice without serially numbered printed or computerized invoice is invalid and no ITC is allowed on purchases with such invoices.	ITC allowed on invalid tax invoices	Three ²⁰	3	0.03
As per Section 13(5)(b) of Telangana VAT Act, 2005, no ITC credit shall be allowed in case of transfer of business as a whole.	Incorrect claim of ITC on transfer of business as whole	AC Vengalrao Nagar	1	0.05
As per Section 13 of VAT Act, the dealer is not entitled to claim ITC on damaged goods and purchase returns.	ITC not restricted on damaged goods	Two ²¹	2	0.06
Total			26	3.23

The matter was referred to the Department (July 2018) and to the Government (September 2018); replies have not been received (February 2020).

¹⁸ JCs(ST)-Abids, Hyderabad Rural and Karimnagar;

ACs(ST)-Ashoknagar, Basheerbagh, Bowenpally,Hydernagar, Madhapur and Punjagutta.

¹⁹ ACs(ST)-Basheerbagh and Jubilee Hills.

²⁰ ACs(ST)-Charminar, Mahabubnagar and Rajendranagar.

²¹ ACs(ST)-Charminar and M.J. Market.

2.4.2 Excess claim of input tax credit due to incorrect restriction

Excess allowance of Input Tax Credit of ₹2.73 crore due to non restriction of ITC on exempt sales /transactions.

As per Section 13(5) read with Rule 20(7) of Telangana VAT Act, 2005 (VAT Act), no Input Tax Credit (ITC) is allowed on purchase of taxable goods corresponding to sale of exempt goods. As per Section 13(6), read with Rule 20(8) of the VAT Act, where a VAT dealer makes sale/branch transfers of goods, ITC will be as follows:

- (a) ITC on 9.5 *per cent* portion of 14.5 *per cent* purchases shall be allowed in full.
- (b) The balance five *per cent* of (a) above and ITC on five *per cent* purchases shall be restricted by applying formula²².

Where a VAT dealer makes taxable sales, exempt sales and also exempt transactions by using common inputs, ITC is allowed proportionately.

On test check of VAT assessments and VAT records for the period 2009-10 to 2016-17, it was observed (between January 2017 and September 2017) that in 13²³ out of 112 offices, ITC was not restricted in respect of 18 cases. The amount of ITC claimed/ allowed was ₹47.95 crore against eligible ITC of ₹45.22 crore. Non-restriction of ITC by the AAs as per the rules on exempt sales/ transactions resulted in excess allowance of ITC of ₹ 2.73 crore.

In one case, AC (ST) Balanagar replied that the assessment was finalised under Rule 20(9)²⁴ of the VAT Rules.

It is of the view that the dealer instead of restricting ITC on purchases involved both in exempt transactions and exempt sales (SEZ sales) had however restricted ITC only on purchases involved in exempt transactions.

The matter was referred to the Department (June 2018) and to the Government (September 2018); replies have not been received (February 2020).

2.4.3 Incorrect Input Tax Credit

Incorrect carry forward of Input Tax Credit in respect of 12 dealers led to excess allowance of tax credit of ₹ 1.22 crore.

Under Section 13(1) and 13(3) of the Telangana VAT Act, 2005, Input Tax Credit (ITC) shall be allowed to the VAT dealer for tax charged in respect of all purchases of taxable goods, made from a registered VAT dealer during the

²² $A*B/C$, where A is the input tax for common inputs for each tax rate, B is the taxable turnover and C is the total turnover.

²³ JCs(ST)- Begumpet, Punjagutta, Secunderabad and Warangal; ACs(ST)-Balanagar, Basheerbagh, IDA Gandhinagar, Jeedimetla, Khammam-III, Rajendranagar, Sanathnagar, Sangareddy and Srinagar colony.

²⁴ Deals with restriction of ITC in respect of exempt sales and exempt transactions.

tax period, if such goods are for use in business and if the dealers in possession of valid tax invoices.

On test check (September 2017) of VAT assessments and VAT records in the Office of Asst. Commissioner (ST) Sangareddy for the period 2012-13 to 2015-16, it was observed in 12 cases that the AAs had adjusted ITC against the output tax in the assessments. The balance ITC taken to VATIS ledger²⁵ for adjustment in the subsequent years was in excess than determined in the assessment order. Such excess carry forward of ITC resulted in undue credit of ₹ 1.22 crore.

The matter was referred to the Department (July 2018) and to the Government (September 2018); replies have not been received (February 2020).

2.5 Short/ Non-levy of Value Added Tax

2.5.1 Short levy of VAT

Incorrect levy of tax at five per cent instead of 14.5 per cent on mobile phones resulted in short levy of tax amounting to ₹ 94.88 crore.

As per Section 4(3) of Telangana VAT Act, 2005 every VAT dealer shall pay tax on the sale of goods, at rates specified in the Schedules to the Act. All goods other than those specified in schedules I, III, IV and VI falls under Schedule-V, which are liable to be taxed at the rate of 14.5 per cent. As per the Government Order²⁶ 'Mobile Phones' (HSN Code 8517) are taxable at five per cent under Schedule-IV to the Act. The Government rescinded²⁷ (March 2013) this order and as a result, mobile phones were to be taxed as per the residuary entry in Schedule-V to the Act, at 14.5 per cent with effect from 01 April 2013. Further, the Government²⁸ again included "Cell Phones/Mobile Phones" in Schedule-IV w.e.f. 28 July 2016. Thus, Mobile Phones fell under Schedule-V of the Act, during the intermediary period from 01 April 2013 to 27 July 2016 and were to be taxed at 14.5 per cent.

According to Section 20(3)(a) of the VAT Act, 2005, every return submitted by a dealer shall be subjected to scrutiny to verify the correctness of calculation, application of correct rate of tax, input tax credit claimed therein and full payment of tax payable for such tax period.

On test check (between February 2017 and September 2017) of VAT records in eight²⁹ out of 112 offices for the period from April 2013 to March 2016, it was observed that in 20 cases, the AAs levied tax at the rate of five per cent instead of at 14.5 per cent on sale of mobiles. This resulted in short-levy of tax of ₹ 94.88 crore at differential rate of 9.5 per cent on a turnover of ₹ 998.73 crore.

²⁵ VAT ledger - Value Added Tax ledger generated in Telangana Commercial Taxes portal.

²⁶ G.O.Ms.No.1615 dated 31 August 2005.

²⁷ vide G.O.Ms.No.140 dated 19 March 2013.

²⁸ G.O.Ms.No.186 dated 28 July 2016.

²⁹ ACs(ST)- Hydernagar, Jeedimetla, Jubilee Hills, Madhapur, M.J. Market, Sanathnagar, Sangareddy and Somajiguda.

The matter was referred to the Department (April 2018) and to the Government (September 2018); replies have not been received (February 2020).

2.5.2 Short levy of tax due to adoption of incorrect rate of tax

Application of incorrect rates resulted in short levy of tax aggregating to ₹ 31.65 crore.

Under Section 4(3) of the VAT Act, 2005 every VAT dealer shall pay tax on sale of taxable goods at the rates specified in Schedules to the Act. Commodities which fall under Schedule-VI to the Act, attract special rate of tax. Commodities not specified in any of the schedules fall under Schedule-V and tax is to be levied at the rate of 14.5 *per cent*³⁰. Further, as per Section 4(9)(c) of the Act, every dealer whose annual total turnover is ₹ 1.50 crore and above shall pay tax at the rate of 14.5 *per cent* on the taxable turnover representing sale or supply of food served in restaurants, sweet-stalls *etc.*

On test check (between January 2017 and September 2017) of VAT assessments and VAT records for the period 2009-10 to 2016-17, it was observed that there was short levy of tax in 17 cases in 13³¹ out of 112 offices. In respect of 12 cases, the AAs³² incorrectly levied tax at four/five *per cent*³³ on commodities³⁴, though these are liable to be taxed at the rate of 12.5/14.5 *per cent*.

In respect of five cases in four offices³⁵, dealers who owned bars and restaurants/restaurants and Hotels had declared annual total turnover above ₹ 1.50 crore and paid VAT at five *per cent* on sale of food though they are liable to pay tax at the rate of 14.5 *per cent*. Application of incorrect rates of tax resulted in short levy of tax aggregating to ₹ 31.65 crore on a turnover of ₹ 331.81 crore.

In one case, AC (ST) Begumpet replied (August 2017) that the pre Engineered Fabricated steel structures fall under Schedule-IV and taxable at the rate of five *per cent*.

It is however, noted that the said commodity was a distinct commercial commodity and it was clarified in Advance Ruling³⁶ that the commodity was liable to tax at the rate of 14.5 *per cent*.

³⁰ Prior to 11 January 2010, the rate of tax on Schedule-V goods were at the rate of 12.5 *per cent*.

³¹ JC(ST) – Abids & ACs(ST) – Bowenpally, Begumpet, IDA Gandhinagar, Jeedimetla, Lad Bazar, Madhapur, Malkajgiri, Nampally, Punjagutta, Rajendranagar, Sanathnagar and Sangareddy.

³² JC(ST) – Abids & ACs(ST) – Bowenpally, Begumpet, Jeedimetla, Lad Bazar, Malkajgiri, Nampally, Punjagutta, Sanathnagar and Sangareddy.

³³ Prior to 13 September 2011, the rate of tax on Schedule-IV goods were at the rate of four *per cent*.

³⁴ Birla White Cement, AAC blocks, Galvanised Sheets, Diesel Generators, Empty Gas Cylinders, Storage Tanks *etc.*

³⁵ ACs (ST) – Bowenpally, IDA Gandhinagar, Madhapur and Rajendranagar.

³⁶ A.R.Com/28/2012, dt. 15 September 2012.

The matter was referred to the Department (April/ June 2018) and to the Government in September 2018; replies have not been received (February 2020).

2.5.3 Short levy of tax due to under assessment of turnover

Non consideration of sales turnover as per Profit and Loss accounts filed by dealers led to short levy of tax of ₹ 2.17 crore .

As per Section 4(1) of Telangana VAT Act, 2005, every dealer registered or liable to be registered as a VAT dealer shall be liable to pay tax on every sale of goods in the State at the rates specified in the Schedule. As per Section 4(8) of Telangana VAT Act, every VAT dealer who leases out or licenses others to use taxable goods, for cash or consideration in the course of his business shall pay tax on the consideration at the rates as are applicable to the goods involved.

As per Rule 25(10) of Telangana VAT Rules, every VAT dealer shall furnish, for every financial year, to the prescribed authority, the audited accounts on or before 31 December subsequent to the financial year to which the statements relate. As per para 5.12 of the VAT Audit Manual, 2012, audit officer has to reconcile the figures given by the dealer on VAT returns with certified annual accounts.

On test check (between January 2017 and September 2017) of VAT/ CST assessments and VAT/ CST records for the period 2010-11 to 2015-16, in 18³⁷ out of 112 offices, it was observed that the sales turnover determined by the AAs in 31 cases was ₹ 950.87 crore as against the turnover of ₹ 985.68 crore reported in Profit and Loss accounts (including other income³⁸). This resulted in short levy of tax of ₹ 2.17 crore on differential turnover of ₹ 34.81 crore at five per cent/ 14.5 per cent as detailed in **Table 2.3**:

Table 2.3
Turnover Variation between P&L Account and VAT/CST
assessments/VATIS Ledger

(₹ in crore)					
Sl. No.	Category	Turnover as per P&L A/c	Turnover as per AO/VATIS Ledger	Difference in turnover	Short levy of tax
1.	CST	679.36	667.90	11.46	0.79
2.	VAT/VATIS ledger	306.32	282.97	23.35	1.38
	Total	985.68	950.87	34.81	2.17

Thus there was a total short levy of ₹ 2.17 crore on account of variation/non-inclusion of taxable turnover in assessments.

³⁷ JCs(ST) –Adilabad and Secunderabad, ACs(ST)- Ashoknagar, Charminar, Hydernagar, Jeedimetla, Khammam-III, Kodad, Madhapur, Malakpet, Malkajgiri, Peddapalli, Punjagutta, R.P. Road, Sanathnagar, Sangareddy, Suryapet, and Vengalraonagar.

³⁸ Other income may include hire charges, miscellaneous income, discounts etc. Such income is to be added to turnover and tax levied at the rates applicable to the commodity dealt by the dealer.

The matter was referred to the Department in April 2018 and to the Government in September 2018; replies have not been received (February 2020).

2.5.4 Short realisation of Tax due to failure to register as VAT dealer

Failure to register as VAT dealers despite taxable turnover exceeding the threshold limit resulted in short realisation of tax of ₹ 31.43 lakh.

As per Section 17(3) of the Telangana VAT Act, 2005 with effect from 01 May 2009³⁹, every dealer whose taxable turnover in the preceding twelve months exceeds ₹ 50 lakh⁴⁰ shall be liable to be registered as a VAT dealer. As per Rule 11(1) of the VAT Rules, the prescribed authority may *suo moto*, register a dealer, who is liable to apply for registration as VAT dealer but has failed to do so.

On test check of Turnover Tax (TOT) records in eight⁴¹ out of 112 offices and observed (between January 2017 and September 2017) in 14 cases that the taxable turnover of the dealers (during the period from July 2014 to March 2017) had crossed the threshold limit. These TOT dealers had neither applied for VAT registration nor were they registered by the respective AAs at the time of assessment. The total turnover that exceeded the threshold limits in these cases amounted to ₹ 5.76 crore on which VAT of ₹ 31.43 lakh was leviable had they been registered as VAT dealers. Failure to get them registered as VAT dealers resulted in short realisation of tax of ₹ 31.43 lakh.

The matter was referred to the Department in April/May 2018 and to the Government in September 2018; replies have not been received (February 2020).

2.6 Inter-State Sales

2.6.1 Short levy of tax on inter-state sales not covered by 'C' forms

Allowance of concessional rate of tax on interstate sales turnover not supported by statutory forms resulted in short levy of tax of ₹ 99.98 lakh.

As per Section 8(2) of the Central Sales Tax Act, 1956 read with Rule 12 of the CST (Registration & Turnover) Rules, 1957 every dealer, who in the course of inter-state trade or commerce sells goods to a registered dealer located in another State, shall be liable to pay tax under the CST Act at the rate of two *per cent* (with effect from 01 June 2008), provided the sale is supported by a declaration in Form 'C', otherwise tax shall be at the rates applicable to the sale or purchases of such goods inside the appropriate State under the sales tax law of that State.

³⁹ Sub Section (3) is substituted by Act no. 4 of 2009 dated 03 March 2009 (w.e.f. 01 May 2009).

⁴⁰ Amended from ₹ 40 lakh to ₹ 50 lakh from April 2012.

⁴¹ ACs(ST) – Afzulgunj, Hydernagar, Jubilee Hills, Madhapur, Mehdipatnam, Sangareddy, Saroornagar and Suryapet.

On test check (between January 2017 and August 2017) of CST records of 12⁴² out of 112 offices for assessment period from 2011-12 to 2013-14, it was observed in 12 cases that the AAs levied lesser rates on inter-state sales of “ACC concrete blocks, granites, mobiles, aluminium composite panels, photographic goods, transformers, photocopying machines, automobile spare parts, earthmoving equipment, soya seeds, paint products” etc., which were not supported by ‘C’ forms. This resulted in short levy of tax of ₹99.98 lakh on the inter-state sales turnover of ₹10.50 crore.

The matter was referred to the Department in April 2018 and to the Government in September 2018; replies have not been received (February 2020).

2.7 Levy of penalties and interest under VAT

2.7.1 Non-levy of penalty and interest on delayed payment of tax and filing of returns

Penalty of ₹36.87 crore and interest of ₹15.26 crore on delayed payment of tax and delayed filing of returns by dealers was not levied.

According to Rule 24(1) of Telangana VAT Rules, in case of a VAT dealer, the tax declared to be due in Form VAT 200 shall be paid not later than 20 days after the end of the tax period.

Under Section 51(1) of the Telangana VAT Act, 2005, a dealer who fails to pay tax by the last day of the month in which it is due, shall be liable to pay tax and a penalty of 10 *per cent* of the amount of tax due. Further, according to Section 22 (2) of Telangana VAT Act, 2005, the dealer is liable for an additional levy of interest calculated at the rate of 1.25 *per cent* per month for the period of delay.

According to Section 50 of Telangana VAT Act, 2005, any VAT dealer, who fails to file a return where no tax is due, by the end of the month in which it was due, shall be liable to pay a penalty of ₹2,500. Further as per Section 50(3) of the Act, where a dealer files a return, after the last day of the month in which it is due, he shall be liable to pay a penalty of 15 *per cent* of the tax due.

On test check (between January 2017 and October 2017) of VAT assessments and VAT records for the period from January 2011 to March 2017, it was noticed that in 40⁴³ out of 112 offices, in 359 cases, the dealers paid tax

⁴² JC(ST) – Abids & ACs(ST) – Balanagar, Hydernagar, IDA Gandhinagar, Jubilee Hills, Madhapur, Mehdipatnam, M.J. Market, Nalgonda, Ranigunj, Sangareddy and Srinagar Colony.

⁴³ JCs(ST) – Begumpet, Charminar, Saroornagar, Secunderabad and Warangal; ACs(ST) – Ashoknagar, Basheerbagh, Begumpet, Bowenpally, Charminar, IDA Gandhinagar, Hydernagar, Jangaon, Jubilee Hills, Karimnagar-II, Khammam-I, Khammam-II, Khammam-III, Kodad, Kothagudem, Ladbazar, Madhapur, Mahabubabad, Malakpet, Malkajgiri, Mehdipatnam, Nampally, Nirmal, N.S. Road, Peddapalli, Punjagutta, Ranigunj, R.P. Road, Sanathnagar, Sangareddy, SD Road, Somajiguda, Suryapet, Vanasthalipuram and Vengalraonagar .

belatedly with delay ranging from one to 1,165 days. In four⁴⁴ out of 112 offices, five cases were found where the dealers filed the returns with delays and were therefore liable to pay penalty and interest. It was however noticed that the AAs did not levy penalty and interest. This resulted in non-levy of penalty of ₹ 36.87 crore and interest of ₹ 15.26 crore.

The matter was referred to the Department in June /July 2018 and to the Government in September 2018; replies have not been received (February 2020).

2.7.2 Non-levy/ Short levy of penalty on under declaration of tax

Penalty of ₹ 4.05 crore on under declaration of tax/excess claim of Input Tax Credit was not levied/short levied.

As per Section 53(1) of Telangana VAT Act, 2005, where any dealer has under-declared tax, (not fraudulent or wilful) penalty shall be imposed at the following rates:

- If under-declared tax is less than 10 *per cent* of the tax, penalty shall be 10 *per cent* of such under-declared tax;
- If it is more than 10 *per cent* of the tax due, penalty shall be 25 *per cent* of such under-declared tax.

Rule 25(8)(a) & (b) of Telangana VAT Rules, for the purpose of Section 53, further defines tax under-declared in respect of input tax means the excess of input tax claimed over and above the input tax actually entitled to be claimed. Tax under-declared in respect of output tax means the difference between output tax actually chargeable and the output tax declared in the returns.

On test check (between January 2017 and October 2017) of VAT assessments and VAT records for the period from April 2009 to July 2016, in 30⁴⁵ out of 112 offices, 57 cases of under-declared tax/excess claim of ITC of ₹ 18.96 crore were observed. It was however noticed that the AAs did not levy penalty in 27 cases and levied penalty less than the rates prescribed in the remaining 30 cases. This resulted in non/short levy of penalty of ₹ 4.05 crore as given in **Table 2.4**:

Table 2.4
Short / Non-levy of penalty

Subject	No. of cases	(₹ in crore)	
		Short levy of penalty	Non-levy of penalty
Excess claim of ITC	13	0.14	0.24
Under-declaration of tax	44	1.45	2.22
Total	57	1.59	2.46

⁴⁴ ACs(ST) - Jadcherla, Karimnagar-II, M.J. Market and Peddapalli.

⁴⁵ JCs(ST) - Abids, Begumpet, Hyderabad Rural, Karimnagar and Secunderabad.

ACs(ST)- Ashoknagar, Balanagar, Basheerbagh, Begumpet, Jangon, Jeedimetla, Jubilee Hills, Khairathabad, Khammam-III, Kothagudem, Madhapur, Mahabubnagar, Malkajgiri, Mancherla, Mehdipatnam, Nampally, Nirmal, Peddapalli, Punjagutta, Ranigunj, R.P. Road, Sangareddy, Saroornagar, SD Road and Vanasthalipuram.

In one case, JC(ST), Secunderabad Division (June 2017) contested that the penalty was not attracted on the ground that tax on under declared turnover pointed out by audit was already deducted through TDS by the contractee and hence the said turnover was not reported in returns. As per the provisions of the VAT Act, 2005, penalty is leviable wherever under declaration of tax is found/noticed during assessment. Therefore, the dealer was liable for penalty on under declared tax as he did not declare the turnover in his return.

The matter was referred to the Department in May/June 2018 and to the Government in September 2018; replies have not been received (February 2020).

2.7.3 Non-levy/ Short levy of penalty on wilful under-declaration of tax

Penalty of ₹ 2.34 crore for wilful under declaration of tax was not levied/ short levied.

Under Section 53(3) of Telangana VAT Act, 2005, any dealer who has under declared tax and where it is established that fraud or wilful neglect has been committed he shall be liable to pay penalty equal to the tax under-declared.

On test check (between February 2017 and September 2017) of VAT assessments and VAT records for the period from April 2010 to September 2016, it was observed in 10⁴⁶ out of 112 offices that in 10 cases, the dealers had under declared tax of ₹ 2.73 crore wilfully. The AAs during assessment noticed that the dealers had concealed the facts such as deficit stock, suppression of turnovers, sales turnovers not accounted in books of accounts etc. In four cases AAs⁴⁷ levied penalty at the rate of 10 per cent, in five cases AAs⁴⁸ levied penalty at the rate of 25 per cent and in one case penalty was not levied by AC(ST), Mancherial. In all these cases penalty was, however, leviable at the rate of 100 per cent. This resulted in non-levy/ short levy of penalty of ₹ 2.34 crore.

The matter was referred to the Department in April 2018 and to the Government in October 2018; replies have not been received (February 2020).

