

FOURTEENTH KERALA LEGISLATIVE ASSEMBLY

**COMMITTEE
ON
PUBLIC ACCOUNTS
(2016-2019)**

THIRTY THIRD REPORT
(Presented on 5th December, 2018)



**SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM
2018**

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THIRTY THIRD REPORT

On

**Paragraphs relating to Taxes and Registration
Departments contained in the Report of the
Comptroller and Auditor General of India
for the year ended 31st March,
2012 (Revenue Receipts)**

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(2016-2019)

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INTRODUCTION

I, the Chairman, Committee on Public Accounts, having been authorised by the Committee to present this Report, on their behalf present the Thirty Third Report on paragraphs relating to Taxes and Registration Departments contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March, 2012 (Revenue Receipts).

The Report of the Comptroller and Auditor General of India for the year ended 31st March, 2012 (Revenue Receipts) was laid on the Table of the House on 19th March, 2013.

The Committee considered and finalised this Report at the meeting held on 3rd December, 2018.

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

Thiruvananthapuram,
3rd December, 2018.

V. D. SATHEESAN,
Chairman,
Committee on Public Accounts.

REPORT

TAXES DEPARTMENT

AUDIT PARAGRAPH

Tax Administration

The levy and collection of taxes on agricultural income is governed by The Kerala Agricultural Income Tax (KAIT) Act 1991 and is administered by Commissioner of Commercial Tax (CCT). The assessment, levy and collection are looked after by Inspecting Assistant Commissioners, Agricultural Income Tax and Commercial Tax Officers. The Department of Commercial Taxes is under the control of the Secretary to Government (Taxes) at the Government level.

Companies and persons, who derive agricultural income within the State are liable to KAIT. In respect of Companies tax at the rates prescribed in the Schedule to the Act shall be charged. From April 2000, persons holding landed property upto 500 hectares may opt to pay tax at compounded rate. No tax is payable on first five hectares.

Trend of receipts

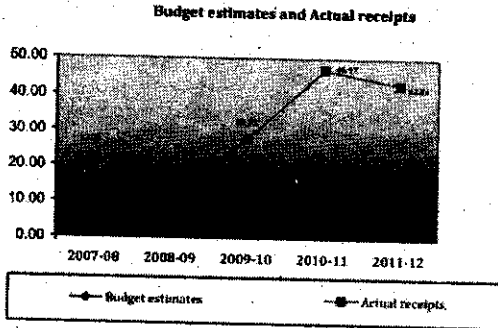
Actual receipts (AR) from agricultural income tax during the last five years (2007-08 to 2011-12) along with the budget estimates (BEs) during the same period are exhibited in the following table and graph :

(₹ in crore)

Year	Budget Estimates	Actual Receipts	Variation	Percentage of variation	Total tax receipts of the State	Percentage of actual receipts vis-à-vis total tax receipts	Percentage of growth rate
1	2	3	4	5	6	7	8
2007-08	6.56	22.05	(+) 15.49	(+) 236.13	13,668.95	0.16	128.97
2008-09	7.39	11.97	(+) 4.58	(+) 61.98	15,990.18	0.07	(-)45.71
2009-10	8.52	27.73	(+) 19.21	(+)225.47	17,625.02	0.16	131.67

1	2	3	4	5	6	7	8
2010-11	12.00	46.97	(+) 34.97	(+)291.41	21,721.69	0.22	69.38
2011-12	14.49	42.86	(+) 28.37	(+) 195.79	25,718.60	0.16	(-) 8.75

Source: Finance Account of relevant year



It was noticed in Audit that during 2011-12 the Department could not maintain the growth rate achieved during the previous year. Department may streamline its budgeting process to make the budget estimates realistic as significant variations were noticed persistently between budget estimates and actual receipts.

Arrears in AIT assessment

The Department furnished the position of arrears under agricultural income tax which is as shown below:

Opening balance	7,050
Addition during 2011-12 including remanded cases	2,757
Total	9,807
No. of assessments completed	5,067
Arrear cases - 4,005	
Current cases - 1,059	
Remanded cases - 3	
Closing balance	4,740

The table above shows that the Department completed 5,067 assessments which was 51.67 per cent of the arrears outstanding.