2.8 Works Contracts

2.8.1 Short levy of tax due to incorrect determination of taxable turnover under works contract

Incorrect determination of taxable turnover under works contracts resulted in short levy of tax of ₹ 3.13 crore.

Under Section 4(7)(a) of the Telangana VAT Act, 2005, every dealer executing works contract shall pay tax on the value of the goods at the time of

⁴⁶ ACs(ST)-Ashoknagar, Basheerbagh, Hydernagar, Khammam-I, Mancherial, Mehdipatnam, Rajendranagar, R.P. Road, Saroornagar and Vanasthalipuram.

⁴⁷ ACs(ST)-Ashoknagar, Basheerbagh, Hydernagar and Mehdipatnam.

⁴⁸ ACs(ST)-Khammam-I, Rajendranagar, R.P. Road, Saroornagar and Vanasthalipuram.

incorporation of such goods in the works executed at the rates applicable to such goods under the Act. The value of goods in a works contract was to be calculated by deducting from the total contract value, all items of works that do not directly relate to goods such as labour charges, establishment cost on services, consumables etc.

On test check (between January 2017 and October 2017) of VAT assessments and VAT records for the period 2011-12 to 2015-16, in eight⁴⁹ out of 112 offices, it was observed that in 13 cases, AAs incorrectly determined taxable turnover as ₹ 145.19 crore instead of ₹ 189.74 crore. This was due to adoption of incorrect formula for arriving cost of establishment and profit relatable to supply of labour & services. Labour charges were divided by material & labour expenses instead of total expenditure. Illustration on the correct adoption of the above stated provision is given in **Table 2.5**:

Table 2.5
Correct method for adoption of Taxable Turnover

	Taxable Turnover as per correct method (in ₹)	Taxable Turnover as per incorrect method (in ₹)
Gross works contract receipts	10,000	10,000
Cost of material	3,500	3,500
Labour charges (allowable deductions)	3,800	3,800
Other fully allowable deductions	1,200	1,200
Cost of establishment and other similar expenses	1,000	1,000
Total expenditure	9,500	9,500
Profit	500	500
Cost of establishment and other similar expenses relatable to supply of labour and services	$1,000 \times 3,800 / 9,500 = 400$	$1,000 \times 3,800 / 7,300 = 520$
Profit relatable to supply of labour and services	$500 \times 3,800 / 9,500 = 200$	$500 \times 3,800 / 7,300 = 260$
Taxable works contract receipts	$10,000 - 3,800 - 1,200 - 400 - 200 = 4,400$	$10,000 - 3,800 - 1,200 - 520 - 260 = 4,220$

Further, certain inadmissible expenditure such as excess deductions from gross turnovers on account of profit relatable to labour charges, incorrect excess calculation of cost of establishment etc. were allowed. The incorrect determination of taxable turnover resulted in short levy of tax of ₹ 3.13 crore. In one case the JC (ST), Secunderabad replied (July 2017) that there is no particular provision in the Act to adopt formula for arriving cost of establishment and profit relatable to supply of labour and services.

It is however stated that cost of establishment, other similar expenditure and profit has to be proportionately arrived as per Rule 17(1)(e)(v),(vi)&(vii).

The matter was referred to the Department in May 2018 and to the Government in October 2018; replies have not been received (February 2020).

⁴⁹ JC(ST), Secunderabad; ACs (ST)-Balanagar, Hydernagar, Malakpet, Malkajgiri, Nampally, Sanathnagar and Somajiguda.

2.8.2 Non/ short levy of tax on works contracts who did not maintain detailed accounts

Tax of ₹ 35.22 lakh on works contracts not supported by detailed accounts was not levied/ short levied.

As per Rule 17(1)(g) of Telangana VAT Rules, if any works contractor has not maintained detailed accounts to determine the correct value of the goods at the time of their incorporation, tax shall be levied at the rate of 14.5 *per cent* on the total consideration received after allowing permissible deductions on percentage basis based on the category of work executed. Civil works and works which do not fall under any category are entitled for 30 *per cent* deductions.

On test check (between August 2017 and September 2017) of VAT assessments and VAT records in three⁵⁰ out of 112 offices for the period from 2013-14 and 2015-16, it was observed in two out of four cases that AAs⁵¹ while finalising the assessments levied tax at the rate of five *per cent*. No tax was levied in other two cases by AC(ST), Basheerbagh. As these dealers were works contractors who did not maintain detailed accounts, the entire turnover of ₹ 5.08 crore was to be taxed at the rate of 14.5 *per cent* under Rule 17(1)(g). The failure of AAs to do so resulted in short levy of tax of ₹ 35.22 lakh.

The matter was referred to the Department in May 2018 and to the Government in September 2018; replies have not been received (February 2020).

2.9 Non-Levy of interest on delayed payment of Deferred Sales Tax

Interest of ₹ 21.65 lakh on delayed payment of Deferred Sales Tax was not levied.

According to the Sales Tax Deferment Schemes envisaged in Government Order⁵² and as per the conditions stipulated in the Final Eligibility Certificate, the Sales Tax Deferment allowed to a unit in the first year should be paid back in lump sum at the end of 10th/14th year thereof without interest. Further, the Commissioner of Commercial Taxes(CCT)⁵³ also clarified that the due date for repayment of Sales Tax Deferment availed in the year 1996-97 was 31 March 2010 and the due date for the payment of Sales Tax Deferment availed in the year 1997-98 was 31 March 2011 and so on. In case of non-remittance of the tax on due dates, an interest of 21.50 *per cent* will be charged from the due date till the date of payment as per the guidelines of deferment scheme.

⁵⁰ ACs(ST)- Basheerbagh, Malakpet and Mehdiapatnam.

⁵¹ ACs(ST)-Malakpet and Mehdiapatnam.

⁵² G.O.Ms.No.498 Industries & Commerce Department dated 16 October 1989, G.O.Ms.No.117 Industries & Commerce Department dated 17 March 1993 & G.O.Ms.No.108 Industries & Commerce (IP-II) Department dated 20 May 1996.

⁵³ CCT's reference No. All (3)/373/2012 dated 19 December 2012.

It was observed (between June 2017 and September 2017) during test check of records of five⁵⁴ out of 112 offices that industrial units availed Sales Tax Deferment in six cases. These units repaid the deferred tax of ₹ 1.70 crore (availed during 1998-99 to 2007-08) belatedly between November 2014 and March 2017 with a delay ranging from 125 days to 1,332 days. The AAs however, did not levy interest of ₹ 21.65 lakh in deviation to the Government orders resulting in loss of revenue to that extent.

The matter was referred to the Department in May 2018 and to the Government in September 2018; replies have not been received (February 2020).

2.10 Preparedness for transition to Goods and Services Tax (GST)

2.10.1 Introduction

Goods and Services Tax (GST) was implemented with effect from 01 July 2017. GST⁵⁵ is being levied on intra-State supply of goods or services (*except alcohol for human consumption and five specified petroleum products*⁵⁶) separately but concurrently by the Union (CGST) and the States (SGST)/ Union territories (UTGST). Further, Integrated GST (IGST) is being levied on inter-State supply of goods or services (including imports) and the Parliament has exclusive power to levy IGST. Prior to implementation of GST, VAT was levied on intra-State sale of goods in the series of sales by successive dealers as per Telangana Value Added Tax (TVAT) Act, 2005 and Central Sales Tax (CST) on sale of goods in the course of inter-State trade or commerce as per CST Act, 1956.

The State Government was empowered to regulate the provisions of TVAT Act whereas provisions relating to GST were being regulated by Centre and State on the recommendation of Goods and Services Tax Council (GSTC) which was constituted with representation from Centre and all the States to recommend on the matters related to GST. The State Government notified (June 2017) the Telangana Goods and Services Tax (TGST) Act, 2017 and the Telangana Goods and Services Tax Rules, 2017 wherever various taxes⁵⁷ were subsumed.

Goods and Services Tax Network (GSTN) was set up by the Government of India as a private company to provide IT services under GST. It provides *Front-end* IT services to taxpayers namely registration, payment of tax and filing of returns. *Back-end* IT services *i.e.* registration approval, taxpayer detail viewer, refund processing, MIS reports *etc.* are also being provided by GSTN to Model-II⁵⁸ States. Telangana has opted for Model-II.

⁵⁴ JCs(ST)-Saroornagar and Begumpet; ACs (ST)-Kodad, Kothagudem and Nalgonda.

⁵⁵ Central GST: CGST and State/ Union Territory GST: SGST /UTGST.

⁵⁶ Petroleum products: crude, high speed diesel, petrol, aviation turbine fuel and natural gas.

⁵⁷ Value Added Tax, Central Sales Tax, Entry Tax, Luxury Tax and Entertainment Tax.

⁵⁸ Model-I States: only Front-end services provided by GSTN;

Model-II States: both Front-end and Back-end services provided by GSTN.

2.10.2 Audit Objectives

Audit was conducted to seek an assurance on:

- The compliance with regard to registration of dealers and submission of returns.
- The adequacy of measures for implementation of transitional provisions.
- The preparedness of the State Government for implementing the IT solution.

2.10.3 Audit criteria

The transitional provisions contained in the following Act/ Rules served as the sources of criteria for audit:

- i. The Telangana Goods and Services Tax Act, 2017 (TGST Act)
- ii. The Telangana Goods and Services Tax Rules, 2017 (TGST Rules)
- iii. GST (Compensation to States) Act, 2017
- iv. Guidelines/ Instructions/ Circulars/ Orders *etc.* issued by the Government.

2.10.4 Scope of Audit

The activities of the Commercial Taxes Department, Telangana relating to implementation of GST were reviewed. Detailed information regarding 'Registration, Transitional Credit and Refunds *etc.*' was sought for from the Department for conducting audit. The audit was conducted mainly on the basis of information furnished by the Department and MIS Reports available in VATIS portal. Records of office of the Commissioner of Commercial Taxes (CCT), Telangana and records related to Registration, Transitional Credits and Refunds of three divisions⁵⁹ and three circles⁶⁰ under the CCT were also examined.

Draft Paragraph was sent to the Government in December 2018, replies have not been received (February 2020).

2.10.5 Status of Data sharing

With automation of the collection of GST having taken place, it is essential for Audit to have access to GST data to transition from sample checks to a comprehensive check of all transactions. Principal Accountant General (Audit) has written to Commissioner of State Taxes, Telangana to provide access to GST data (May 2018 and November 2018). However, access to data is yet to be provided. A stand was taken by the State that a clarification had been sought from GST Council regarding guidelines and procedures to be followed in providing access to the data to maintain uniformity with other states.

The reply is not acceptable as Section 18 of the CAG's DPC Act, 1971 provides CAG with the mandate to access any record, accounts and other documents that are relevant to his inquiry. Further, as per Section 16 of the

⁵⁹ Punjagutta, Begumpet and Charminar.

⁶⁰ Jubilee hills, Khairatabad-Somajiguda and Rajendranagar.

DPC Act, it shall be the duty of the CAG to audit all receipts which are payable into the Consolidated Fund of India and each State. Thus, not having access to the data pertaining to all GST transactions is violation of the provisions of CAG's DPC Act and has come in way of comprehensively auditing the GST receipts.

2.10.6 Trends of Revenue under VAT/GST

Total receipts under GST including arrears collected under subsumed taxes from July 2017 to March 2018 were ₹ 16,457.91 crore (including IGST advance ₹ 705 crore) which was more than the protected revenue. As per Section 5 of the Goods and Services Tax (Compensation to States) Act, 2017, protected revenue for nine months of 2017-18 (from July 2017) was ₹ 15,701.18 crore. Actual receipts under pre-GST taxes and GST are given below in **Table 2.6**:

Table 2.6
Trend of Revenue

(₹ in crore)

Year	Budget Estimate	Receipts under pre-GST/ non-subsumed taxes	Receipts under SGST including IGST apportionment	Total receipts under pre-GST taxes and GST	Increase/Decrease in per cent	Compensation received
2014-15*	26,963.30	22,120.78	-	22,120.78	-	-
2015-16	35,463.39	29,846.91	-	29,846.91	-	-
2016-17	42,073.53	34,234.69	-	34,234.69	14.70	-
2017-18	46,500.00	25,106.48	13,072.91	38,179.39	11.52	169.00

* 2014-15: From 2nd June 2014 to 31st March 2015

Source: Finance accounts for the year 2017-18, information furnished by Department

The above table indicates that there was deceleration in growth of revenue in 2017-18. This was due to decrease in VAT on alcohol from 190 per cent to 70 per cent (corresponding increase in Excise duty).

2.10.7 Legal/ Statutory preparedness

The State Government notified (June 2017) the Telangana Goods and Services Tax Act, 2017 and Telangana Goods and Services Tax Rules, 2017. E-way bill system was implemented in the State on intra-State transactions with effect from 10 February 2018 and on inter-State transactions with effect from 01 April 2018. Further, necessary notifications were issued by the State Government from time to time for facilitating implementation of GST in the State. The State Government/ Commercial Taxes Department had issued 143 notifications/ circulars/ orders to facilitate implementation of GST in the State till November 2018.

2.10.8 Institutional preparedness

GSTN was to provide three *Front-end* IT services to the taxpayers namely registration, payment of tax and filing of returns. As Telangana had opted model-II for implementation of GST, *Back-end* IT services like registration

approval, taxpayer detail viewer, Letter of Undertaking (LUT) processing, refund processing *etc.*, as well as various MIS reports were also to be provided by GSTN.

The Department informed (December 2018) to Audit that modules relating to Registration, Returns, Payments, E-way bill and MIS reports have been developed by GSTN till now. Further in case of refund module, filing of application was completed but online processing was yet to be developed. During the course of audit of one Division⁶¹ and three Circles⁶², it was however observed that MIS reports were not yet functional.

2.10.9 Implementation of GST

It was noticed that the major issues/challenges faced by the Department in implementation of GST were in migration of existing tax payers, filing of returns, transitional credit, refund *etc.* These issues were analysed in audit and are briefly discussed as follows:

2.10.9.1 Registration of tax payers

As per Rule 24 of Telangana GST Rules, 2017, every tax payer registered under any of the pre-GST law which was subsumed into GST and having a valid Permanent Account Number (PAN) was required to enroll on GSTN portal by validating his e-mail address as well as mobile number. Following enrolment, the tax payer was to be issued a certificate of registration on provisional basis. The persons so enrolled were required to apply for final Registration Certificate on GSTN portal by furnishing required information and documents. A certificate of registration shall be made available to the registered person electronically if the information and the particulars furnished in the application are found to be correct and complete. New tax payers with an annual turnover of ₹ 20 lakh and above were to be registered under GST.

➤ Migration of existing tax payers

The information furnished by the Department/ obtained from VATIS portal (December 2018) in this regard is given in **Table 2.7**:

Table 2.7
Migration of existing tax payers

Total no. of tax payers as on 30 th June 2017 under pre-GST laws	Total no. of dealers allotted provisional Ids (percentage <i>w.r.t.</i> column 1)	No. of dealers issued final registration certificates (percentage <i>w.r.t.</i> column 1)
2,18,735	2,12,955 (97 <i>per cent</i>)	1,65,082*(75 <i>per cent</i>)

* These tax payers might be allotted to State or Centre

Source: Information furnished by the Department/ web portal of CTD

Table 2.7 showed that 97 *per cent* of the existing tax payers completed the preliminary enrolment but only 75 *per cent* of the existing tax payers completed the migration process and were finally registered under GST.

⁶¹ Punjagutta

⁶² Jubilee Hills, Khairtabad-Somajiguda and Rajendranagar.

On this being pointed out, the Department attributed (November 2018) the shortfall to the following:

- Multiple registrations were allowed for single PAN under VAT. Under GST, these businesses were issued single registration.
- Under GST, threshold limit for registration was increased to ₹20.00 lakh from existing ₹7.5 lakh. Hence, tax payers below the threshold limit did not apply for migration.
- Tax payers dealing in commodities which are exempted under GST also did not apply for migration.
- Few tax payers instead of migration opted to directly register as new tax payer under GST.

➤ **Allocation of tax payers between Centre and State and new registrations**

As per recommendation of GST Council, 90 *per cent* of the existing registered taxpayers having turnover up to ₹ 1.5 crore and 50 *per cent* of existing registered tax payers having turnover of more than ₹ 1.5 crore were allotted to State. Accordingly, Telangana was allotted the jurisdiction of 1,59,026 existing registered tax payers (November 2018).

Jurisdiction of newly registered taxpayers is being allotted to the State and Centre by GSTN electronically during submission of application for registration by the taxpayers. As per information furnished by the Department, total number of new registrations till October 2018 were 84,059.

2.10.9.2 Filing of returns

As per Rule 59 to 61 of Telangana GST Rules, 2017, every registered tax payer other than composition tax payer was required to furnish details of outward supplies of goods/ services in Form GSTR-1⁶³, details of inward supplies of goods/ services in Form GSTR-2⁶⁴ and a return in Form GSTR-3 (electronically generated by system on the basis of information furnished through GSTR-1 and GSTR-2) monthly, whereas composition tax payers were required to file a quarterly return GSTR-4. Further as per Section 16 of the Act, a tax payer is entitled to claim tax paid on inward supplies as input tax credit only if tax charged by the supplier on such supplies has been actually paid to the Government.

⁶³ GSTR-1: (a) Invoice wise details of all inter-State and intra-State supplies made to the registered persons and inter-State supplies with invoice value more than ₹ 2.50 lakh made to the un-registered persons, (b) consolidated details of all intra-State supplies made to unregistered persons and State wise inter-State supplies with invoice value upto ₹ 2.50 lakh made to the unregistered persons and (c) debit and credit notes, if any, issued during the month.

⁶⁴ GSTR-2: (a) Invoice wise details of all inter-State and intra-State supplies received from the registered persons or unregistered persons, (b) Import of goods and services made and (c) debit and credit notes, if any, received from supplier.

The prescribed process of return filing was amended to address the difficulties faced by the taxpayers in the initial period of new tax regime. The filing of GSTR-2 and GSTR-3 returns was postponed. Instead all the taxpayers⁶⁵ were mandated to submit a simple monthly return in form GSTR-3B⁶⁶ along with payment of tax by 20th of the succeeding month. Further, taxpayers having turnover below ₹ 1.5 crore were to file GSTR-1 on quarterly basis.

The status of returns filed by the taxpayers for the months July 2017 to March 2018 is detailed in **Table 2.8**:

Table 2.8
Filing of returns in 2017-18

Name of Return	Periodicity	Number of returns			Shortfall percentage
		Required to be filed	Filed	Not filed	
GSTR-3B	Monthly	17,29,414	13,18,243	4,11,171	23.80
GSTR-4	Quarterly	1,10,438	70,137	40,301	36.50

Source: Information furnished by the Department

Table 2.8 showed that there was significant shortfall in filing of returns. Monthly return GSTR-3B and quarterly return GSTR-4 were required to be filed after payment of due tax. Therefore, monitoring of these returns was important to ensure timely deposit of due tax by the taxpayers. Further, there was a possibility of evasion of tax by the defaulters and claiming of ITC by the recipients against the tax paid to the defaulters.

Department stated that substantial efforts such as meetings up to circle level offices were conducted to enlighten the dealers. Meetings were also conducted on commodity/ category basis of the dealers, Facilitation centers were opened in all the Divisional and Circle offices, street surveys were also conducted area-wise and also on specific commodities like textiles (which are newly brought into GST). Audit is of the view that the Department needs to take concrete steps to ensure that remaining tax payers file their returns expeditiously.

2.10.9.3 Transitional Credit

As per Section 140(1) of the Telangana GST Act, 2017, a registered person, other than a person opting to pay tax under Section 10, was entitled to carry forward and claim un-availed amount of input tax credit of the pre-GST regime in the GST regime provided that he has filed all the returns due under the pre-GST laws for the period of six months immediately preceding the appointed date. Further that so much of the said credit as is attributable to any concessional/ exempt claim under CST Act which is not substantiated by requisite forms shall not be eligible to be carry forwarded.

⁶⁵ Except composition tax payers who have to file GSTR-4 quarterly.

⁶⁶ GSTR-3B: A monthly return required to be filed by all the tax payers other than composition tax payers.

The claims to be preferred in TRAN-1 returns by December 2017 were to be examined by the Department against the above requirements. The Department informed (November 2018) that 20,076 TRAN-1 returns were filed duly claiming transitional credit of ₹ 894.86 crore. Audit selected three divisions⁶⁷ for detailed audit with 4,867 TRAN-1 returns filed for ₹ 230.23 crore. The erroneous claims of transitional credit in these divisions is detailed in **Table 2.9:**

Table 2.9
Scrutiny of transitional claims by the Department

	(₹ in crore)	
	No. of cases	Amount
Total TRAN-1 returns admitted	4,867	230.23
1. Erroneous claims detected by Department	750 (15%)	65.98 (29%)
Out of the above		
a) ITC recovered	352 (47%)	39.73 (60%)
b) Awaiting recovery	398 (53%)	26.25 (40%)
2. Claims related to dealers migrated to Centre	75 (10%)	12.67 (19%)
Of which		
Referred to Central authorities	3 (4%)	8.23 (65%)
3. Referred by Central authorities	0	0

Source: Information furnished by the Department

It could be seen from **Table 2.9** that out of total erroneous claims of ₹ 65.98 crore, an amount of ₹ 26.25 crore was yet (December 2018) to be recovered. Further out of 75 cases relating to dealers who had been migrated to Centre, only three cases were referred to Central authorities. This shows ineffective co-ordination between the two authorities regarding verification of transitional credit claims and action thereof.

It was further observed in Audit, the following shortcomings in processing of transitional credit claims:

- i. **Transitional claims on stock:** Department gave instructions to the AAs to verify only top 30 cases where transitional credit was claimed on stock. As a result, remaining cases of erroneous transitional credit claim, if any would remain undetected.
- ii. In four ⁶⁸ out of 112 offices, Audit found that in 78 out of 90 cases, excess claim of ₹ 62.43 crore was made by the dealers that remained undetected by the Department.
 - In 59 cases, CST assessments of the dealers were not completed since April 2014 up to June 2017 and were not supported by Form-C, Form-H and Form-F for concessional claim/ exemption but transitional credit was claimed in full as per the closing balance of ITC in the return of VAT filed in June 2017. This resulted in excess claim of transitional credit of ₹ 51.65 crore. On this being pointed out, in respect of 25 cases, Assistant Commissioners⁶⁹ replied that assessment notices

⁶⁷ Begumpet, Punjagutta and Charminar.

⁶⁸ JC(ST)-Punjagutta; ACs(ST) - Jubilee Hills, Khairtabad- Somajiguda and Rajendranagar.

⁶⁹ Jubilee Hills and Khairtabad-Somajiguda.

were issued to the dealers and final orders would be passed after due verification. In respect of 28 cases, Assistant Commissioner⁷⁰ replied that the matter would be examined. In the remaining six cases, Deputy Commissioner⁷¹ replied that TRAN-1 returns were submitted by the dealers duly paying differential tax on Form-C/ Form-F/ Form-H/ Form-I. It was however seen from the TRAN-1 returns that in five out of six cases, no such differential tax was paid or transitional credit was restricted by the dealers. In one case though transitional credit was restricted, it was less than the amount which was to be restricted.

- In three cases, the dealers did not file all the prescribed returns for past six months. Hence claim of transitional credit of ₹ 17.34 lakh in these cases was irregular. On this being pointed out, Assistant Commissioners⁷² replied that the matter would be examined.
- In 16 cases, the dealers claimed excess transitional credit than the closing balance of Input Tax Credit available in June 2017 returns. Total excess claim of transitional credit in these cases was ₹ 10.61 crore. On this being pointed out, in respect of 15 cases, Assistant Commissioner⁷³ replied that assessment notices were issued to the dealers and final orders would be passed after due verification. In one case, Assistant Commissioner⁷⁴ replied that the matter would be examined.

Recommendation: The Department should review its order wherein AAs have been asked to look into only top 30 transitional credit on stock cases.

The Department may formulate detailed guidelines for scrutiny of TRAN-1 forms and ensure that such forms are scrutinized at the earliest as per provisions of the TSGST/ TSVAT Act. There should be co-ordination with Central authorities in respect of scrutiny of transitional credit of dealers who are now on the rolls of Central authorities.

2.10.9.4 Refunds under GST

As per Section 54(1) of the Telangana GST Act, 2017, a registered person may claim refund of any balance in the electronic cash ledger before the expiry of two years from the relevant date. Section 54(7) of the Act stipulated that refund claims shall be processed within sixty days from the date of receipt of application complete in all respects. Provisional refunds are to be allowed within 7 days of issue of acknowledgement.

Refund module under GSTN was not operational. Hence, the refunds are being processed through manual system. Specific procedures were prescribed for refund of the balance amount in the electronic cash ledger or unutilized input tax credit at the end of particular tax period. Refund of unutilized Input Tax Credit was allowed in case of zero-rated supplies such as exports, SEZ

⁷⁰ Rajendranagar.

⁷¹ Punjagutta.

⁷² Rajendranagar and Jubilee Hills.

⁷³ Khairtabad-Somajiguda.

⁷⁴ Rajendranagar.

sales which are made without payment of tax or when the credit has accumulated on account of rate of tax on inputs being higher than the rate of tax on output supplies. Department informed Audit (November 2018) that no refund was authorized under GST during the year 2017-18. It was however noticed in three circles⁷⁵, that refunds were processed provisionally (Table 2.10):

Table 2.10
Status of refunds

(₹ in crore)

Applications received for refund upto 31 st March 2018		Refunds allowed within prescribed period		Refunds allowed after prescribed period		Number of applications rejected		Number of applications pending	
Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
203	17.58	12	1.74	30	9.12	0	0	161	6.72

Source: Information furnished by the Department/ web portal of CTD

It could be seen from the above table that only six *per cent* provisional refund claims were authorised within the stipulated time. Further, 79 *per cent* of refund claims were still pending (December 2018). The Department replied that delay was due to non-filing of physical refund claim along with relevant documents by the tax payers.

2.10.10 Conclusion

The Government/Department was prompt in its preparedness for implementation of GST as can be seen with reference to enactment of the Act and Rules as per model law approved by GST Council, primary enrolment of existing tax payers *etc.* It was noticed that frequent changes were made in the rules/regulations since 01 July 2017 on the recommendations of GST Council which have resulted in non-implementation of many of the procedures laid down in Telangana GST Act. Further, the GSTN has not been able to provide the complete IT solution and thus the problems regarding filing of returns GSTR-2 and GSTR-3 have not been resolved. Department needs to address the issues of erroneous transitional claims and significant pendency in filing of returns.

⁷⁵ Jubilee Hills, Khairtabad-Somajiguda and Rajendranagar.

CHAPTER III

STATE EXCISE

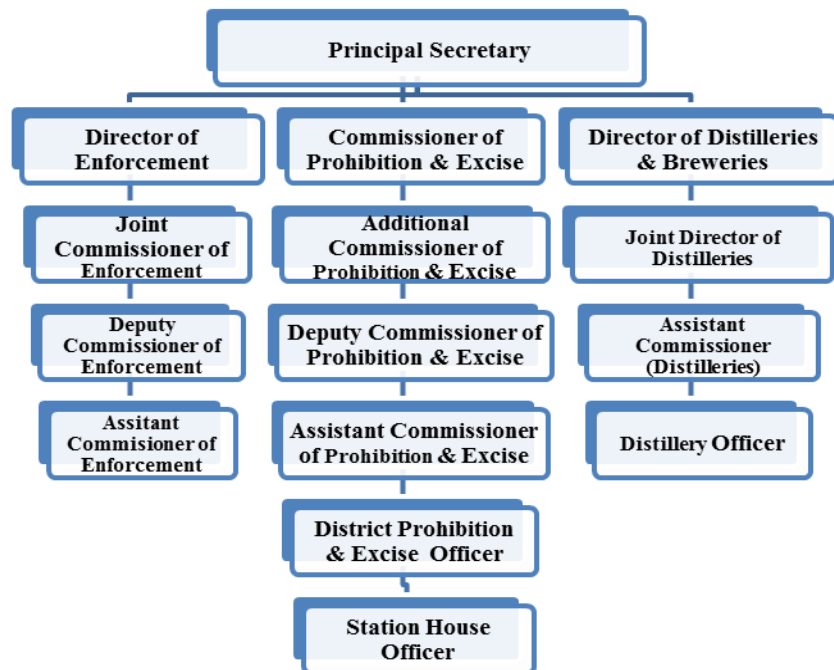
DUTIES

CHAPTER III STATE EXCISE DUTIES

3.1 Tax Administration

The Prohibition and Excise (P&E) Department is governed by the Telangana Excise (Amendment) Act, 2017, Telangana Prohibition Act, 1995⁷⁶ and Narcotic Drugs and Psychotropic Substances Act, 1985 (Central Act).

The Principal Secretary to Government, Revenue Department is the controlling authority at Government level. The important functionaries of the Department for Administration of tax is depicted in the below organogram. The total revenue from Excise Department during 2017-18 was ₹9,421.33 crore⁷⁷.



3.2 Internal Audit

Internal audit is an important mechanism for ensuring proper and effective functioning of a system for detection and prevention of control weaknesses.

Government issued orders⁷⁸ in November 2003, for constituting Internal Audit committee, headed by Principal Secretary (Finance), at State level and by District collector at district level.

No internal audits were, however conducted so far in the Department.

⁷⁶ Government of Telangana through G.O.Ms. No.45, Law (F) Department, dated 1st June 2016 adopted the said Acts of combined State of Andhra Pradesh.

⁷⁷ Source: Finance Accounts 2017-18.

⁷⁸ G.O. Ms. No. 479, Finance (Internal Audit) Department dated 10 November 2003.

3.3 Results of Audit

Audit conducted in nine out of 79 Excise units (11.39 per cent) in the State during 2017-18 showed non-levy/short realisation of fees and other deficiencies involving monetary impact of ₹ 5.91 crore in 19 cases. The nature of audit observations are broadly categorized in **Table 3.1**:

Table 3.1
Category of Audit observations on revenue receipts

(₹ in crore)			
Sl. No	Category	No. of observations	Amount
1.	Short levy of licence fee	8	5.81
2.	Non-levy of interest	6	0.04
3.	Loss of revenue due to Non-Registration of lease deeds	3	0.02
4.	Other irregularities	2	0.04
	Total	19	5.91

There are three broad categories of audit observations. There may be similar irregularities, errors/omissions in other units under the department but not covered in the test audit. Department may, therefore, examine all the units with a view to ensure that the taxes are levied as per provisions of the Act and rules.

Provisions of Acts/Rules and instructions of Government not observed

The Telangana Excise (Grant of Licence of Selling by Shop and Conditions of Licence) Rules 2012 and Rules made there under provide levy of licence fee and permit room fee for retail liquor outlets at the prescribed rates based on the population and their location viz., Municipal Corporation/Municipality limits

The Telangana Excise Act, 1968 read with Rule 10 of Telangana Excise (Grant of licence of selling by bar and conditions of licence) Rules, 2005, the annual licence fee for 2-B Bars shall be levied on the basis of population and at the rates notified by Government from time to time.

The District Prohibition & Excise Officers while levying the licence fee of liquor shops and Bars did not observe the above provisions in some cases as mentioned in the subsequent paragraphs which resulted in non-levy and non-realisation of licence fee/permit room licence fee/penal interest of ₹ 5.51 crore.

3.4 Short levy and collection of annual licence fee for A-4 shops

Merger of villages into nearby Greater Municipal Corporation/ Municipal Corporation necessitated levy of higher licence fee. Failure to do so resulted in short levy of licence fee of ₹ 5.32 crore.

As per Section 28 of the Telangana Excise (Amendment) Act, 2017, read with Rule 16 of Telangana Excise (Grant of Licence of Selling by Shop and Conditions of Licence) Rules 2012, the annual licence fee for liquor shop (A-4 shops)⁷⁹ shall be levied on the basis of population and at the rates notified by Government from time to time.

⁷⁹ The licence to establish liquor shop is issued in Form A-4.

Government in their order⁸⁰ notified various rates of annual licence fee applicable for liquor shops for the years 2015-16 & 2016-17 on population basis. It was also provided therein that the fixation of licence fee for the shops situated in a village/ town which are within a belt of five kilometers from the periphery of a Municipal Corporation/ Greater Municipal Corporation measured in a straight line on the horizontal plane shall also be at the rates applicable to the shops situated within the limits of such Municipal Corporations/ Greater Municipal Corporation.

Scrutiny (between November 2017 and January 2018) of A-4 shop licence files in two⁸¹ out of 79 Excise units disclosed that the respective DP&EOs in five cases⁸² fixed licence fee for liquor shops for the period 2015-16 & 2016-17 at a lesser rate than applicable in the places of their location as detailed in the **Table 3.2:**

Table 3.2
Short collection of licence fee

(₹ in lakh)

Sl. No	Jurisdiction	Location of the shops	Distance from Municipal Corporation periphery	Licence Fee collection Details		
				Due (based on population & periphery)	Actual	Short collection
1.	DP&EO, Shamshabad	Gandipet shop No. 1	3.3 Kilometers	216.00	78.00	138.00
2.		Gandipet shop No. 2	3.3 Kilometers	216.00	78.00	138.00
3.	DP&EO, Warangal	Elkathurthi shop No. 1	Within five kilometers *	163.20	78.00	85.20
4.		Elkathurthi shop No. 2	Within five kilometers	163.20	78.00	85.20
5.		Elkathurthi shop No. 3	Within five kilometers	163.20	78.00	85.20
Total				921.60	390.00	531.60

*Source DP&EO Records.

As evident from the above Table, these shops are located within five kilometers from the periphery of Greater Municipal Corporations, licence fee of ₹ 9.22 crore should have been fixed and collected for the years 2015-16 & 2016-17. In all the above cases, the Department however had fixed and collected licence fee of ₹ 3.90 crore. This resulted in short collection of licence fee of ₹ 5.32 crore.

On this being pointed out (between November 2017 and January 2018), the DP&EOs replied that the matter would be examined and detailed reply would be submitted.

⁸⁰ G.O.Ms.No.164, Revenue (Excise-II) Department dated 11 September 2015.

⁸¹ DP&EOs Shamshabad and Warangal.

⁸² Two shops at Gandipet (within five KM from Greater Hyderabad Municipal Corporation periphery) and three shops at Elkathurthy (within five KM from Greater Warangal Municipal Corporation periphery).

These issues were referred to the Department in July 2018 and to the Government in August 2018; their replies have not been received (February 2020).

3.5 Short collection of Permit Room licence fee and Non-levy of Penal Interest

Penalty was not levied for delayed payment of permit room licence fee, besides short collection of permit room licence fee.

As per Section 28 of the Telangana Excise Act, 1968 read with Rule 25 and 26 of Telangana Excise (Grant of licence of Selling by Shop and conditions of Licence) Rules 2012, the holder of licence (in Form A-4) in places whose population is 5,000 and above shall be licenced in Form A-4(B) to have a permit room⁸³ on payment of ₹ two lakh per annum (in addition to annual licence fee) or part thereof.

As per the Government Order⁸⁴ dated 26 February 2016, all liquor shops are required to establish⁸⁵ a permit room attached to such liquor shops irrespective of the population. As per Rule 3 of Telangana Excise (Levy of Interest on Government dues) Rules 1982, the arrears of money recoverable shall bear interest of 18 *per cent* per annum.

Further, as per Rule 56 of Telangana Excise Rules, 2012, every holder of the licence under these rules shall comply promptly with all orders for directions issued from time to time under the Act, and the rules and orders made there under and shall abide by all the conditions of licence/ permit.

Scrutiny (between December 2017 and January 2018) of records in three⁸⁶ out of 79 Excise units disclosed that in 42 cases the licensees had paid permit room licence fee with delays ranging from 17 days to 281 days for the years 2014-17. In these cases, no penal interest was levied by the Department which amounted to ₹ 2.86 lakh. Further, as per the Government Orders mentioned *ibid* establishment of permit room is mandatory for every A-4 shop irrespective of the population. In 18 cases pertaining to DP&EOs Medak and Sangareddy, proportionate permit room licence fee amounting to ₹ three lakh had not collected from the effective date.

After audit pointed out (December 2017 and January 2018) DP&EOs Jagitial and Medak replied that the matter would be examined and action would be taken. DP&EO Sangareddy replied that matter would be examined and reply would be submitted in due course.

These issues were referred to the Department in June 2018 and to the Government in August 2018; their replies have not been received (February 2020).

⁸³ Permit Room is a room attached to A-4 shop to facilitate the consumption of liquor therein.

⁸⁴ G.O.Ms. No. 39 Revenue (Excise-II) Department.

⁸⁵ As per G.O effective date for establishing permit room was 29 February 2016.

⁸⁶ District Prohibition & Excise Offices Jagitial, Medak and Sangareddy.

3.6 Short levy of Bar Licence Fee

Non-levy of Licence Fee at applicable rates for Bar located within five kilometer periphery of municipal corporations resulted in loss of revenue of ₹ 14 lakh.

As per Section 28 of Telangana Excise Act, 1968⁸⁷ read with Rule 10 of Telangana Excise (Grant of licence of selling by bar and conditions of licence) Rules 2005, the annual licence fee for 2-B Bars⁸⁸ shall be levied on the basis of population and at the rates notified by Government from time to time.

Further, the licence fee in respect of a Bar situated within five kilometers from the periphery of a Municipal Corporation shall also be at the same rate of the licence fee as applicable for a Bar situated within the limits of Municipal Corporation.

As per the Government Order⁸⁹, fee for the bars having plinth area of the premises in excess of 5,001 sq.meters shall be payable at 40 *per cent* of the original licence fee.

Scrutiny (January 2018) of Bar licence files in the Office of DP&EO Shamshabad revealed that the licence fee in one case⁹⁰ had been fixed and collected at the rate of ₹ 30 lakh for the licence period 2016-17⁹¹. As Gandipet village is situated within five kilometers of the periphery of the Municipal Corporation⁹², the licence fee should have been fixed and collected at the rate of ₹ 40 lakh per annum⁹³. Further, an amount of ₹16.00 lakh per annum being 40 *per cent* of the licence fee should also have been collected as the plinth area of the bar was more than 5,001 sq.meters (20,084.10 sq.meters). The Department collected licence fee of ₹ 30 lakh instead of ₹ 40 lakh and ₹ 12 lakh instead of ₹ 16 lakh being 40 *per cent* of licence fee. This resulted in short levy of licence fee and additional licence fee amounting to ₹ 14 lakh⁹⁴.

After audit pointed out (January 2018) the DP&EO, Shamshabad replied that the matter would be examined and reply would be submitted.

This issue was referred to the Department in June 2018 and to the Government in August 2018; their replies have not been received (February 2020).

⁸⁷ As per G.O.Ms No.9 Revenue (Excise-II) Department, dated 27 January 2015 issued by Government of Telangana Provisions of Andhra Pradesh Excise (Grant of licence of selling by bar and conditions of licence) Rules, 2005 as applicable to Andhra Pradesh State as on 1 June 2014 were adapted to State of Telangana.

⁸⁸ Licence to run a bar is issued in Form 2-B.

⁸⁹ G.O.Ms No.213 Revenue (Excise-II) Department dated 1 October 2016.

⁹⁰ M/s Golkonda Restaurant & Bar Situated at Gandipet village.

⁹¹ 1 October 2016 to 30 September 2017.

⁹² Gandipet village is situated within five KM from periphery of GHMC. The nearest village is Khanapur (3.3 KM) which is part of GHMC.

⁹³ G.O.Ms No.212 Revenue (Excise-II) Department dated 1 October 2016.

⁹⁴ Short levy of ₹ 10 lakh in respect of original licence fee and additional licence fee of ₹ 4 lakh (40 *per cent* of differential licence fee).

CHAPTER IV

STAMP DUTY

AND

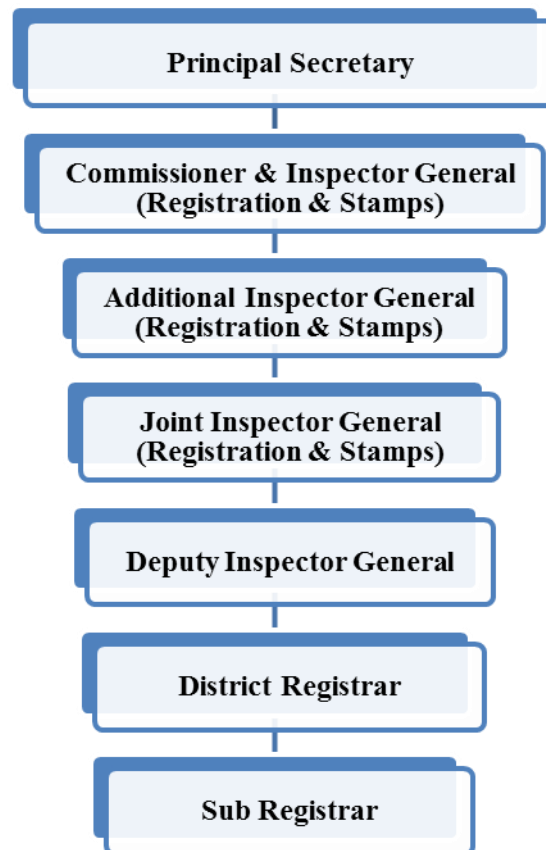
REGISTRATION FEE

CHAPTER IV

STAMP DUTY AND REGISTRATION FEE

4.1 Tax Administration

Receipts from Stamp Duty and Registration Fee are regulated under the Indian Stamp Act 1899 (IS Act), Registration Act, 1908 and the rules framed there under as applicable in the State of Telangana. These are administered at the Government level by the Principal Secretary, Revenue (Registration & Stamps) Department. The important functionaries of the Department for Administration of tax is depicted in the below organogram. The total revenue from Registration & Stamps Department during 2017-18 was ₹4,202.46 crore⁹⁵.



⁹⁵ Source: figures obtained from office of Prl Accountant General (A&E), Telangana.

4.2 Internal Audit

Internal Audit provides a reasonable assurance of proper enforcement of laws, rules and departmental instructions and this is a vital component of the internal control frame work. There is a separate Internal Audit wing in the Department. The team headed by District Registrar (DR) (Market Value and Audit)/ Sub-Registrar (SR) (Market Value and Audit) conducts audit of SR offices as per audit programmes drawn up every month. The DIG concerned supervises the progress of audit. Audit reports are reviewed by the DIG, DR and SR zone-wise/ sub-zone wise. Internal audits of Sub-Registrar offices were pending for the period ranging from 3 months (51 units) to over 12 months (38 units) to the end of March, 2018.

4.3 Audit Methodology and Results of Audit

Audit Data Analytics

The core functions of the department comprise levy and collection of stamp duty, registration fee etc. Registration was being carried out through a computerised IT system called 'Computer Aided Administration in Registration Department' (CARD) in client server Architecture. The CARD system was migrated to Centralised CARD Architecture (CCA) in the year 2013 for providing online services to the public. Documents registered by the Sub-Registrars are scanned and uploaded to the central server located at Hyderabad where a centralised database is maintained. All the Sub-Registrars login as clients to the central server for retrieval of any data.

The central servers located in the State Data Centre are connected to the Sub Registrar Offices (SROs) through the State Headquarters via the Mandal Headquarters.

All the documents registered by SRO/ DROs are scanned and uploaded to centralized server chronologically and all these scanned images files of the documents are being stored in central server. As per Audit's request to enable audit teams to download these documents for exercising prescribed checks, the Commissioner and Inspector General (Registration & Stamps) (CIGRS) facilitated audit users with access to image files of the documents. Further, during local audit inspection, audit teams can download transactional data using credentials of the Departmental Users. After reviewing this list audit teams download required documents.

Transactional data is analysed with reference to data in the documents downloaded and gaps/ anomalies are identified to extract/ detect mis-classifications short levy of the duties/ fees and under valuation of properties as per applicable rules.

Test check of records of 122 out of 159 offices (76.73 per cent) of Registration and Stamps Department conducted during 2017-18 revealed non-levy/ short levy of duties/ fees etc. These irregularities involved monetary impact of ₹ 50.97 crore in 504 cases. The Results of Audit is detailed in **Table 4.1:**

Table 4.1
Category of Audit observations on revenue receipts

(₹ in crore)			
Sl. No.	Category	No. of observations	Amount
1.	Short levy of duties	189	3.10
2.	Undervaluation of properties	151	3.19
3.	Non-registration of Compulsory Registerable Documents	91	1.85
4.	Short levy of Registration fee	9	37.47
5.	Misclassification of documents	47	5.16
6.	Other irregularities	16	0.20
Total		504	50.97

Source: Documents furnished by the Department.

During the year 2017-18, the Department accepted under-assessments and other deficiencies of ₹ 51.65 lakh in 53 cases and the same was realised during the year. Of these, 15 cases involving ₹ 17.03 lakh were pointed out during the year 2017-18 and the rest in earlier years.

There are five broad categories of audit observations under Stamp Duty & Registration Fee. There may be similar irregularities, errors/omissions in other units under the department but not covered in the test audit. Department may, therefore, examine all the units with a view to ensure that the taxes are levied as per provisions of the Act and Rules. Non-observance of the provisions of the Acts/ Rules and Government instructions.

The Indian Stamp (IS) Act 1899 and the Registration Act 1908 prescribed that documents relating to Agreements of Sale of immovable property are to be compulsorily registered. Stamp duty in respect of Agreement of Sale of property without possession, shall be leviable on the amount of consideration or the Market Value of the property whichever is higher. Telangana Revision of Market Value Guidelines stipulate adoption of different market value rates for agriculture land, agricultural land fit for house sites and non-agriculture land. Acreage rate for agricultural land and square yard rate for non-agricultural land are prescribed for the purpose of stamp duty. Further Indian Stamp Act, 1899 provides that instruments of Sale are chargeable to stamp duty on the Market Value (MV) of the property or consideration, whichever is higher. The Act further provides that any instrument comprising or relating to several distinct matters shall be chargeable with the aggregate amount of the duties with which separate instruments would be chargeable under the Act.

Non-observance of the provisions of the above Acts by the Registering Authorities (RA) in the cases as mentioned in the following paragraphs resulted in short realisation of SD and RF of ₹ 29.88 crore.

4.4 Short collection of Registration fee on instruments creating *paripassu* charge

Treatment of ‘Mortgage Transactions creating *paripassu* charges’ as simple ‘Deposit of Title Deeds’ resulted in short collection of Registration Fee amounting to ₹ 26.30 crore.

Paripassu Agreements come into existence when an industrial firm/company obtains credit facilities from more than one financial institution by offering securities on *paripassu* basis in the form of ‘Simple Mortgage’, Mortgage by ‘Deposit of Title Deeds’ and Hypothecation of movable properties. Government⁹⁶ prescribed registration fee of 0.5 per cent on the amount of loans secured by instruments which create charge on *paripassu* basis⁹⁷.

Scrutiny of records of six⁹⁸ out of 159 Registration offices revealed that in nine documents⁹⁹ the companies secured credit facilities amounting to ₹ 5,262.32 crore from various financial institutions. These credit facilities were secured by creating *paripassu* charge on their properties. The registering authorities collected registration fee of ₹ 10,000 presuming them as Deposit of Title Deeds for each document instead of charging fee at 0.5 per cent on the amount of credit facilities secured. Non compliance to the orders of the Government resulted in short collection of registration fee of ₹ 26.30 crore as shown in **Table 4.2:**

Table 4.2
Short collection of Registration Fee on the deeds creating *paripassu* charge

Sl. No	Auditee	Document No	Term loan amount (₹ in crore)	Registration fee to be collected (₹ in crore)	Registration Fee paid (₹)	Short collection of Registration Fee (₹ in crore)
	A	B	C	D	E	F=(D-E)
1	District Registrar of Assurances, Khammam	10752/2016 10773/2016	4,210.00	21.05	10,000 10,000	21.05
2	Sub Registrar, Banswada	1116/2017	162.14	0.81	10,000	0.81
3	Sub Registrar, Chevella	7131/2015	14.68	0.07	10,000	0.07
4	Sub Registrar, Chevella	6824/2015	14.68	0.07	10,000	0.07
5	Sub Registrar, Kukkatpally	7990/2016	131.38	0.66	10,000	0.66
6	Sub Registrar, Shadnagar, Ranga Reddy	4114/2015	56.20	0.28	10,000	0.28
7	District Registrar, Hyderabad (South)	279/2017 6079/2015	673.25	3.37	10,000 10,000	3.36
	Total		5,262.33	26.31	90,000	26.30

Source: Documents furnished by the Department.

⁹⁶ G.O. Ms. No 463 (Rn-I) Department, dated 17 August 2013.

⁹⁷ When an immovable property of a borrower was made as security to multiple lenders, the rights, in the property, created in favour of the lenders would rank equal without any preference or priority for any lender over the others for all intents and purposes.

⁹⁸ DRs- Hyderabad (South) and Khammam.
SRs-Banswada, Chevella, Kukkatpally and Shadnagar.

⁹⁹ Titled as Memorandum of Deposit of Title deed.

After Audit pointed out, respective Sub-Registrars and District Registrars replied that the matter would be examined and detailed reply would be furnished.

The matter was referred to the Department in May 2018 and to the Government in September 2018; replies have not been received (February 2020).

4.5 Non-levy/ Short levy of duties on instruments of Gift

'Gifts in favour of others' were treated incorrectly as 'Gift in favour of relatives' resulting in short levy of duties amounting to ₹75.68 lakh.

As per Article 29 of Schedule I-A to Indian Stamp Act, 1899, instruments of Gifts are chargeable to Stamp Duty on the Market Value of the property which is the subject matter of Gift. As per G.O.Ms.No.585 Revenue (Regn.) Department, dated 30 November 2013, Stamp Duty on Gift instruments in favour of relatives as defined u/s 56(2) of IT Act, 1961, is chargeable at the rate of one *per cent*. Transfer Duty to be levied on such transactions is at the rate of 0.5 *per cent*. In respect of gifts in favour of others, the Stamp duty and Transfer duty to be levied are at the rate of four *per cent* and 1.5 *per cent* respectively besides Registration Fee.

Audit scrutinised (between June 2017 and November 2017) records in four¹⁰⁰ out of 159 Registration offices. In nine cases (₹19.82 crore) of Gift instruments executed (between June 2016 and December 2017) in favour of others, the registering authorities levied Stamp Duty and Transfer Duty at the rates prescribed for Gift Instruments executed in favour of relatives. This resulted in short levy of duties amounting to ₹75.68 lakh.

After Audit pointed out, the CIGRS (September 2018) replied that a remission has been obtained in G.O.Ms. No. 585 dated 30 November 2013 and accordingly the duties were correctly levied. It was however, noted that the said Government order pertained only to reduction in rates of duty.

The view of the department that remission was given in the said Government order is not reflected in the contents of the order as only rates were revised and there was no remission of rates. The matter was referred to the Government September 2018; reply has not been received (February 2020).

4.6 Loss of revenue due to non-registration of Compulsorily Registerable documents

Non-compliance to provisions of Section 17 (1) (g) of Registration Act resulted in loss of revenue of ₹72.80 lakh.

As per Section 17 (1) (g) of the Registration Act, 1908, documents relating to Agreements of Sale of immovable property are to be compulsorily registered. Under Section 3 of the Indian Stamp (IS) Act 1899 read with Article 6B of

¹⁰⁰ DR- Hyderabad; SRs- Balanagar, Kukatpally and Serilingampally.

Schedule I-A to IS Act, stamp duty in respect of Agreement of Sale of property without possession, shall be leviable at 0.5 per cent¹⁰¹ on the amount of consideration or the Market Value of the property whichever is higher. Registration fees shall be chargeable at 0.5 per cent¹⁰² subject to a minimum of ₹ 1,000 and maximum of ₹ 20,000.

Audit scrutinised¹⁰³ records in 20¹⁰⁴ out of 159 Registration offices. It was observed from the recitals¹⁰⁵ of 110 documents¹⁰⁶ that Agreements of Sale (without possession) had been executed between the vendors and vendees prior to registration of the respective sale deeds¹⁰⁷. These Agreements of Sale were not registered though they were compulsorily registerable. The registering authorities, did not ensure applicability of provision of Section 17 of Registration Act in respect of the above unregistered agreements of sale. This resulted in non-realisation of stamp duty and registration fee of ₹ 72.80 lakh.

After audit pointed out these cases, the District Registrar Mahabubnagar¹⁰⁸ in one case replied (May 2018) that in the absence of presentation of any instrument in original, the same cannot be impounded. Further, the CIGRS replied (July 2018) that the department has no powers to force the parties to present the documents for registration.

It is however stated that ensuring compliance to the provisions of Section 17 of Registration Act is the responsibility of registering officers. The fact of execution of Agreement of sale will come to the notice of the registering officer in performance of his duties. It was however observed that, no mechanism was evolved by the Department for insisting upon the executants of Agreement of sale for registration. This not only resulted in non-compliance of statutory provision but also resulted in loss of revenue to the Government. The registering authorities may, therefore invoke the provisions of Section 33¹⁰⁹ of Indian Stamp Act for levy of duties in order to enforce the provisions of Section 17 (1)(g) of Registration Act.

The matter was referred to the Government in September 2018; reply has not been received (February 2020).

¹⁰¹ G O Ms.No.581 Rev. (Registration-I) Dept., dated 30 November 2013.

¹⁰² G O Ms No.463 Rev. (Registration-I) Dept., dated 17 August 2013.

¹⁰³ Between May 2017 and December 2017.

¹⁰⁴ DR-Mahabubnagar; SRs-Azampura, Balanagar, Bowenpally, Chikkadpally, Golconda, Hayathnagar, Kapra, Khammam (Rural), Korutla, Kukatpally, L B Nagar, Mancherial, Sanjeeva Reddy Nagar, Saroornagar, Shadnagar, Shankarpally, Uppal, Vanasthalipuram and Warangal (Rural).

¹⁰⁵ Narration of the transaction.

¹⁰⁶ 70 Deposit of Title Deeds and 40 sale deeds.

¹⁰⁷ Registered during 2015-17.

¹⁰⁸ In respect of Document no. 2300/2017.

¹⁰⁹ Every person having by law or consent of parties authority to receive evidence, before whom any instrument, chargeable, in his opinion, with duty is produced or comes in the performance of his functions, shall, if it appears to him that such instrument is not duly stamped, impound the same.

4.7 Short levy of Duties and Registration fee on agricultural land after change of land use

Non adoption of prescribed rates after conversion of land from agriculture to non-agriculture purposes resulted in short levy of stamp duties amounting to ₹ 64.61 lakh.

As per Section 27 of the Indian Stamp Act (IS Act), the consideration, if any, for the market value of the property and all other facts and circumstances affecting the levy of duty on any instrument, has to be fully and truly set forth therein. Further as per the provision under the Section, the registering officer or any other officer appointed under the Registration Act, 1908 may inspect the related property, make necessary local enquiries, call for and examine all the connected records and satisfy that the provisions of Section 27 are complied with. Telangana Revision of Market Value Guidelines stipulate adoption of different market value rates for agriculture land, agricultural land fit for house sites and non-agriculture land. Acreage rate for agricultural land and square yard rate for non-agricultural land are prescribed for the purpose of stamp duty.

Audit scrutinised (between May and November 2017) records in eight¹¹⁰ out of 159 Registration offices. It was observed that in 18 documents¹¹¹, the registering officers, had adopted the rate applicable to agricultural land in respect of the land whose conversion for non-agricultural purposes had already been approved. The Conversion orders were issued by the Revenue Authorities for these Land. Further, all such orders are required¹¹² to be marked to the respective District Registrars/Sub-Registrars. Due to suppression of fact of conversion by the executants and non-verification of the same by registering authorities, the properties were valued at ₹ 2.68 crore instead of ₹ 15.44 crore, undervalued by ₹ 12.76 crore. This resulted in short levy of Stamp Duty and Registration Fees of ₹ 64.61 lakh.

After Audit pointed out, the SR, Zaheerabad in one case replied¹¹³ that the chargeable value was adopted based on the rates stipulated for Agricultural land in the Basic Value register.

It is, however, stated that upon conversion, the usage of land has changed from agriculture to non-agriculture purposes and therefore application of agricultural rates of basic value register to the land is not correct. The remaining SRs and DR replied that the matter would be examined.

The matter was referred to the Department in March 2018 and to the Government in September 2018; replies have not been received (February 2020).

¹¹⁰ DR- Medak; SRs-Bhongir, Devarakonda, Farooqnagar, Mahabubabad, Miryalaguda, Warangal (Rural) and Zaheerabad.

¹¹¹ 16 sale deeds, one Agreement of sale cum General Power of Attorney (AGPA) and one gift deed.

¹¹² CIG Circular Memo no. MV1/2365/2014 dt.17 February 2014.

¹¹³ July 2018.

4.8 Short levy of Duty and Registration fee due to undervaluation of properties

Incorrect adoption of market value in registered documents leading to undervaluation of properties resulted in short levy of duties amounting to ₹ 51.91 lakh.

As per Section 3 of Indian Stamp (IS) Act, 1899 read with Article 47A of Schedule I-A to IS Act, instruments of Sale are chargeable to stamp duty on the Market Value (MV) of the property or consideration, whichever is higher. Transfer duty is also to be levied on sale deeds (1.5 *per cent*), besides registration fee (0.5 *per cent*). Stamp duty was reduced to four *per cent* vide G.O.Ms.No. 162, dt. 30 March 2013. These rates are applicable to transactions of exchange also executed under Article 27 of IS Act. Further, Article 42(i)(b) of Schedule- IA, provides for stamp duty at the rate of one *per cent* of market value in respect of Power of Attorney executed for construction/development or sale or transfer in any manner, of immovable property besides registration fee of 0.5 *per cent* subject to a maximum of ₹ 20,000. Market value guidelines indicate the market value approved by the Market Value Revision Committee.

Scrutiny of records (between May 2017 and December 2017) in 15¹¹⁴ out of 159 Registration offices revealed that in 21 documents, properties valuing ₹ 21.19 crore were undervalued by ₹ 9.92 crore for various reasons¹¹⁵. This was in contravention to Market Value guidelines and instructions issued by the CIGRS¹¹⁶. Under-valuation of these properties resulted in short levy of duty and fee amounting to ₹ 51.91 lakh.

After audit pointed out these cases, the CIGRS replied (July 2018) that a comprehensive report would be submitted on receipt of replies from the District Registrars concerned.

SR-Farooqnagar, replied¹¹⁷ that the rate adopted was correct. It is, however, stated that the rates of “House sites” would be adopted if the site is sold as a whole in acres. In the instant case, plots were made and sold in square yards and hence the minimum square yard rate prevailing in the locality shall be adopted.

The matter was referred to the Government in September 2018; reply has not been received (February 2020).

¹¹⁴ DRs - Medak, Medchal-Malkajgiri; SRs-Abdullapur, Bhongir, Bibinagar, Champapet, Chandur, Devarakonda, Farooqnagar, Gandipet, Ibrahimpatnam, L B Nagar, Saroornagar, S R Nagar and Warangal.

¹¹⁵ Non adoption of market value rates *viz.*, rates assigned to specific survey nos./rates assigned in view of SH/NH roads situated on the boundaries of the scheduled properties; incorrect valuation of urban properties, non-inclusion of Plant and Machinery value etc.

¹¹⁶ Commissioner and Inspector General of Registration and Stamps.

¹¹⁷ November 2018.

4.9 Short levy of duties in Registered Documents

Incorrect determination of chargeable value resulted in short levy of duties and fees amounting to ₹ 28.77 lakh.

As per Section 3 of Indian Stamp (IS) Act read with Article 47A of Schedule I-A to IS Act, instruments of Sale are chargeable to Stamp Duty¹¹⁸ on the market value of the property or consideration, whichever is higher. Transfer duty is also to be levied on sale deeds (1.5 *per cent*), besides registration fee (0.5 *per cent*). These rates are applicable to transactions of exchange also executed under Article 27 of IS Act. Further, Article 6(B) of Schedule I-A to Indian Stamp Act, provides for stamp duty at the rate of one *per cent* of market value in respect of power of Attorney executed for construction/development or sale or transfer in any manner, of immovable property. Registration fee¹¹⁹ at the rate of 0.5 *per cent* (subject to a minimum of ₹ 1,000 and maximum of ₹ 20,000) is to be levied on the market value of the property.

Audit scrutinised¹²⁰ records of 12¹²¹ out of 159 Registration offices. It was observed in respect of 19 documents¹²² that duties and fees were short levied for various reasons such as incorrect exemption of duties; adoption of lesser market value; affording incorrect treatment to the transactions; adoption of lesser plinth area (DGPA's, non-levy of transfer duty (gifts)). This resulted in short realisation of duties amounting to ₹ 28.77 lakh.

After Audit pointed out, all Sub-Registrars and District Registrars replied that the matter would be examined and detailed reply would be furnished.

The matter was referred to the Department in June 2018 and to the Government in September 2018; replies have not been received (February 2020).

4.10 Non/Short levy of duties due to misclassification of transactions in Mortgage Deeds

Misclassification of transactions in Mortgage deeds resulted in short levy of duties and fees amounting to ₹ 22.52 lakh.

As per Article 35(b) of Schedule IA to Indian Stamp Act, 1899 Stamp Duty¹²³ shall be levied at the rate of 0.5 *per cent* on the amount of loan secured on documents registered as "Mortgage without possession"¹²⁴. As per

¹¹⁸ Reduced from 5 *per cent* to 4 *per cent* vide G.O. Ms. No. 162 dated 30 March 2013.

¹¹⁹ G.O. Ms.No.463 Rev. (Regn.) Dept. dated 17 August 2013.

¹²⁰ Between June 2017 and October 2017.

¹²¹ DRs-Hyderabad (South) and Medchal-Malkajgiri; SRs-Balanagar, Bibinagar, Doodbowli, Golconda, Kapra, Kukatpally, Saroornagar, Serilingampally, Shadnagar and Uppal.

¹²² Registered between April 2016 and October 2017.

¹²³ G.O. Ms. No. 583 (Rev.) Reg. Dept. dated 30 November 2013.

¹²⁴ It is an instrument whereby, for the purpose of securing loan, the Mortgagor transfers, or creates in favour of the Mortgagee, a right over specified property. Possession of the property or any part thereof is not however given by the mortgagor- Section 2(17) of IS Act.

article 35(a) in respect of “Mortgages with possession”¹²⁵, the duty was to be paid at two per cent. Further, Registration Fee¹²⁶ at the rate of 0.1 per cent on the loan amount also is to be levied on these documents. As per Article 7(a), the deposit of title deed being evidence of the title of any property whatever (other than a marketable security), where such deposit has been made by way of security for the repayment of money advanced or to be advanced by way of loan or an existing or future debt.

Audit scrutinised¹²⁷ records in the offices of four¹²⁸ out of 159 Registration offices. It was observed that in four documents¹²⁹, duties and fees were short levied by the Registering Authorities due to misclassification of transactions in mortgage deeds. This resulted in short levy of duties and fees amounting to ₹ 22.52 lakh as detailed in **Table 4.3**:

Table 4.3
Misclassification of transactions in Mortgage deeds

(₹ in lakh)

Name of the Office	Document No/Year	Nature of the document	Irregularity	Duty leviable ¹³⁰	Stamp duty levied ¹³¹	Short levy
SR, Balanagar	2036/17	Mortgage without possession	The Mortgage deed without possession was classified as DOTD ¹³² and duties levied at a lesser rate	18.00	0.60	17.40
SR, Bowenpally	1318/16			3.62	0.60	3.02
SR, SR Nagar, Hyderabad	2427/16	Mortgage with possession	The Mortgage deed with possession was classified as Mortgage deed without possession and duties levied at a lesser rate.	1.80 ¹³³	0.33	1.47
SR, Siddipet	11133/16			0.76	0.13	0.63
Total				24.18	1.66	22.52

Source: Documents furnished by the Department

¹²⁵ A mortgage deed when possession of the property or any part thereof is transferred by the mortgagor in favour of Mortgagee, the mortgagee can lease/rent the property.

¹²⁶ G.O.Ms. No.463 (Rev) Regn. Dept. dated 17 August 2013.

¹²⁷ Between June 2017 and October 2017.

¹²⁸ Balanagar, Bowenpally, Siddipet (Rural) and S R Nagar.

¹²⁹ Registered between November 2016 and March 2017.

¹³⁰ SD at the rate of 0.5 per cent, RF at the rate of 0.1 per cent.

¹³¹ SD at the rate of 0.5 per cent (subject to a maximum of ₹ 50,000) + RF at the rate of 0.1 per cent (subject to a maximum of ₹ 10,000).

¹³² Deposit of Title Deeds - Article 7 of Schedule I-A to IS Act.

A Mortgagor delivers documents of title of immovable property to the Creditor (Mortgagee) with an intent to create a security thereon (58f of Transfer of Property Act). In this case, there is no transfer/creation of right in respect of specified property in favour of the Mortgagee.

¹³³ SD at the rate of 2 per cent, TD at the rate of 1.5 per cent, RF at the rate of 0.1 per cent.

After Audit pointed out these cases, the CIGRS replied (July 2018) that the Registering authorities had correctly classified the documents.

It is however stated that in respect of the first two cases, the Mortgagor relinquished his rights u/s 61¹³⁴ and 65¹³⁵ of Transfer of Property Act. Thus, it is evident that there was transfer of interest of property mortgaged in favour of the Mortgagee. Hence, the transactions should have been classified as Mortgage without possession and not as Deposit of Title Deeds (DOTD). In respect of the latter two transactions, the recitals in the documents clearly indicated transfer of Mortgaged premises to the Mortgagee. Therefore, these were to be treated as Mortgage deeds with possession and duties levied accordingly.

The matter was referred to the Government in September 2018; reply has not been received (February 2020).

4.11 Short levy of duties on documents involving distinct matters

Non consideration of distinct matters involved in the execution of documents resulted in short levy of duties amounting to ₹ 19.27 lakh.

According to Section 5 of the Indian Stamp Act 1899, any instrument comprising or relating to several distinct matters shall be chargeable with the aggregate amount of the duties with which separate instruments would be chargeable under the Act.

Audit scrutinized¹³⁶ the records in six¹³⁷ out of 159 Registration offices. It was observed from the recitals of 10 registered documents¹³⁸ that duties were not levied on various distinct matters involved in these documents. This resulted in short levy of duties amounting to ₹ 19.27 lakh as shown in **Table 4.4:**

Table 4.4
Documents involving distinct matters

Sl. No.	Name of the Office	No. of cases	Distinct matter	Short levy of duties (₹ in lakh)	Remarks
1	DR, Hyderabad DR, Mahabubnagar SR-Warangal	03	Release with partition	1.96	After executing the partition deeds to the extent of equal shares, the excess share has to be considered as release and charged @ 3 per cent.
2	SR-Kukatpally	01	Conveyance with sale	0.88	In this sale deed, an amount of ₹ 22.00 lakh was refunded to the consenting parties (vendors 2,3,4) which was given as advance in view of an

¹³⁴ Power to redeem the mortgaged property.

¹³⁵ Mortgagor's power to lease.

¹³⁶ Between August 2017 and November 2017.

¹³⁷ DRs - Hyderabad (South) and Mahabubnagar; SRs - Gandipet, Kukatpally, Rajendranagar and Warangal.

¹³⁸ Between April 2016 and November 2017.

Sl. No.	Name of the Office	No. of cases	Distinct matter	Short levy of duties (₹ in lakh)	Remarks
					Agreement of sale executed earlier. This has to be treated as Conveyance and chargeable @ 4 per cent as per article 20 of Sch. IA of IS Act.
3	SR-Rajendranagar	01	Agreement of sale and agreement of development with sale.	2.51	The original document was a sale deed (1200 sq. yds.). It was however seen from the recitals that, there was an Agreement of sale to an extent of 8,350 sq. yds. alongwith an agreement to develop. Hence to be charged at 0.5 per cent on the value of the property.
4	SR-Rajendranagar	01	Conveyance with exchange	0.52	Two properties (worth of ₹ 40.00 and ₹ 27 lakh respectively) were exchanged. The first party has conveyed an amount of ₹ 13.00 lakh to the second. This is a distinct matter of conveyance and charged @ 4 per cent.
5	SR, Gandipet	01	Sale with DGPA	0.99	In the development agreement, there were two distinct matters of sale to an extent of 900 sq.ft. and 300 sq.ft. Hence to be charged @ 5.5 per cent.
6	SR-Gandipet	01	Conveyance with DGPA	0.80	In the DGPA agreement, ₹ 20.00 lakh was paid by the developer as Non refundable security deposit. This is a distinct matter of conveyance and charged @ 4 per cent.
7	DR(S), Hyderabad	01	Mortgage without possession with DGPA	4.00	In the DGPA, there was an amount of ₹ 8.00 crore towards additional security deposit paid by the developer. The owner was liable to repay this amount by way of adjustment of constructed area of his allotment @ 18 per cent interest per annum treating as loan. This is a distinct matter of Mortgage and charged @ 0.5 per cent.
8	DR(S), Hyderabad	01	Settlement with conveyance.	7.61	The settler – Mother settled the property in favour of her son, daughter-in-law and grandson. In turn, the settler received an amount of ₹ 25.00 lakh from her son. This is a distinct matter of conveyance involved in settlement.
		10	--	19.27	

Source: Documents furnished by the Department.

After being pointing out in audit, the registering authorities replied¹³⁹ that the matter would be examined and a suitable reply would be furnished.

The matter was referred to the Department and the Government in September 2018; replies have not been received (February 2020).

4.12 Short levy of Stamp Duty and Registration Fee due to incorrect classification of documents

Incorrect classification of registered documents resulted in short levy of duties and fees amounting to ₹ 14.96 lakh.

Schedule I-A of Indian Stamp (IS) Act, provides for the rates of stamp duty to be adopted based on classification of documents. Further, the CIGRS¹⁴⁰ had issued instructions that the SR should thoroughly scrutinise the recitals of the document presented for registration so as to arrive at the correct classification of the documents.

Audit scrutinised (between August 2017 and October 2017) records in four¹⁴¹ out of 159 Registration offices. It was observed that the incorrect classification of documents¹⁴² by the Registering Authorities resulted in short levy of duties and fees amounting to ₹ 14.96 lakh as given in **Table 4.5:**

Table 4.5
Classification of Documents

Registering Authority	No. of cases	Details of transactions	Document registered as	Document's actual classification	Short levy (₹ in lakh)
SR, Azampura, Hyderabad	01	The Settler (mother) and Settles (children) are the absolute joint owners and equally share the property. The Settler has relinquished her 1/4 th share of the property in favour of the Settles. Therefore, the transaction is to be treated as "Release" and not "settlement" and should be charged for duties @ 3 per cent on the Market value.	Settlement in favour of children	Release	6.55
SR, Ibrahimpatnam	01	The properties which were self-acquired by the father were partitioned in favour of his two sons. Further, the sons have	Partition	Settlement	1.04

¹³⁹ Between August 2017 and November 2017.

¹⁴⁰ Memo No.FR1/1A/4946/94, dated 16 October 2000.

¹⁴¹ DR-Hyderabad (South); SRs-Azampura, Ghatkesar and Ibrahimpatnam.

¹⁴² Between May 2016 and January 2017.

Registering Authority	No. of cases	Details of transactions	Document registered as	Document's actual classification	Short levy (₹ in lakh)
		conveyed ₹ 10.00 lakh each in cash for maintenance of their father. Therefore, this transaction is a <i>distinct matter</i> and shall be charged @ 4 per cent.			
SR, Ibrahimpatnam	01	- do- Conveyance amount is ₹ 2.5 lakh.	Partition	Settlement	0.36
SR, Ghatkesar	01	The Original absolute owner of the gifted property expired intestate rendering equal share on the property to all the members in the family as per Hindu Succession Act-Section 6. Therefore, the property can only be relinquished but not gifted.	Gift deed	Release	0.77
DR, Hyderabad (South)	01	The joint owners of the property were holding unequal shares after partition. According to C&IG instructions dated 26 April 2013, the document shall be treated as partition to the extent of equal shares. Excess portion shall be treated as release and charged accordingly.	Partition	Release	6.24
Total--					14.96

Source: Documents furnished by the Department

After Audit pointed out these cases, CIGRS (July 2018) has accepted audit remarks in two cases of SR-Ibrahimpatam. In respect of SR-Azampura, SR-Ghatkesar and DR-Hyderabad, it was replied that the documents were correctly classified.

It is however stated that Settlement deed and Gift deed executed in SR-Azampura and SR-Ghatkesar pertain to joint properties whereby all the executants enjoyed common rights. Therefore, these have to be treated as Release Deeds¹⁴³. In one case of DR-Hyderabad¹⁴⁴, the execution is in contravention of CIGRS instructions¹⁴⁵.

¹⁴³ As per article 46A of IS Act, 1899- A deed is considered a "Release deed" where by a person renounces a claim upon another person or against any specified property.

¹⁴⁴ Document no. 61/2017.

¹⁴⁵ Proceedings no. CCRA1/16634/2010 dated 26 April 2013.

The matter was referred to the Government in September 2018; reply has not been received (February 2020).

4.13 Short levy of Stamp Duty and Registration Fee on Lease deeds

Non-inclusion of Service Tax component in the Average annual rent for computing chargeable value resulted in short levy of duties amounting to ₹ 7.22 lakh.

As per Article 31 of Schedule IA to Indian Stamp Act, 1899 read with Government Order¹⁴⁶ the rates of stamp duty on lease deeds are to be decided on the basis of lease periods and lease rentals. Further, as per the explanation to the Article *ibid*, if the lessee undertakes to pay any recurring charge on behalf of the lessor including taxes/fees due to the Government, it shall be part of the rent and duties levied accordingly. Besides Stamp Duty, Registration Fee also is to be levied at the rates prescribed by the Government¹⁴⁷, on the value of Average Annual Rent according to the provisions of Registration Act 1908.

Audit scrutinized (August 2017 to October 2017) records in six¹⁴⁸ out of 159 Registration offices. It was observed that 6 lease deeds¹⁴⁹, contained specific clauses stipulating payment of service tax by the lessees on behalf of lessors. The Registering authorities did not take into account the service tax component of ₹ 60.39 lakh agreed to be paid by the lessees for arriving at the total lease rent. In another case¹⁵⁰, the registering authority levied less duty. This resulted in short levy of stamp duty and registration fee amounting to ₹ 7.22 lakh.

After audit pointed out these cases, the CIGRS (August 2018) replied that the Service tax being an indirect tax is to be borne by the ultimate user i.e., the lessee and therefore there was no short levy.

It is however stated that as per sections 66E and 68 of Finance Act 2005, renting of immovable property is a taxable service to be borne by the Service Provider *i.e.*, the lessor. The explanation under Article 31 of Schedule I-A to IS Act clearly stipulates that any Government revenue paid by the lessee which is by law recoverable from lessor is deemed to be part of the rent.

The matter was referred to the Government in September 2018; reply has not been received (February 2020).

¹⁴⁶ G.O.Ms. No. 588 of Revenue Dept. (Regn) dated 04 December 2013.

¹⁴⁷ G.O.Ms. No. 463 Revenue Regn (I) dated 17 August 2013.

¹⁴⁸ DRs - Adilabad and Karimnagar; SRs - Kapra, Saroornagar, Shadnagar and Shamirpet.

¹⁴⁹ Registered between June 2016 and February 2017.

¹⁵⁰ Document no. 506/2017 registered in January 2017.

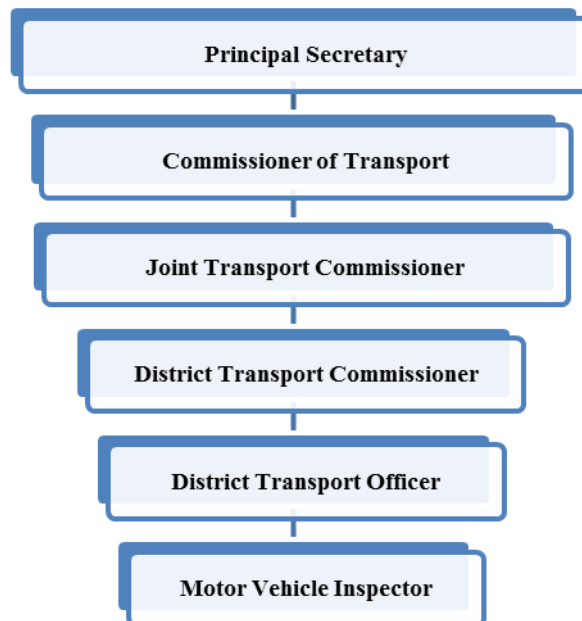
CHAPTER V

TAXES ON VEHICLES

CHAPTER V TAXES ON VEHICLES

5.1 Tax Administration

The Transport Department of Government of Telangana is governed by Motor Vehicles Act, 1988 (MV Act), Central Motor Vehicles Rules, 1989 (CMV rules) alongwith Andhra Pradesh Motor Vehicles Taxation Act, 1963 (State Taxation Act), Andhra Pradesh Motor Vehicles Taxation Rules, 1963 (State Taxation Rules) and Andhra Pradesh Motor Vehicles Rules, 1989 (State MV Rules) which have been adapted¹⁵¹ by the State of Telangana. The Transport Department is primarily responsible for enforcement of provisions of Acts and Rules framed there under which *inter alia* included provisions for collection of taxes, fees, issue of driving licences, certificates of fitness to transport vehicles, registration of motor vehicles, grant of regular and temporary permits to vehicles. The Transport Department is headed by Principal Secretary (Transport, Roads and Buildings Department) at Government level. The important functionaries of the Department for Administration of tax is depicted in the below organogram. The total revenue from Transport Department during 2017-18 was ₹ 3,589.48 crore¹⁵².



5.2 Internal Audit

Internal Audit provides a reasonable assurance of proper enforcement of laws, rules and Departmental instructions and this is a vital component of the internal control frame work. Government constituted Internal Audit wing in November 2003¹⁵³ at Secretariat level in Finance Department with certain staff

¹⁵¹ G.O. Ms. No. 2, Transport, Roads & Buildings (TR-I) Department, dated 17 June 2014.

¹⁵² Source: figures obtained from office of Prl. Accountant General (A&E), Telangana.

¹⁵³ G.O.Ms No.479, Finance (Internal Audit) Department, dated 10 November 2003.

and necessary instructions¹⁵⁴ were also issued for starting of Internal Audit work with immediate effect. The department stated (March 2019) that no independent Internal Audit Wing (IAW) existed.

5.3 Audit Methodology and Results of Audit

Audit Data Analytics

The Transport Department of Telangana uses an IT application, 'Citizen Friendly Services in Transport Department (CFST)'. The core functions of the department, i.e., issue of driving licenses, registration of vehicles, collection of all revenues, granting of permits, checks of motor vehicles etc., have been computerized in CFST. Thus, CFST contains a comprehensive database of vehicles and license holders.

There are six modules in the CFST covering all the functions of the department as per the relevant Act and Rules.

The CFST data is in a central server located with the Transport Commissionerate. The Regional Transport Authorities (RTAs) are connected to the Data Centre (Transport Commissionerate) through Telangana State Wide Area Network (TSSWAN). The service access is also available at each RTO.

The CFST data up to December 2016 in Comma Separated Values (CSV) was received from the Commissionerate and analysed with the help of a data analytical tool (IDEA). As per annual audit plan, eight offices out of 36 total offices were selected for compliance audit during the year 2017-18. Selection of units for compliance audit was based on Revenue.

CFST enables generation of MIS and transactional data in Unit Offices. The data was directly downloaded and analysed with the help of analytical tools like IDEA and MS-Excel by Audit during local audits. At local offices regular establishment audit and verification of receipts with treasuries was also done. Audit Enquiries based on the information extracted/gaps identified after analysis of the data as per the applicable criteria rules, provisions and business rules were issued.

Test check of records of eight offices out of 36 offices¹⁵⁵ of Transport Department conducted during the year 2017-18 revealed under assessment of tax and other deficiencies involving monetary impact of ₹2.77 crore in 23 observations which broadly fall under the categories as given in **Table 5.1:**

¹⁵⁴ Govt. Memo dated 6 December 2008.

¹⁵⁵ Number of offices increased from 20 to 36 due to re-organisation of Districts.

Table: 5.1
Category of Audit observations on revenue receipts

(₹ in crore)			
Sl. No	Category	No. of observations	Amount
1	Non-levy of quarterly tax and penalty	4	2.02
2	Vehicles plying without valid fitness certificates	7	0.34
3	Non/Short levy of life tax on transport vehicles	4	0.13
4	Non collection of Green Tax	4	0.08
5	Other irregularities	4	0.20
	Total	23	2.77

During the year 2017-18, the Department accepted under assessments and other deficiencies of ₹ 2.02 crore in eleven observations pointed out during the year 2017-18. An amount of ₹ 4.53 lakh was recovered during the year.

There are four broad categories of audit observations on levy of MV tax and green tax. There may be similar irregularities, errors/ omissions in other units under the department but not covered in the test audit. Department may, therefore, examine all the units with a view to ensure that the taxes are levied as per provisions of the Act and Rules.

Non-compliance of the provisions of the Acts/ Rules

Telangana Motor Vehicle Taxation Act, 1963 Motor Vehicle Act, 1988 and Rules made there under and Central Motor Vehicle Rules 1989 provides for

- motor vehicle tax/ additional tax from the vehicle owner at the prescribed rate in advance and within the grace period provided
- levy and collection of fitness fee from the vehicle owners after completion of prescribed period
- Levy and collection of Green Tax from the owners of vehicles after completion of prescribed age from the date of registration.

Non-compliance of the provisions of the Acts/ Rules in some cases involving ₹ 2.28 crore are mentioned in succeeding paragraphs.

5.4 Non-realisation of Quarterly Tax and Penalty

DTOs/ RTOs had not issued notices to owners of 1,406 transport vehicles for non-payment of Quarterly Tax of ₹ 1.91 crore.

Section 3 of the Telangana Motor Vehicle Taxation Act, 1963 read with Government Orders¹⁵⁶ stipulates that every owner of a motor vehicle used or kept for use in a public place in the State is liable to pay tax at the rates specified by the Government from time to time. Section 4 of the Act read with

¹⁵⁶ G.O.Ms. No. 68, Transport, Roads & Buildings (TR-I) Department, dated 13 April 2006.

Government Order¹⁵⁷ specifies that tax shall be paid in advance either quarterly, half yearly or annually within one month from the commencement of the quarter. As per Section 6 of the Act read with Rule 13 of the Telangana Motor Vehicles Tax Rules, 1963, penalty for belated payment of tax beyond two months from the beginning of the quarter shall be levied at a rate equivalent to 50 *per cent* in cases of voluntary payment and twice the rate of quarterly tax in cases of detection.

Audit scrutinised¹⁵⁸ the records in six¹⁵⁹ out of 36 DTO/RTO offices and revealed that quarterly tax of ₹ 1.27 crore for the period 2015-17 was not paid by the owners of 1,406¹⁶⁰ transport vehicles although these vehicles were continued to be plying on the roads as evident from the data available from the web portal of the department wherein it was shown as 'V' (Valid). The Department had not issued any demand notice to these defaulters. This resulted in non-realisation of tax of ₹ 1.27 crore and penalty of ₹ 64 lakh (at 50 *per cent* of quarterly tax).

The DTOs/RTOs replied (between May 2017 and December 2017) that action would be taken to realise the tax and penalty due in respect of transport vehicles.

These issues were referred to the Department in July 2018 and to the Government in August 2018; replies have not been received (February 2020).

5.5 Loss of Revenue due to non-renewal of Fitness Certificate

Expired fitness certificates of 8,031 transport vehicles were not renewed resulting in non realization of fitness fee amounting to ₹ 15.37 lakh.

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

As per Rule 12A of TSMVT Rules, the vehicle owners who intended not to ply their vehicles on the roads have to apply to the Transport authorities concerned.

¹⁵⁷ G.O.Ms. No. 96, Transport, Roads & Buildings (TR-II) Department, dated 21 May 1993.

¹⁵⁸ Between May 2017 and December 2017.

¹⁵⁹ DTOs- Adilabad, Attapur, Mancherial and Siddipet; RTOs-Hyderabad (NZ) Secunderabad and Hyderabad (WZ) Tolichowki.

¹⁶⁰ DTOs-Adilabad (89);Attapur (418); Mancherial (103);Siddipet (278); RTOs Hyderabad (NZ)Secunderabad (247) and Hyderabad (WZ) Tolichowki (271).

Audit analysed (between May 2017 and September 2017) computerised data and records relevant to grant of FC at three¹⁶¹ out of 36 DTO/RTO offices. It was observed that validity of FCs for 8,031 transport vehicles had expired (2015-17) and were not renewed during the year. Consequently, Government lost revenue amounting to ₹ 15.37 lakh towards FC fee besides compromising road worthiness of vehicles.

After Audit pointed out, DTOs/RTOs concerned replied (between May 2017 and September 2017) that special drives would be conducted for detecting transport vehicles plying without valid FCs.

These issues were referred to the Department in July 2018 and to the Government in August 2018; replies have not been received (February 2020).

5.6 Loss of Revenue due to non-levy of Green Tax ₹ 10.72 lakh

DTOs/ RTOs had not levied Green Tax in respect of 4,375 Vehicles resulting in non-realisation of tax amounting to ₹ 10.72 lakh.

As per the Government Order dated 23 November 2006,¹⁶² “Green Tax” shall be leviable on transport and non-transport vehicles completing seven years and 15 years of age respectively from the date of registration. The rate of tax is ₹ 200 per annum for the transport vehicles. In respect of non-transport vehicles, the rate is ₹ 250 for motorcycles and ₹ 500 for other than motorcycles valid for every five years.

Audit scrutinised (between May 2017 and December 2017) the records in six¹⁶³ out of 36 DTO/RTO offices showed that “Green Tax” was not levied on 3,351 transport vehicles and 1,024 non-transport vehicles. These vehicles had already completed the prescribed age limit during 2014-17 and were plying on the road yet, “Green Tax” on these vehicles amounting to ₹ 10.72 lakh was not levied. It was noticed that no mechanism exists to levy the “Green Tax”, if the registration of the vehicle is renewed before the expiry of the initial registration.

In response to audit, offices informed (between May 2017 and December 2017) that Green Tax would be collected whenever the vehicle owner approached the offices for any transaction in the subsequent year. No application would be entertained without payment of Green Tax; the Departmental software was also designed in such a way to collect the Green Tax.

It is, however, stated that, Motor Vehicle Act, 1988 facilitates the vehicle owner to approach 60 days prior to expiration of vehicle validity to get the

¹⁶¹ DTOs- Adilabad, Mancherla and RTO- Hyderabad West Zone (Tolichowki).

¹⁶² G.O.Ms. No. 238, Transport, Roads & Buildings (TR-1) Department, dated 23 November 2006.

¹⁶³ DTOs -Adilabad, Attapur, Mancherla and Siddipet.
RTOs- Hyderabad North Zone (Secunderabad) and Hyderabad West Zone (Tolichowki).

vehicle checked for further fitness. In case of Green Tax, the Departmental software has however, been developed for collection only on the expiry of the initial registration.

These issues were referred to the Department in July 2018 and to the Government in August 2018; replies have not been received (February 2020).

5.7 Short levy of tax in respect of second and subsequent personalized vehicles owned by individuals

Higher rate of tax from 88 vehicle owners owning second and subsequent vehicles was not collected amounting to ₹ 11.44 lakh.

As per fifth proviso to sub-section (2) of Section 3 of Telangana Motor Vehicle Taxation Act, 1963, tax in respect of second and subsequent personalised vehicles upto a seating capacity of 10 in all owned by an individual, shall be levied at 14 *per cent* of the cost of the vehicle with effect from 2 February 2010¹⁶⁴.

Audit analysed (between May 2017 and December 2017) the data in five¹⁶⁵ out of 36 DTO/RTO offices. It was observed that tax was collected at the rate of nine *per cent* and 12 *per cent* in respect of two and four wheelers respectively instead of 14 *per cent* from 88 owners in respect of second and subsequent personalised vehicles¹⁶⁶ during the period 2015-17. This resulted in short realisation of tax amounting to ₹ 11.44 lakh. This occurred as there was no unique key in the system like PAN/ Aadhar Number to identify that a second or subsequent vehicle was being registered in the individual's name. A small variation in the individual's details would result in non-identification of the individual registering a subsequent vehicle.

After audit pointed out, the concerned officers replied (between May 2017 and December 2017) that action would be taken to collect the taxes under intimation to Audit.

These issues were referred to the Department in July 2018 and to the Government in August 2018; replies have not been received (February 2020).

¹⁶⁴ Act No. 11 of 2010.

¹⁶⁵ DTOs-Adilabad, Attapur and Siddipet.; RTOs-Hyderabad North Zone (Secunderabad) and RTO Hyderabad West Zone (Tolichowki).

¹⁶⁶ DTOs- Adilabad (10), Attapur (20) and Siddipet (5) and RTOs- Hyderabad: North Zone (Secunderabad) (28) and Hyderabad: West Zone (Tolichowki) (25).

CHAPTER VI
LAND REVENUE

CHAPTER VI LAND REVENUE

6.1 Tax Administration

At Government level, Principal Secretary (Revenue) is in-charge of the administration of Revenue Department. The Chief Commissioner of Land Administration (CCLA) is responsible for administration of Revenue Board's Standing Orders (BSO), 'The Telangana Water Tax Act 1988' and the 'Telangana Irrigation, Utilisation and Command Area Development Act, 1984', 'Telangana Agricultural Land (Conversion for Non-agricultural Purposes)' Act, 2006 and Rules and orders issued there under. There are 31 districts in Telangana and each district is headed by a District Collector who is responsible for the administration of the district. Each district is divided into Revenue Divisions and further into *mandals*¹⁶⁷, which are under administrative charge of Revenue Divisional Officers (RDOs) and Tahsildars respectively. Each village in every *mandal* is administered by a Village Revenue Officer (VRO) under the supervision of the Tahsildar. VROs prepare tax demands under all the Acts mentioned above for each *mandal* from the village accounts and get them approved by *Jamabandi Officers*¹⁶⁸ concerned. Revenue Inspectors/VROs are entrusted with the work of collection of revenue/taxes such as water tax, conversion tax for agricultural land *etc.* The important functionaries of the Department for Administration of tax is depicted in the organogram shown below. The total receipts from Land Revenue during 2017-18 was ₹ 4.12 crore¹⁶⁹.



¹⁶⁷ *Mandal* is the jurisdictional area of each Tahsildar.

¹⁶⁸ *Jamabandi Officer* is District Collector or any other officer nominated by him not below the rank of Revenue Divisional Officer.

¹⁶⁹ Source: Figures obtained from Office of Principal Accountant General (A&E), Telangana.

6.2 Internal Audit

Internal Audit provides a reasonable assurance of proper enforcement of laws, rules and departmental instructions. This is a vital component of the internal control frame work. Departmental inspections had not been conducted by the Internal Audit wing (Finance Department) created for this purpose¹⁷⁰ after formation of Telangana State (02 June 2014).

6.3 Results of Audit

Out of 42 RDO offices¹⁷¹ and 465 Tahsildar offices,¹⁷² test check of records of seven RDOs and 81 Tahsildar offices conducted during the year 2017-18 revealed non-levy/ short realisation of conversion tax/ penalty and other irregularities. The monetary impact of 53 audit observations was ₹ 119.77 crore, which broadly fall under the categories as given in **Table 6.1**:

Table 6.1
Category of Audit observations on revenue receipt

(₹ in crore)			
Sl. No.	Category	No. of Audit observations	Amount
	Revenue Receipts		
1	Detailed Compliance Audit on “The role of Chief Commissioner of Land Administration in the Management of Government land”	1	117.40
2	Non/short collection of Conversion Fee/ Penalty	25	1.63
3	Non realisation of Market Value in respect of land alienated	12	0.46
4	Irregular remission of Water Tax Demand	7	0.21
5	Other Irregularities	8	0.07
	Total	53	119.77

During the year 2017-18 the Department accepted under assessments and other deficiencies of ₹ 117.40 crore.

There are three broad categories of audit observations. There may be similar irregularities, errors/omissions in other units under the department but not covered in the test audit. Department may, therefore, examine all the units with a view to ensure that the taxes are levied as per provisions of the Act and rules. A detailed compliance audit on “The role of Chief Commissioner of Land Administration in the Management of Government land” in Telangana State and non-compliance issues involving ₹ 117.75 crore is discussed in the succeeding paragraphs.

¹⁷⁰ G.O.Ms. No. 5 Finance (Admn.IV) Department dated 06 January 2009.

¹⁷¹ No. of Revenue Divisional Officers were increased from 42 to 68 after re-organisation of districts.

¹⁷² No. of Tahsildars were increased from 465 to 585 after re-organisation of districts.

6.4 Detailed Compliance Audit on “Role of Chief Commissioner of Land Administration in the Management of Government land”

6.4.1 Introduction

Government Land are managed under the provisions of the Land Revenue (LR) Act, 1317 Fasli and the Rules¹⁷³ made there under. As per Board of Revenue¹⁷⁴ Standing Order (BSO) 34A of Telangana Board of Revenue, it is necessary to maintain and update land records in order to protect Government land from encroachment. Land belonging to Government is prohibited from alienation and registration by the Registration Department. As per Board of Revenue Standing Order (BSO), Government land which is not required for immediate use can be given on grant/ lease basis by the Government to individuals/ institutions subject to conditions stipulated by the Government. Violation of conditions put forth in the lease/ grant orders will result in resuming the land back to the Government.

Land being a scarce and finite resource, it needs to be used efficiently by the State Government. Out of the total area of 238 lakh acres of the State, 56.94 lakh Acres is classified as Government land. In the eight sampled districts¹⁷⁵ selected for field study, the extent of Government land was 13.55 lakh Acres (23.80 *per cent*), as indicated in the map.



¹⁷³ In exercise of the powers conferred by Section 172 of the Andhra Pradesh (Telangana Area) Land Revenue Act, 1317 Fasli (Fasli year means period of 12 months from 01 July to 30 June. By adding 590 to Fasli year one can get the corresponding calendar year) [Act No.VIII of 1317 F], the Andhra Pradesh (Telangana Area) Land Revenue Rules, 1951 were framed.

¹⁷⁴ The Andhra Pradesh Board of Revenue (Replacement by Commissioners) Act, 1977.

¹⁷⁵ Selected using random sampling method without replacement out of the total 31 districts in the State.

6.4.2 Audit Framework

Audit on “Role of Chief Commissioner of Land Administration in Management of Government Land” in Telangana State was taken up covering the period from 2014-15¹⁷⁶ to 2017-18. Eight Districts¹⁷⁷ (out of 31 Districts¹⁷⁸ in the State) were selected based on the extent of Government land and three Mandal Tahsildars¹⁷⁹ each in these eight districts using random sampling method without replacement. The respective jurisdictional District Registrar (DR)/Sub Registrar offices (SR)¹⁸⁰ were also audited besides offices of CCLA and Special Chief Secretary to Revenue Department.

The objective of audit was to seek an assurance about the compliance to the land management policy. Further, existence of mechanism to monitor and track the usage of land for the purposes for which it was allotted; for timely detection and resumption of encroached Government land as well as role of CCLA in inventory, protection and encroachment of Government land was to be seen in audit.

Audit findings were benchmarked against the criteria sourced from the following:

- Board of Revenue Standing Orders
- The Telangana Land Encroachment Act, 1905
- The Telangana Assigned Land (Prohibition of Transfer) Act, 1977
- Telangana Rights in Land and Pattadar Pass Books (Amendment) Act, 2017
- The Andhra Pradesh Land Allotment Policy 2012 as adapted by State of Telangana in May 2015
- Notification and De-notification of Government land under Section 22-A of the Registration Act, 1908

The Comptroller and Auditor General of India has conducted a Performance audit of ‘Land Allotment’ in Andhra Pradesh during the five year period 2006-2011 and reported in Audit Report 2012. The Audit Report was discussed in Public Accounts Committee (PAC). The State Government had introduced Government Land Allotment Policy in the year 2012.

¹⁷⁶ Since formation of Telangana State on 02 June 2014.

¹⁷⁷ Mahabubnagar, Medchal-Malkajigiri, Nalgonda, Nizamabad, Rangareddy, Sangareddy, Suryapet and Warangal Urban.

¹⁷⁸ Hyderabad District was excluded from sample selection as no information was furnished by Revenue Department on status and availability of Government Land in the District.

¹⁷⁹ Armoor, Boothpur, Chivvemla, Ghatkesar, Hanamkonda, Hasanparthy, Ibrahimpatnam, Inavole, Jadcherla; Mahabubnagar Rural, Maheshwaram, Mellacheruvu, Miryalaguda, Mugpal, Nalgonda, Narketpally, Nizamabad South, Patancheru, Sangareddy, Shamshabad, Suryapet, Uppal, Quthbullapur and Zaheerabad.

¹⁸⁰ DRs- Mahabubnagar, Nalgonda, Nizamabad, Sangareddy and Warangal; SRs- Armoor, Ghatkesar, Ibrahimpatnam, Jadcherla, Kodad, Maheshwaram, Miryalaguda, Narketpally, Quthbullapur, Shamshabad, Uppal, Suryapet, Warangal Fort and Zaheerabad.

6.4.3 Audit Observations

6.4.3.1 Government Land Inventory and Database

CCLA has not classified the land into assignable and non assignable as required under Board of Revenue Standing Order 15.

- For the purpose of BSO 15 (Board of Revenue Standing Orders) land may be classified as assignable and non-assignable by Government. The CCLA did not have the data on the land segregated under different classifications, despite being the administrative head of the Revenue Department.

While the CCLA did not offer specific remarks, the Tahsildars of the test checked Mandals stated (between March and July 2018) that land classification was last done sixty years back (1954-55) as per *khasrapahani*¹⁸¹.

- In order to update the private and Government land records, the State Government initiated¹⁸² Land Records Updation Project (LRUP), across the State with an objective to prepare accurate land records reflecting ground reality i.e., ownership of land held by private persons and owned by Government. LRUP commenced in September 2017 is still in progress. An extent of 2,21,65,130 Acres (93 *per cent*) of land was verified and balance 16,53,421 Acres is yet to be surveyed under LRUP. It was found in Audit that there were unresolved boundary disputes between Forest Department and Revenue Department involving 6,40,623 Acres. Boundary disputes in 19,584 Acres of Waqf land were also not resolved. The CCLA did not offer remarks regarding resolving these issues under LRUP.

6.4.3.2 Land Allotment Policy

Land Bank was not established by CCLA as envisaged under Telangana State Land Allotment Policy and there was no follow-up on usage of land alienated.

Guidelines with regard to Government land to be allotted for various purposes to different Government departments and private organisations both in terms of extent and rate were issued under the Andhra Pradesh Government Land Allotment Policy effective from 14 September 2012. Consequent upon re-organisation of the State, Government of Telangana adapted¹⁸³ the 'Andhra Pradesh Government Land Allotment Policy'.

- Telangana State Land Management Authority (TSLMA) was constituted (October 2012) with CCLA as Chairman.
- As per item 2(c) of the policy, CCLA was vested with powers to process request for land grant from the applicants and recommend land allotment.

¹⁸¹ *Khasrapahani* is a legal agricultural document used in India that specifies and keeps records of land and crop details.

¹⁸² Circular No.1 of CCLA, Telangana in Ref. No. CMRO/342/2017 dated 9 September 2017.

¹⁸³ G.O.Ms.No.61 of Revenue (Assignment.I) Department dated 15 May 2015.

The policy envisaged CCLA to maintain comprehensive record of land alienations/ assignment proposals received from the applicants besides establishment of land bank exhibiting the details of Government land and allotments made in order to have a transparent and accurate system of allotments made to various agencies. CCLA is also required to monitor the utilization of land by the alienees for the intended purpose and to take action for resumption of land by the authorities concerned in case of violation of conditions of land alienation/ lease.

Audit observations on deficiencies in management of Government land are discussed below.

- CCLA did not maintain comprehensive record of land alienations/ assignment proposals viz., applications received, processed, submitted to TSLMA and further submission to Government for approval etc.
- Land Bank/ database was not established as envisaged in the Land Allotment Policy in the absence of which audit could only review the land alienation/ assignment records based on the Government Orders available in the website <https://www.telangana.gov.in> and files produced by the office of CCLA.

The CCLA accepted (August 2018) the audit observation and replied that the procedures would be followed scrupulously.

- Further, as per item 3(e) of Land Allotment Policy, CCLA was required to obtain periodical reports on usage of land by different allottees from the District Collectors. It was however noticed that in respect of 39 land alienation (approved between 2008 and 2018) cases test checked, CCLA had not obtained quarterly reports on utilization of the land for the intended purpose by the user agencies in respect of 22 land alienations granted between 2013 and 2016. This indicates that there was no proper monitoring by the CCLA on the land use by the alienee institutions.

The CCLA replied (August 2018) that reports on utilization of alienated land would be intimated to Audit.

6.4.3.3 Properties prohibited from registration

Revenue authorities had not updated the Prohibited properties list periodically and the same was not communicated to Registering officers as a result of which Government land worth ₹ 145.20 crore was unauthorisedly sold by private parties.

As per the Registration (Amendment) Act, 2007, list of properties prohibited under Section 22-A of Registration Act 1908 was to be prepared and updated by the Revenue authorities (CCLA) as and when any changes were made or notifications and de-notifications were issued. This was to be communicated to Registration Department for preventing the transfer of these properties to other persons by way of registration. Government land falls under the category of prohibited properties.

Audit findings were as follows:

- The list of prohibited properties last prepared (between March 2012 and December 2013) by the Revenue Authorities was not being updated and furnished to the registering authorities in the test checked unit offices. Non-preparation of list of prohibited properties periodically poses the risk of Government land being registered in favour of private parties as illustrated below.
- Audit scrutinized records of Tahsildar, Serilingampally Mandal¹⁸⁴ and found that Government land to an extent of Acres 816.04 Guntas in Sy.No.44 of Miyapur Village was illegally sold (January 2016) by private persons by executing General Power of Attorney and six sale deeds due to non-notifying these land in the list of prohibited properties by the CCLA/ Revenue Department. Although Government cancelled part of land (5.00 acres), it however, failed to cancel the remaining 20 acres of land which is valued at ₹145.20 crore as per the basic value registers maintained by the Registration Department. Tahsildar, Serilingampally replied (July 2017) that the balance 20 acres would be cancelled soon which was not confirmed by the department (March 2019).

6.4.3.4 Government Assigned Land under un-authorized occupation

Government has not resumed the Assigned land although an extent of Acres 12,666.25 Guntas valued at ₹ 1,096.45 crore was under unauthorised occupation of third parties.

As per Board Standing Orders BSO-15, Government is empowered to assign Government land in favour of individuals/ institutions and firms either on payment of value or free of cost. Section 3 (1) of the Act¹⁸⁵ prohibits re-transfer of any assigned land by way of sale, gift, mortgage, exchange, lease or otherwise. Further as per item 3 (a) (vi) of Telangana Land Allotment Policy, upon assignment, if the assignee uses the land for purpose other than for which it was assigned or he transfers the land in favour of some other persons unauthorisedly, then the Government shall have power to resume the land in their favour.

It was observed that assigned land to an extent of Acres 12,666.25 Guntas valued¹⁸⁶ at ₹ 1,096.45 crore was under unauthorized occupation of third parties i.e., other than the original assignees in 322 villages covered by 24 Mandals in the eight test checked districts. CCLA being the administrative head of the Department, however, failed to monitor resumption of assigned land in occupation of third parties.

The Tahsildars of the test checked unit offices replied (between March and July 2018) that as per the orders¹⁸⁷ of the Special Chief Secretary proposals

¹⁸⁴ Out of 465 Tahsildar Offices.

¹⁸⁵ The Telangana Assigned Land (Prohibition of Transfer (POT)) Act, 1977.

¹⁸⁶ Value of the land classified as 'Dry land' being the least was adopted.

¹⁸⁷ Memo No.4233/Assn.1(3)/2018 of Revenue (Assn.I) Department dated 05 March 2018.

have been sent to Government for reassignment of resumed land to present occupier and orders are awaited. The fact however remained that the notification to that effect was not issued by State Government so far and that CCLA had not engineered any monitoring mechanism to ensure resumption of land to Government.

6.4.3.5 Alienation/ Allotment of land

Land Allotment Policy 2012 envisages allotment/alienation of Government land on payment of prevailing market value. In two cases 35.00 Acres of land was alienated by the Government to private agencies at lower rates against the land allotment policy resulting in loss of revenue of ₹ 117.40 crore.

As per item 3(b) of Land Allotment Policy 2012, the allotment/ alienation shall be on payment of prevailing market value (PMV) as recommended by the Collector and the TSLMA. PMV should be ascertained by conducting local enquiry. The land value shall not be less than the basic value¹⁸⁸ of the land.

It was noticed from 39 alienation files produced by CCLA office, that undue benefit of ₹ 117.40 crore was given to two private institutions¹⁸⁹ by allotting the land without considering the value recommended by the District Collector/ TSLMA which are discussed below.

- The Government alienated¹⁹⁰ 20 acres of land to St. Ann's High School, Secunderabad on payment of ₹ 30 lakh at the rate of ₹ 1.50 lakh per acre, and land was handed over in September 2006. Based on a PIL filed against the value fixed by Government, the Hon'ble High Court of Andhra Pradesh ordered¹⁹¹ to collect land cost at ₹ 3,000 per sq. yard with interest at nine *per cent* per annum from the date of allotment (October 2006) which was also upheld by the Supreme Court. The land cost with interest (from October 2006 to August 2018) worked out to ₹ 59.35 crore was remained uncollected (August 2018). The efforts made by the CCLA to collect the land cost from the institution as fixed by the Hon'ble Court was not on record. The CCLA did not furnish (August 2018) specific reply.
- Government in deviation to the Land allotment policy had alienated¹⁹² (August 2017) an extent of 15 acres to M/s Raja Bahadur Venkatarama Reddy Educational Society at meagre rate of ₹ 1 per acre as against Prevailing Market Value of ₹ 14.52 crore per acre. The basic value of

¹⁸⁸ Basic value means the land value entered in the Basic Value Register notified by Government from time to time and maintained by the Sub-Registrar.

¹⁸⁹ St. Ann's High School, Secunderabad; and M/s Raja Bahadur Venkata Rama Reddy Educational Society, Hyderabad.

¹⁹⁰ G.O.Ms.No.1217 of Revenue (ASN.V) Department, dated 23 August 2006.

¹⁹¹ In PIL No.383/2012, dated 25 July 2014.

¹⁹² Allotment of 10 acres to M/s Raja Bahadur Venkatarama Reddy Educational Society in G.O.Ms.No.179 of Revenue (Assn.II) Department dated 8 August 2017 plus advance possession given for additional 5 acres vide Memorandum No.6908/Assn.II(2)/2016, dated 24 August 2017.

the land as per the records of Registration Department was ₹ 3.87 crore per acre. The failure of CCLA to fix the land value not less than the basic value resulted in undue benefit to the alienee institution besides revenue loss to the Government to an extent of ₹ 58.05 crore.

The CCLA replied (August 2018) that the alienee institution was engaged in various social and welfare activities and that the land cost was fixed as per the decision of the Government.

The fact however remained that the institution charges fee *viz.*, college fee, hostel fee etc., for all its activities, and do not provide services totally free of cost to the students to term it as engaged in social and welfare activities. Thus, alienation of the land below the basic value is in violation of the Land Allotment Policy.

6.4.3.6 Leased land of Secunderabad Cantonment Area

In Secunderabad area Land valued at ₹708.53 crore was under occupation of 565 lessees despite expiry of lease period, besides non realisation of ₹4.31 crore towards conversion charges from 56 lessees whose land was converted from leasehold to freehold.

Certain land of Secunderabad area were leased out to private persons since 1933, for a period of 30 years initially, renewable for every 30 years not exceeding 90 years on the whole. These leases have been monitored by the Joint Collector of Hyderabad District as per The Telangana (Secunderabad Area) Land Administration Rules (TSLAR), 1976 and the CCLA is competent authority to sanction renewal of leases.

- The Government had approved¹⁹³ a scheme for conversion of leasehold land to freehold in Secunderabad subject to payment of conversion charges. Government subsequently extended the benefit of conversion from time to time and finally¹⁹⁴ up to 31 December 2005.
- Out of 2,304 leaseholds existed at the time of introduction of conversion scheme, 1,739 lessees applied for conversion. The CCLA had issued conversion orders to 1,524 lessees involving conversion charges of ₹ 61.32 crore, of which ₹ 57.01 crore was only collected leaving a balance of ₹ 4.31 crore due from 56 lessees as of August 2018.

The arrears towards conversion charges as discussed above was due to granting free hold right to the lease land without collecting conversion charges in advance by CCLA.

- Out of 1,739 lessees that applied for conversion, conversion orders were issued in respect of only 1,524 cases and the details such as subsistence of the leases and receipt of rentals of remaining 215 cases is not on record. Thus non finalization of conversions in respect of 215 applications resulted in non realisation of considerable revenue to the exchequer.

¹⁹³ G.O.Ms.No.816 of Revenue Department, dated 09 August 1994.

¹⁹⁴ G.O.Ms.No.1607, dated 30 August 2005.

As per Rule 17 of TSLAR, application for renewal of lease shall be made to the Estate Officer two months prior to the date of expiry of lease period. In case, the lessee fails to apply for renewal of lease within the stipulated time, the lease stands cancelled and the possession of the lessee in such property is treated as un-authorised and the Government shall resume the land as per law after giving notice to the lessee.

- The leases of remaining 565 lessees who had not applied for conversion, had expired (between November 1935 and December 2015) and show cause notices were issued. It was however noticed that the lessees neither applied for conversion from leasehold to freehold by paying the conversion charges nor the Government terminated the leases. As a result, 565 lessees continued to enjoy a total extent of 1,67,162.93 sq. yards of Government land valued at ₹ 708.53 crore. Further, no Demand, Collection and Balance registers/ statements were prepared by the Joint Collector in respect of the leases whose land has not been converted to freehold.

The CCLA did not furnish (August 2018) specific reply.

The observations were communicated (September 2018) to the Department and to the Government; replies have not been received (February 2020).

6.4.4 Conclusion

No comprehensive record of land alienations/assignment proposals *viz.*, applications received, processed, submitted to TSLMA and further submission to Government for approval *etc.*, was maintained at CCLA level. Updation of records in respect of Government land is yet to be taken up including resolving of disputed land issues under LRUP. It was noticed undue benefit of ₹ 117.40 crore was given to two private institutions by allotting the land without considering the value recommended by the District Collector/ TSLMA. Though CCLA is competent authority for lease renewals, land valuing ₹ 708.53 crore continued to be occupied by the lessees even after expiry of leases. Absence of proper monitoring mechanism at CCLA level had led to usage of land by the allottees for other than intended purposes, unabated encroachments, and undue benefit in land allotment.

Other Issues:

6.5 Levy of conversion tax and penalty

As per Section 3(1) of Telangana¹⁹⁵ Agricultural Land (Conversion for Non-agricultural Purposes) Act, 2006, no agricultural land in the state shall be used for non-agricultural purpose, without the prior permission of the competent authority¹⁹⁶ Section 4(1) provides that every owner¹⁹⁷ or occupier

¹⁹⁵ Government of Telangana through G.O.Ms No 45, Law (F) Department, dated 1 June 2016 adopted the said Acts of combined State of Andhra Pradesh.

¹⁹⁶ Under Section 5, Revenue Divisional Officer (RDO) is the competent authority to convert the land use from agricultural purpose to non-agricultural purpose.

of agricultural land shall pay a conversion tax at the rate of nine *per cent*¹⁹⁸ of the basic value¹⁹⁹ (as communicated by the Stamps and Registration Department to Revenue Department) of the land converted for non-agricultural purposes. If any agricultural land²⁰⁰ has been put to use for non-agricultural purposes²⁰¹ without obtaining permission, the Revenue Divisional Officer (RDO) shall impose a penalty of 50 *per cent* of the conversion tax under Section 6 (2) as a one-time measure.

6.5.1 Non-levy of penalty on conversion of Agriculture land without permission

Revenue Authorities did not levy penalty even though land was converted to non-agricultural purposes without prior permission.

Scrutiny (between June 2016 and July 2017) of records in five²⁰² out of 507 Revenue offices²⁰³ disclosed that the permission for conversion of Acres 29.18 Guntas of agricultural land to non-agricultural use was issued in 16 cases. Competent authorities had levied only the conversion tax, leaving aside penalty of ₹ 34.68 lakh as detailed in **Table 6.2**:

Table 6.2
Penalty leviable for change of land use

Category	No. of cases	Conversion fee	Penalty to be paid	(₹ in lakh)	
				Actual penalty paid	Short/Non levy of penalty
Buildings existed prior to applying for conversion.	9	17.39	8.69	0	8.69
Already converted as plots prior to applying for conversion	7	51.98	25.99	0	25.99
Total	16	69.37	34.68	0	34.68

As evident from the records²⁰⁴, the land was already converted to non- agriculture use without prior permission of the competent authorities.

¹⁹⁷ As per Section 2(m) of the Act, 'owner' includes any lessee/ local authority to whom land have been leased out by State Government or the Central Government.

¹⁹⁸ From 14 May 2012 to 4 January 2016 rate of conversion tax was nine *per cent* (in respect of areas covered under GHMC the rate of conversion tax was five *per cent*). From 5 January 2016 the rate of conversion tax was three *per cent* (In respect of areas covered under GHMC the rate of conversion tax was two *per cent*).

¹⁹⁹ 'Basic value' means the land value entered in the Basic Value Register notified by Government from time to time (for the land as on the date of application) and maintained by the sub-Registrar.

²⁰⁰ As per Section 2 of the Act Agriculture means, Land used for Agriculture purposes such as raising of any crop or garden produce, orchards, pasture, Hay-ricks etc.,

²⁰¹ Means land used for the purposes other than Agriculture such as plotting, constructions of houses, sheds, rice mills, godowns, compound walls etc.,

²⁰² RDOs- Khammam, Malkajgiri, Nagarkurnool, Rajendranagar and Tahsildar- Chennoor.

²⁰³ 42 Revenue Divisional Offices and 465 Tahsildar Offices.

²⁰⁴ Inspection report of Tahsildar Offices and registered sale deeds obtained from Stamps and Registration Department.

After Audit pointed out (between June 2016 and July 2017), all the four RDOs and Tahsildar replied that cases would be re-examined and action taken would be intimated to audit.

These issues were referred to Department in June 2018 and to Government in July 2018; their replies have not been received (February 2020).

CHAPTER VII

OTHER TAX

AND

NON-TAX RECEIPTS

CHAPTER VII

OTHER TAX AND NON-TAX RECEIPTS

7.1 Tax Administration

This chapter broadly discusses about the revenue realised from various departments as detailed in **Table 7.1**. The administration and levy of these taxes/fee are governed by respective Acts/ Rules²⁰⁵.

Table 7.1

Sl. No.	Department	Nature of Revenue
1	Mines & Geology	Dead rent/Royalties/ Seigniorage fee on Minor and Major Mining leases
2	Energy Department	Electricity duty from the consumers
3	Endowment Department	Endowment Administrative Fund and Audit Fee collected from all assessable Temples
4	Registration Department	Profession Tax from Chit fund Companies

7.2 Results of Audit

Test check of the records of 11 offices of Mines and Geology Department and 24 offices/ units of Endowments Department conducted during the year 2017-18 revealed audit findings of under assessment of tax and other irregularities involving ₹ 97.47 lakh in 10 cases, as detailed in **Table 7.2**:

Table 7.2

(₹ in lakh)			
Sl No	Department	No. of audit observations	Amount
REVENUE DEPARTMENT (ENDOWMENTS)			
1	Detailed Compliance Audit on Management of Endowment Assets in Endowment Department	1	90.35
INDUSTRIES AND COMMERCE DEPARTMENT (MINES AND GEOLOGY)			
2	Non-collection of Duty on Lease Deeds	3	0.72
REVENUE (REGISTRATION AND STAMPS) DEPARTMENT			
3	Non-collection of Profession Tax	6	6.40
Total		10	97.47

During 2017-18, Endowments Department accepted audit observations amounting to ₹ 47.36 lakh.

²⁰⁵ Mines and Minerals Department: Mines and Mineral Concession Rules 1966, Minor Minerals Development and Regulation Act, 1957; Energy Department: Telangana Electricity Duty Act, 1939 and Rules made there under; Endowment Department: Telangana Charitable and Hindu Religious Institutions Endowment Act, 1966 & Amendment Act, 1987; Registration Department: Telangana Tax on Profession, Trades, Callings and Employment Act, 1987.

There are two broad categories of audit observations of other tax and non-tax revenue. There may be similar irregularities, errors/ omissions in other units under the department but not covered in the test audit. Department may, therefore, examine all the units with a view to ensure that the taxes are levied as per provisions of the Act and Rules. The detailed compliance audit on 'Management of Endowment Assets' in Endowments Department conducted during 2017-18 and a few illustrative audit findings involving ₹ 90.35 lakh are discussed in the succeeding paragraphs.

REVENUE DEPARTMENT (ENDOWMENTS)

7.3 Detailed Compliance Audit on 'Management of Endowment Assets'

7.3.1 Introduction

Endowments in the State are managed under the provisions of Telangana State Charitable and Hindu Religious Institutions and Endowments Act (TSCHRIE Act), 1987²⁰⁶ and Rules²⁰⁷ there under. One of the main objectives²⁰⁸ of the Act is to ensure better management of endowment properties and utilisation of funds. As of March 2018, there were 12,013 temples, 227 charitable institutions and 62 Mutts registered with



Endowments Department. Out of these registered institutions 622 temples and 24 Mutts are assessable²⁰⁹ institutions which submit accounts for assessing the statutory contributions as discussed in paragraph 7.3.5.

The registered temples get administrative, financial and technical support from the Endowments Department and Government.

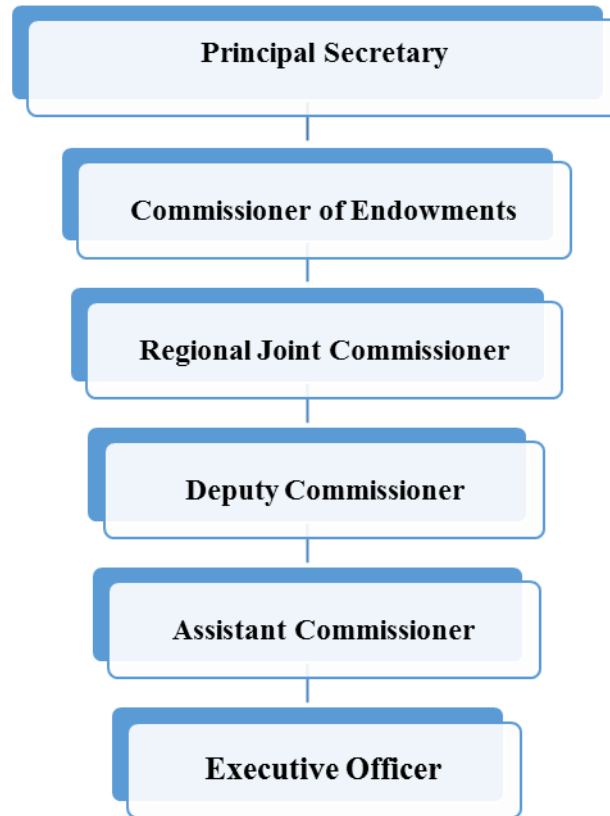
The Department is under the administrative control of Principal Secretary (Endowments), Revenue at Government level and details are as shown in the following Organogram:

²⁰⁶ Prior to bifurcation of the State in 2014, temples were administered under Andhra Pradesh State Charitable and Hindu Religious Institutions and Endowments Act (APCHRIE Act), 1987. Consequent on bifurcation of the State in 2014 the Act was renamed as TSCHRIE Act, 1987).

²⁰⁷ Depositing and Investment of Moneys Rules 1987, Money Lending or Borrowing Rules 1987, Dharmika Parishad Rules 2008, etc.

²⁰⁸ The other objective is to abolish all hereditary rights of Archakas and other servants.

²⁰⁹ Assessable institutions are those whose annual income is ₹ 0.50 lakh and above and are liable to contribute to Endowment Administration Fund (EAF), Audit Fee (AF) Common Good Fund (CGF) and Archaka Welfare Fund (AWF) (in case of temples having annual income in excess of ₹ 20 lakh).

Organogram of the Endowments Department:**7.3.2 Audit Frame Work**

Audit was conducted between March and August 2018 to assess whether the provisions of the TSCHRIE Act were complied with for proper management of land and other assets including proper monitoring, supervision and financial management. Under the provisions of Section 6 of the TSCHRIE Act, 1987 temples are divided into three categories based on their annual income. The audit sample was drawn from across the categories, 14 temples under category 6(a), two temples under category 6(b) and three temples under category 6(c) were selected for test check (**Table 7.3**). In addition, records pertaining to the offices of Principal Secretary (Endowments), Revenue Department, Commissioner of Endowments (COE) and three Assistant Commissioners (ACs) were also covered for the period from April 2014 to March 2018. TSCHRIE Act was the main source of criteria.

Table 7.3**Number of Temples & selected for audit under each category**

Category	Annual income (₹ in lakh)	Total	Selected in audit	Basis for selection
6(a)	>25	65	14	Annual income
6(b)	2-25	210	2	Extent of land under encroachment
6(c)	<2	347	3	Extent of land under encroachment
Total		622	19²¹⁰	

²¹⁰ 14 category 6(a) temples; two category 6(b) temples and three category 6(c) temples.

Reference is invited to an audit paragraph²¹¹ titled ‘Monitoring and Administration by Endowments Department’ included in Comptroller and Auditor General’s Audit Report for the year ended March 2013. The findings of the audit and the status as reviewed during the current audit are detailed in **Appendix-7.1**. During the current audit, it was found that the deficiencies pointed out in the previous audit persisted in the test-checked offices of the Department managing the temples selected for audit. Current Audit findings are discussed in succeeding paragraphs.

7.3.3 Audit findings

7.3.3.1 Management of Temple Land

Land Records

Pattadar Pass Books for an extent of Acres 59,898.32 Guntas constituting 69 per cent of total Endowment land (Acres 87,235.39 Guntas) were not obtained by the Department. In respect of test checked temples, the percentage of PPBs not obtained was 48.41 (Acres 3,861.38 Guntas out of Acres 7,976.25 Guntas). Discrepancy in extent/ location of land was also noticed due to non-updation of endowment register, failure to conduct survey and take physical possession of endowment land.

Section 14 of the TSCHRIE Act, 1987 stipulates that all properties belonging to or given or endowed to a charitable or religious institution or endowments shall, vest in the charitable or religious institution or endowment, as the case may be.

As per Rights in land and Pattadar Pass Book Act, 1971, every land owner shall have a Pattadar Pass Book (PPB) issued by Revenue Department. PPB is one of the main documents for clear title to land. The concerned Assistant Commissioner, within whose jurisdiction the temple is situated, is required to ensure that all the title deeds are available and verified with Revenue records.

The total land holdings of the registered temples in the State as of March, 2018 were Acres 87,235.39 Guntas²¹² out of which the land held by the 19²¹³ temples test checked in audit was Acres 7,976.25 Guntas. Audit findings are detailed below:

- Out of Acres 87,235.39 Guntas of endowment land, PPBs were available only for an extent of Acres 21,339.02 Guntas. PPBs were not obtained by the Commissioner for Acres 59,898.32 Guntas which constitutes 69 per cent of the total extent of endowment land. For the balance Acres 5,998.05 Guntas the details of PPBs were not furnished by the Commissioner.

²¹¹ The Report was not discussed by PAC.

²¹² 1 Acre (Ac) = 40 Guntas (Gts).

²¹³ 14 temples of 6(a) category – Acres 2,701.23 Guntas; two temples of 6(b) category – Acres 2,914.37 Guntas and three temples of 6(c) category – Acres 2,360.05 Guntas.

- In a sample of eight²¹⁴ out of 19 temples, PPBs were not available in respect of the agricultural endowments to an extent of Acres 3,861.38 Guntas representing 48.41 *per cent* of the endowment land in their possession. Absence of PPBs ranged from seven *per cent*²¹⁵ to 100 *per cent*²¹⁶. The Executive Officers concerned did not take action to obtain the PPBs, though the land was in their possession. The Executive Officers replied that PPBs would be obtained.
- The temple authorities need to have correct entries in PPBs in respect of location, extent of land with reference to the endowment register. In case of any discrepancy the same was to be reconciled by them. On verification of endowment register with the PPBs, it was noticed that discrepancy to an extent totalling Acres 121.14 Guntas existed in three²¹⁷ out of 19 temples test checked.

Failure of the temples to take physical possession of land

- Out of the total extent of Acres 1,347.11 Guntas land of one category 6(a) temple, Acres 3.26 Guntas was donated in 1948. The donated land was later surveyed and report was handed over to the temple authorities in the year 2000. The concerned Assistant Commissioner, however did not take physical possession of the land despite receipt of survey report from the Revenue Department. Further, PPBs to an extent of Acres 373.38 Guntas was not available in respect of the agricultural endowments.
- As regards one category 6(a) temple, Acres 7.09 Guntas was donated way back in 1983. *Panchanama*²¹⁸ was conducted in May 2007. The temple authorities however, neither took any action to get the land surveyed by the Revenue Department nor took physical possession of the land. The entire land of Acres 7.09 Guntas was encroached and under litigation.

7.3.3.2 Encroachment of Temple Land

Endowment land to an extent of Acres 6343.12 Guntas valuing ₹ 311 crore was encroached in nine out of 19 test checked temples.

As per Section 83(1) of the TSCHRIE Act, 1987, any instances of encroachment of temple land, building etc., are to be reported by the Assistant Commissioners concerned to the Endowment Tribunal for issue of eviction orders. The Endowment Tribunal, upon receiving the complaint, issues notices to the encroacher and conducts enquiry. The Tribunal may, if the

²¹⁴ Four category 6(a) temples; One category 6(b) temple and Three category 6(c) temples.

²¹⁵ One category 6(a) temple – Acres 14.29 Guntas (Total Endowment land-Acres 218.19^{3/4} Guntas).

²¹⁶ One category 6(b) temple – Acres 1,426.38 Guntas (Total Endowment land - Acres 1,426.38 Guntas) and two category 6(c) temples -Acres 640.01 Guntas (Total Endowment land-Acres 640.01 Guntas) and Acres 934.27 Guntas (Total Endowment land-Acres 934.27 Guntas).

²¹⁷ Two category 6(a) temples (Acres 55.14 Guntas, since 2006) and (5 Guntas since 2009) and one category 6(b) temple (Acres 65.35 Guntas since 2014).

²¹⁸ Record of what the panchs (witnesses) say during Panchanama. The main intention behind conducting panchanama is to get the case from unfair dealings on the part of the officers. This can be used as corroborative evidence.

encroachment is proved in the enquiry, issue eviction order. In the event of encroachers not vacating the temple land, the Assistant Commissioners may take police assistance to remove the encroachment and obtain the possession of such land.

- It was noticed from the records of Commissioner of Endowment that Acres 20,124.03 Guntas (23.07 per cent) out of Acres 87,235.39 Guntas of endowment land was under encroachment across the State. In nine²¹⁹ out of 19 test checked temples, encroachment was to the extent of Acres 6,343.12 Guntas as shown in the **Table 7.4:**

Table 7.4
Extent of land encroachment in test checked temples

Category of temple	Total land of temples (in Acres)	Extent of land under encroachment in Acres (per cent of encroached land)
6(a)	2,701.23	1,162.17 (43.02)
6(b)	2,914.37	2,913.16 (99.96)
6(c)	2,360.05	2,267.19 (96.07)
Total	7,976.25	6,343.12 (79.52)

Source: Records of Temples and information furnished by Assistant Commissioners

It could be seen that the encroachment of land in all the categories of temples ranged from 43.02 per cent (Acres 1,162.17 Guntas) to 99.96 per cent (Acres 2,913.16 Guntas) of the land in the test checked temples. Basic value of the land under encroachment in respect of test checked temples worked out to a minimum of ₹ 311 crore.

Absence of a proper mechanism to protect temple land increases the risk of further encroachments with attendant risk of increasing land disputes

Endowment Tribunal

Assistant Commissioners filed cases with Tribunal for encroached land to an extent of only Acres 3,488.00 Guntas out of Acres 20,124.03 Guntas. In respect of 65 eviction orders issued by Tribunal involving Acres 649.35 Guntas, no land was reclaimed.

It was further noticed in Audit that out of Acres 20,124.03 Guntas of endowment land encroached upon across the State, the Assistant Commissioners filed cases with Endowment Tribunal to an extent of only Acres 3,488.00 Guntas (17.33 per cent).

- The Commissioner of Endowments and three²²⁰ test checked Assistant Commissioners had no information on the pendency of cases with the Tribunal or on the extent of land on which the Tribunal had adjudicated. Out of 826 eviction orders passed since 2008, 180 orders were reported to

²¹⁹ Four category 6(a) temples; two category 6 (b) temples, three category 6(c) temples.

²²⁰ Hyderabad, Nalgonda and Rangareddy.

be implemented by the Department. In nine²²¹ out of 19 test checked temples, cases were filed in courts for encroached land of Acres 1,972.09 Guntas and 65 eviction orders were issued involving Acres 649.35 Guntas. It was however observed that, no land was reclaimed.

The Department stated that the orders could not be implemented due to lack of police assistance for evicting the encroachers. Contrary to the reply of the Department it was noted that the issue was not taken up with the higher authorities *viz.*, District Collector and Superintendent of Police for effecting eviction orders.

Protection of land from encroachments

Endowment land worth ₹71.44 crore was not exhibited in the list of prohibited properties by the Registration Department posing risk of endowment land being registered in the name of private persons/ organizations.

The TSCHRIE Act, 1987 (Section 76) prohibits transfer of land granted for rendering service to an endowment by way of sale, gift etc. Such land comes under the category of prohibited properties. A Register of prohibited properties of Government, Endowments *etc.*, is also maintained in the offices of Registration and Stamps Department to prevent registration of these lands in the name of private persons/ organisations. The District Collector issues Gazette Notification of prohibited properties every year. As per Circular²²² read with Rule 5 of Endowment Statutory Rules (Part-IV), all the jurisdictional Assistant Commissioners concerned are required to visit the Sub-Registrar Offices once in a month to update the data in the Prohibited Properties Register.

Audit cross verified the records of Registration and Stamps Department with the records of COE and found that details of prohibited properties relating to certain temples were not reflected in the records of Registration and Stamps Department. These are detailed below:

- In two²²³ Mandals of Medchal-Malkajgiri (erstwhile Rangareddy district) district, an extent of Acres 18.01 Guntas pertaining to two temples²²⁴ were not reflected in the list of prohibited properties maintained by the Registration and Stamps Department. Even if the minimum value as per Basic Value²²⁵ Register (2013) maintained by the Registration Department is reckoned the value of the land works out to ₹ 63.10 crore. Further, Acres 753.07 Guntas of land in one category 6(c) temple, valued ₹ 8.34 crore was not reflected in the list of prohibited properties maintained by the concerned Sub-Registrars. **Non-listing of the land in the list of prohibited properties was fraught with the risk of the Endowment land**

²²¹ Four category 6 (a) temples, two category 6 (b) temples and three category 6 (c) temples.

²²² Circular No. 13/85 (J1/16617/85) dated 03 May 1985.

²²³ Balanagar and Uppal.

²²⁴ Two category 6(c) temples (Acres 1.16 Guntas) and (Acres 16.25 Guntas).

²²⁵ Basic value means minimum Value of the land as adopted by the Registration & Stamps Department for the purpose of registering properties.

being registered in the name of private persons/ organisations. These cases are only illustrative and Department may initiate action with the Registration and Stamps Department to include all Endowment land in the list of prohibited properties and visit the Sub-Registrar Offices as provided in the Rules, to update the data in the prohibited properties register.

7.3.3.3 Acquisition of land by other Authorities

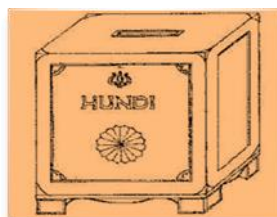
Under the provisions of Sections 4(6) and (11) of Land Acquisition Act 1894, the land acquisition officer can acquire any land including Government, two years from the date of publication of the requirement of the land.

It was noticed that land measuring Acres 423.22 Guntas belonging to seven temples/ mutts²²⁶ was acquired (1993-2005) by Government authorities²²⁷. The compensation of ₹ 5.84 crore payable to the temple was still pending from these authorities as of March/ April 2018. Further, after the land was acquired by the Government, majority of the land (Acres 421.19 Guntas) valuing ₹ 5.04 crore was under un-authorized occupation and litigation.

7.3.3.4 Management of Cash and Jewels.

Hundis were not installed, Cash Books and receipt books were also not maintained in one category 6(c) temple. In one category 6(a) temple, foreign currency received in Hundis was not deposited in banks.

Under Section 29 of the TSCHRIE Act, 1987, Executive Officer shall deposit the money received by the temples in such bank or treasury as may be prescribed. Further certain Statutory Rules *viz.*, Collection of Income and Incurring of Expenditure etc. Rules 1987, Depositing and Investment of Moneys Rules 1987, Jewels and other valuables and Documents Maintenance Rules, 1987 etc. are also framed under the TSCHRIE Act, 1987. It was however noticed that no guidelines were issued either by Commissioner or Government on treatment of foreign currency offerings in temples. The main sources of revenue for the temples are collections through Hundis²²⁸, sale of tickets for prasadam²²⁹, darshan, sevas²³⁰ rents from shops, choultries, kesakhandana,²³¹ donations given for specific programmes *viz.*, Annadanam, Saswathapujalu, *etc.*, and other offerings.



²²⁶ One category 6 (a) temple, one category 6 (b) temple, three category 6 (c) temples and two category 6 (d) mutts.

²²⁷ Greater Hyderabad Municipal Corporation, the Telangana State Industrial Infrastructure Corporation and Quli Qutub Shah Urban Development Authority.

²²⁸ A box installed within the temple for dropping offerings by pilgrims.

²²⁹ Food items offered to God.

²³⁰ Services and Poojas to God.

²³¹ Hair cut/tonsuring in the temple premises.

In all the test checked temples (except two temples)²³², the Hundial collections accounted for 17.89 per cent of the total income of all categories of the temples during 2014-18 as shown in **Table 7.5**:

Table 7.5
Sources of Income of Temples

Source	Amount collected in test-checked temples in 2014-18 (₹ in crore)			
	6(a)	6(b)	6(c)	Total
Hundial collections	218.34	0.37	Nil	218.71
Sale of prasadam, darshans etc.,	251.31	0.20	Nil	251.51
Lease rent from properties	131.66	0.42	Nil	132.08
Interest from investments	45.29	0.90	0.04	46.23
Others ²³³	572.96	0.78	Nil	573.74
Total	1,219.56	2.67	0.04	1,222.27
Percentage of Hundial collections to total income	17.90	13.86	0	17.89

Audit findings in this regard are detailed below:

- In one category 6(c) temple (test checked temple), Executive Officer neither installed Hundis nor maintained receipt books and Cash books. In the absence of Hundis, receipt books and cash books, the revenue of the temple could not be verified. Non maintenance of Hundis and receipt books is fraught with the risk of embezzlement of funds offered by the devotees. The Executive Officer assured (August 2018) compliance. It was noticed that the Commissioner was also not aware of this issue.
- In two²³⁴ out of 19 test checked temples, foreign currency received was retained in the temples and not deposited in the Bank since February 2017 and 2013-14 respectively. Executive Officer, of one category 6(a) temple replied (June 2018) that the matter was being pursued with the Banks. Executive Officer, of one category 6(a) temple replied (April 2018) that the matter was already referred (January 2018) to the Commissioner.

7.3.3.5 Jewellery Appraisal

The orders of Commissioner of Endowments to deposit Gold in excess of one kilo gram in Gold Deposit Bond Scheme was not implemented though exceeded the prescribed limit.

Further, as per Section 32 of the TSCHRIE Act, Jewellery Verification Officer (JVO) was to be appointed by Government for valuation of gold and other ornaments placed in the Hundis. Commissioner directed (December 2009) the temples to deposit gold²³⁵ in excess of one kilogram in State Bank of India's Gold Deposit Bond Scheme (GDBS). The mixed gold in any shape is accepted by the Bankers and thereafter it is minted by the Bankers and a Bond certificate is issued for the actual weight of the gold after minting.

²³² In one category 6(c) temple records were not furnished and in another category 6(c) temple no records were maintained.

²³³ Donations, rents from cottages, locker rents, vehicle poojas, sale of books/carry bags, etc.,

²³⁴ Two Category 6(a) temples.

²³⁵ Except those used as deities' ornaments etc.,

The audit findings in this regard are detailed below:

- The Government appointed only one JVO for all the registered temples in the State. A Goldsmith, engaged locally by Executive Officer on the day of Hundi opening, certifies the Gold/ Silver/ Jewellery weight. The value of the Gold/ Silver/ Jewellery items is not shown as a part of income. It is treated as an asset of the temple and entered in the inventory. In seven test checked temples, the gold offerings could not be taken into inventory and were dropped back into the hundis due to non-availability of services of JVO/ Goldsmith for certain periods as detailed in **Table 7.6**:

Table 7.6
Period of non-accountal of gold offerings

Sl.No	Category of Temple	Period for which Executive Officers did not take stock of gold items
1	Category 6(a) temple	April 2013 to October 2017
2	Category 6(a) temple	June 2016 to June 2018
3	Category 6(a) temple	December 2009 to April 2018
4	Category 6(a) temple	December 2009 to April 2018
5	Category 6(a) temple	December 2009 to May 2018
6	Category 6(a) temple	February 2010 to June 2018
7	Category 6(a) temple	May 2015 to May 2018

- In 10 out of the 14 category 6(a) temples, gold in stock exceeded the prescribed limit of one kilogram. The accumulated gold was 91.87 Kilogram (**Appendix 7.2**) ranging between more than two kilograms (category 6(a) temple) and 28.555 kilograms (category 6(a) temple). But none of the Executive Officers deposited the gold in GDBS for the reasons not on record. It was noticed that the Commissioner was not aware of this issue. When it was brought to his notice, Commissioner replied (July 2018) that necessary instructions would be issued in this regard.

7.3.3.6 Management of Investments

Fixed Deposit Receipts were not renewed on maturity dates as a result of which interest of ₹ 47.36 lakh was forgone by the temples concerned.

Under Section 134 of the TSCHRIE Act, 1987 read with Rule 2(f) of Money Lending or Borrowing Rules, 1987, cash may be invested in fixed deposits in a Nationalised or Scheduled Bank as defined in the Reserve Bank of India Act, 1934. The Executive Officer shall invest the funds judiciously and shall not in any manner act detrimental to the interests of the temples in management of such funds. The total investments (Fixed Deposit Receipts) in 17²³⁶ out of 19 test checked temples was ₹ 245 crore.

In three²³⁷ out of 19 test checked temples Fixed Deposit Receipts were invested in Regional Rural Banks where there is no auto renewal facility. As a

²³⁶ 14 category 6 (a) temples, two category 6 (b) temples and one category 6 (c) temple.

²³⁷ Two category 6(a) temples, one category 6(b) temple.

result, funds amounting to ₹13.72 crore were kept idle for periods ranging between 48 to 828 days on maturity of the Fixed Deposit Receipts. This resulted in loss of interest amounting to ₹47.36 lakh by reckoning the interest rate of 7.1 *per cent* to 9.5 *per cent* offered on these Fixed Deposits. The Executive Officer of one category 6(a) temple replied that due to rush of work and shortage of staff, Fixed Deposit Receipts could not be re-invested. Specific replies were awaited from other Executive Officers.

7.3.4 Lease of immovable properties

In one category 6(a) temple, lease rentals were not enhanced as instructed by the Government causing loss of revenue amounting to ₹ 42.99 lakh.

Income from shop rentals, lease etc., account for 10.8 *per cent* of revenue of all test checked temples in the State. Renting and leasing out of temple properties are governed by the TSCHRIE's Immoveable Properties (Other than agricultural land) Leases and Licenses Rules, 2003 and Lease of Agricultural Land Rules, 2003.

As per Government instructions²³⁸(May 2010), extension of lease of shops located in the premises of temples with annual income of more than ₹ 25 lakh shall be allowed with 50 *per cent* enhancement of existing lease rents for a further period of three years. It was noticed that in respect of one category 6(a) temple, though annual income of the temple was in excess of ₹ 25 lakh, Executive Officer did not enhance the lease rent of 18 shops while renewing the leases, resulting in loss of revenue amounting to ₹ 42.99 lakh for the period from 2014-15 to 2017-18.

Executive Officer replied (May 2018) that the matter would be examined and detailed reply would be furnished in due course.

7.3.5 Other Endowment Resources

According to provisions of TSCHRIE (Amendment) Act 2007, every temple/Hindu religious institution in the State shall contribute to the following funds as detailed in **Table 7.7**:

Table 7.7
Rates of Annual contributions

Sl. No.	Name of the Fund	Section of the Act	Annual Contribution	Purpose
1	Endowment Administration Fund (EAF)	65 (1)	12 <i>per cent</i> of assessable income if annual income exceeded ₹ 50,000	Payment of salaries and other emoluments to all such office holders and servants of endowments and all the costs, charges and expenses incurred in connection with legal proceedings. This fund is kept under M.H.8010 Trusts and Endowments accounts.
2	Audit Fee (AF)	65 (4)	One and half <i>per cent</i> of the assessable income if annual income exceeded ₹ 50,000	Credited to State Audit.

²³⁸ Govt Memo No. 20175/Endt.I(2)/2010-11, dated 18 May 2010.

Sl. No.	Name of the Fund	Section of the Act	Annual Contribution	Purpose
3	Common Good Fund (CGF)	70 (1)	Five <i>per cent</i> of assessable income if annual income exceeded ₹ 50,000	Establishment and maintenance of vedapathasalas and schools, construction of new temples kalyanamantapams etc. These funds are kept in CGF Trust. The available balance under CGF as on 31 st March 2018 was ₹ 95.37 lakh.
4	Archaka Welfare Fund (AWF)	161 (1)	Three <i>per cent</i> of assessable income if annual income exceeded ₹ 20,00,000	Loans and advances to Archakas. These funds are kept in AWF Trust. The available balance under AWF as on 31 st March 2018 was ₹ 1.68 crore.

The contributions received towards various funds and deficiencies amounting to ₹ 93.20 crore for the entire State were as detailed in **Table 7.8:**

Table 7.8
Shortfall in contributions

(₹ in crore)

Year	Endowment Administrative Fund			Common Good Fund			Audit Fee			Archaka Welfare Fund		
	Due	Received	Short fall	Due	Received	Short fall	Due	Received	Short fall	Due	Received	Short-fall
2014-15	51.04	22.25	28.79	18.70	8.66	10.04	11.90	2.19	9.71	25.83	3.74	22.09
2015-16	59.13	27.02	32.11	22.66	11.72	10.94	13.52	2.24	11.28	28.93	4.45	24.48
2016-17	69.33	34.58	34.75	26.37	16.81	9.56	15.93	3.26	12.67	33.01	6.73	26.28
2017-18	68.64	28.39	40.25	24.44	13.16	11.28	17.16	3.03	14.13	34.56	7.02	27.54

Source: Records of the Commissioner of Endowments

- The arrears in receipt of contribution towards these funds, in 14²³⁹ out of 19 temples test checked in audit, amounted to ₹ 14.10 crore. But the Assistant Commissioners concerned failed to collect the dues despite 13 temples having adequate funds (**Appendix 7.3**). Commissioner replied (July 2018) that instructions would be issued to Executive Officers for payment of dues.
- Commissioner sanctioned an amount of ₹ 1.46 crore towards loans and advances to Archakas and staff of temples²⁴⁰ from the year 2008. An amount of ₹ 1.04 crore (71 *per cent*) was due for recovery as of 31st March 2018. It was, however, observed that, the Department recovered only ₹ 48.00 lakh as of March 2018. The Commissioner replied that strict instructions were being issued to the concerned Assistant Commissioners for recovery of overdue installment amounts of marriage loan and housing loans from the temple employees.

The observations were communicated to the Department and to the Government (September 2018); replies have not been received (February 2020).


²³⁹ No arrears from three category 6(a) temples. One category 6(c) temple did not produce records pertaining to contributions. No records were maintained by one category 6(c) temple.

²⁴⁰ From the Archaka Welfare Fund.

7.3.6 Conclusion

Pattadar Pass Books (PPBs) for 69 per cent of total endowment land was not obtained by the Department. In the test checked temples, endowment land Acres 6343.12 Guntas (80 per cent) valuing ₹ 311 crore was encroached. Endowment land worth ₹ 71.44 crore was not exhibited in the list of prohibited properties by the Registration department. Thus, lack of adequate attention towards periodical review of the Register of land, obtaining pattadar passbooks of agricultural land and reconciliation of land with the records of Department of Registration and Stamps increased the risk of encroachments of land. Excess Gold was not deposited in the Gold Deposit Bond Scheme as per the directions of the Department. Improper monitoring led to accumulation of dues towards statutory contributions from the temples.

Hyderabad
The 20 July 2020


(SUDHA RAJAN)
Accountant General (Audit)
Telangana

Countersigned

New Delhi
The 24 July 2020


(RAJIV MEHRISHI)
Comptroller and Auditor General of India

APPENDICES
&
GLOSSARY

Appendix 1.1
Para No. 1.7.3
Department-wise Details of IRs

(₹ in crore)

Sl. No.	Name of the Department	Nature of Receipt	Number of outstanding Inspection Reports	Number of outstanding Audit Observations	Money Value Involved	Earliest year to which IRs pertain
1	Revenue Department	Commercial Taxes	2,251	11,101	4,232.07	1986-87
		State Excise	181	596	64.64	1991-92
		Land Revenue	478	1,744	1,583.67	1987-88
		Stamp Duty and Registration Fees	1,281	4,907	559.21	1990-91
		Endowments	50	435	NA	2003-04
2	Transport, Roads and Buildings	Taxes on Motor Vehicles	183	910	1,710.48	1993-94
3	Industries and Commerce	Mines and Minerals	81	394	993.34	1994-95
4	Energy	Taxes and Duties on Electricity	26	91	681.33	1996-97
Total			4,531	20,178	9,824.74	

Source: Records of Office of Principal Accountant General (Audit), Telangana

Appendix 1.2
Para No. 1.7.7

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

Year of Report/ Name of the Performance Audit	Details of recommendations
2012-13 Functioning of Registration and Stamps department including Information Technology (IT) audit of Computer aided administration in Registration Department (CARD)	<ol style="list-style-type: none"> 1. Ensure inspection of public offices under Section 73 immediately so as to detect the leakage of revenue; 2. evolve a mechanism with departments (Transport, Income Tax, Revenue, etc.) to ensure proper collection of stamp duty; 3. strengthen internal audit and make it more effective; 4. incorporate business rule changes into the application in a timely manner; 5. get into the role of data owner with ability to utilise on the information resources; and 6. co-ordinate with NIC regarding source code rights, database and application support provisions, documentation (SRS/URS/SDD etc.) and knowledge transfer.

Year of Report/ Name of the Performance Audit	Details of recommendations
2015-16 Revision and implementation of Market Value Guidelines	<ol style="list-style-type: none"> 1. Ensure that the MV revision committees obtain required data from Revenue and other departments; 2. derive a formal mechanism with specific procedures to be adopted for revision of market values for valuation of properties considering various developmental factors with proper documentation; 3. make a provision in CARD for generation of reports that are to be considered while revising the market values like statements of documents registered with higher values and to alert the registering officers and to facilitate trend analysis during revision; 4. analyse the reasons for variation between the approved market values and the price realised in open market value and initiate steps to minimise the gaps; 5. make modifications in CARD to enter details like complete description of boundaries with door numbers/survey numbers for more accurate calculation of market values and also to reduce the scope for manual entries; 6. ensure greater scrutiny of documents where manual entries were made to prevent wrong entries.

Status: Explanatory notes from Government is awaited in respect of both the PAs.

**Appendix 7.1
Para No. 7.3.2
Past Audit Reports**

Sl. No.	Gist of the Audit finding	Para reference in current report	Para reference in 2013 report
1	Non-investing of Gold accumulations more than 1Kg in Gold Deposit Bond Scheme.	7.3.3.5	8.1.9
2	Non-conversion of Foreign currency into Indian Rupee.	7.3.3.4	8.1.8
3	Outstanding shop/lease rents ₹ 2.11 crore.	7.3.4	8.1.13
4	Non-obtaining of PPBs	7.3.3.1	8.1.16 (ii para)
5	Outstanding statutory contributions	7.3.5	8.1.17
6	Improper investments in Fixed Deposit Receipts	7.3.3.6	8.1.18

Appendix 7.2
Para No. 7.3.3.5
(Gold Accumulations)

Sl. No	Category of Temple	Gold accumulations (Kgs-Gms-Mgs)
1	Category 6(a) temple	22-821-367
2	Category 6(a) temple	4-051-500
3	Category 6(a) temple	2-088-800
4	Category 6(a) temple	4-137-660
5	Category 6(a) temple	2-845-894
6	Category 6(a) temple	4-474-443
7	Category 6(a) temple	10-057-890
8	Category 6(a) temple	4-285-000
9	Category 6(a) temple	28-555-360
10	Category 6(a) temple	8-553-000
Total		91-870-914

Appendix 7.3
Para No. 7.3.5
(Statutory dues)

(₹ in lakh)

Sl. No	Category of Temple	EAF	AF	CGF	AWF	Total	Financial assets available as of March 2018
1	Category 6(a) temple	227.86	61.72	Nil	101.27	390.85	4,362.00
2	Category 6(a) temple	Nil	4.49	Nil	14.00	18.49	857.54
3	Category 6(a) temple	0	5.00	20.00	31.22	56.22	420.13
4	Category 6(a) temple	1.17	13.69	Nil	26.62	41.48	153.35
5	Category 6(a) temple	Nil	17.55	Nil	35.10	52.65	434.87
6	Category 6(a) temple	24.82	30.41	Nil	45.22	100.45	107.69
7	Category 6(a) temple	Nil	Nil	Nil	10.00	10.00	1,637.53
8	Category 6(a) temple	Nil	Nil	Nil	7.41	7.41	313.98
9	Category 6(a) temple	114.00	16.50	14.66	33.00	178.16	542.18
10	Category 6(a) temple	Nil	25.04	Nil	58.11	83.15	1,106.70
11	Category 6(a) temple	250.00	180.00	Nil	Nil	430.00	1,714.94
12	Category 6(c) temple	0.27	0.07	0.24	NA*	0.58	15.17
13	Category 6(b) temple	16.50	1.80	10.46	3.60	32.36	9.67
14	Category 6(b) temple	3.24	1.73	1.35	1.42	7.74	498.09
Total						1,409.54	12,173.84

*NA-Not applicable as assessable income of the temple is less than ₹20 lakh

GLOSSARY	
AA	Assessing Authority
AC	Assistant Commissioner
AF	Audit Fee
AWF	Archaka Welfare Fund
BSO	Revenue Board's Standing Orders
CARD	Computer aided Administration of Registration Department
CCLA	Chief Commissioner of Land Administration
CCT	Commissioner of Commercial Taxes
CGF	Common Good Fund
CGST	Central Goods and Services Tax
CIGRS	Commissioner and Inspector General of Registration and Stamps
CMV Rules	Central Motor Vehicles Rules, 1989
CST (R&T) Rules	Central Sales Tax (Registration and Turnover) Rules
CTD	Commercial Taxes Department
DC	Deputy Commissioner
DMU	Debt Management Unit
DP&EOs	District Prohibition and Excise Officers
DR	District Registrar
DTOs	District Transport Officers
EAF	Endowment Administration Fund
EO	Executive Officer
e-PPBs	Electronic Pattadar Passbooks
FC	Fitness Certificate
FDR	Fixed Deposit Receipt
GDBS	Gold Deposit Bond Scheme
GOI	Government of India
GST	Goods and Services Tax
GSTN	Goods and Services Tax Network
GSTR	Goods and Services Tax Return
Gts	Guntas (40 guntas = one acre)
HSN	Harmonised System of Nomenclature
IGST	Integrated Goods and Services Tax
IS Act	Indian Stamp Act
IST	Inter State Investigation Wing
IT	Information Technology
ITC	Input Tax Credit
JC	Joint Commissioner
JVO	Jewellery Verification Officer
LACs	Land Audit Committees
LR	Land Revenue
LRUP	Land Records Updation Project
MRIs	Mandal Revenue Inspectors
MV Act	Motor Vehicles Act, 1988
MVIs	Motor Vehicle Inspectors
NIC	National Informatics Centre

P&E	Prohibition and Excise
PAC	Public Accounts Committee
PAN	Permanent Account Number
PMV	Prevailing Market Value
POT	Prohibition of Transfers
PPB	Pattadar Pass Book
RC	Registration Certificate
RDOs	Revenue Divisional Officers
RJCs	Regional Joint Commissioners
ROR	Record of Rights
RTOs	Regional Transport Officers
ST	State Tax
State MV Rules	Andhra Pradesh Motor Vehicles Rules, 1989
State Taxation Act	Andhra Pradesh Motor Vehicles Taxation Act, 1963
State Taxation Rules	Andhra Pradesh Motor Vehicles Taxation rules, 1963
STO	State Tax Officer
STU	Strategic Tax Payer Unit
TC	Transport Commissioner
TLRMS	Telangana Land Records Management System
TOT	Turnover Tax
TRAN Form	Transition Form
TSCHRIE Act	Telangana State Charitable and Hindu Religious Institutions and Endowments Act 1987
TSFDC	Telangana State Film Development Corporation
TSGST	Telangana State Goods and Services Tax
TSHB	Telangana State Housing Board
TSLAR	The Telangana (Secunderabad Area) Land Administration Rules, 1976
TSLMA	Telangana State Land Management Authority
TSSPDCL	Telangana State Southern Power Distribution Company Limited
TSVAT	Telangana State Value Added Tax
UIDAI	Unique Identification Authority of India
VAT	Value Added Tax
VATIS	Value Added Tax Information System
VRO	Village Revenue Officer

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