Impact of Audit

Revenue Impact

During the last four years, cases of inadmissible expenses, income escaping assessment, incorrect computation of income, underassessment due to assignment of incorrect status etc., with revenue implication of ₹ 54.99 crore in 208 paragraphs were pointed out. Of these, the Department/Government accepted audit observations involving ₹ 1.52 crore and had since recovered ₹ 0.23 crore. The details are shown in the following table:

(₹ in crore)

Year of Audit Report	Paragraphs included		Paragraphs accepted		Amount recovered	
	No.	Amount	No.	Amount	No.	Amount
2007-08	43	3.69	17	0.35	10	-
2008-09 Vol. I	67	28.66	9	0.12	4	0.11
2009-10	39	5.57	19	0.95	11	0.12
2010-11	59	17.07	5	0.10	1	-
Total	208	54.99	50	1.52	26	0.23

The recovery of cases vis-à-vis the amount accepted was negligible.

Working of Internal Audit Wing

As the Department did not furnish detailed information on internal audit, Audit was unable to comment on the performance of the Internal Audit Wing (IAW).

Result of audit

In 2011-12 Audit test checked records of 32 units relating to agricultural income tax. Under assessment of tax and other irregularities involving ₹ 24.98 crore in 13 cases were noticed in audit which fall under the following categories:

(₹ in crore)

Sl. No.	Categories	No. of cases	Amount
1	Income escaping assessment	4	23.11
2	Incorrect computation of tax	3	0.03
3	Inadmissible expenses	2	0.54
4	Others	4	1.30
	Total	13	24.98

During the course of the year, the Department accepted underassessment and other deficiencies of ₹ 6.21 lakh in 7 cases out of which one case involving ₹ 7,158 was pointed out in audit during the year 2011-12. The Department realised an amount of ₹ 6.21 lakh in seven cases during the year 2011-12.

A few illustrative audit observations involving ₹ 5.45 crore are mentioned in the succeeding paragraphs.

Audit observations

Scrutiny of the assessment records of agricultural income tax in Commercial Taxes Department revealed several cases of non-observance of provisions of Act/Rules, incorrect determination of income/interest, grant of inadmissible expenses/allowances and other cases as mentioned in the succeeding paragraphs in this chapter. These cases are illustrative and are based on a test check carried out in audit. Such omissions on the part of the Assessing Authorities (AAs) are pointed out in audit each year but not only do the irregularities persist, but these also remain undetected till an audit is conducted. There is need for the Government to improve the internal control system including strengthening of the internal audit.

Non-observance of provisions of Act/Rules

Under the KAIT Act and Rules made thereunder, for completing assessments the following aspects should be observed:

- (i) *tax shall be levied at the prescribed rate on the agricultural income derived by the assessee;*

(ii) deductions shall be allowed on income derived subject to certain conditions; and

(iii) interest shall be levied on the balance tax payable.

It was noticed that while finalising the assessment, the AAs did not observe some provisions which resulted in short levy of tax and interest of ₹ 5.45 crore as mentioned in the paragraphs 3.8.1 to 3.8.3.

[Audit paragraph 3.1 to 3.8 contained in the report of the Comptroller and Auditor General of India for the year ended 31st March, 2012 (Revenue sector)]

Notes furnished by Government on the above Audit paragraphs is included as Appendix II.

1. Regarding the audit objection, ACS replied that audit objection was accepted and almost all the pending cases were recommended for action under RR. He added that cases which completed assessment were either appealed or referred through RR proceedings. The Committee advised that the department should be vigilant in rectifying the defects pointed out by the audit.

2. The Committee observed that the importance of IAW became irrelevant as the income by way of recovery got declined and strengthening of the wing would be more expensive. To a query of the Committee, the ACS, taxes department replied that in last year, ₹ 61 lakh had been collected. He also added that no actions were being carried out for internal auditing and the department now focus only on the collection of tax arrears.

3. When the official from AG's office brought the attention of the Committee to the fact that there was difference in the figures shown in the report furnished by CIT on 4-10-2012, the ACS, taxes department replied that almost all the remaining arrears were cleared till 2014. The Committee directed the department to furnish a detailed report on the latest position of the cases where assessment were pending.

Conclusions/Recommendations

4. The Committee observes that revenue implication of ₹ 54.99 crore, was materialised due to inadmissible expenses, escaped income, incorrect computation

of income and underassessment and from that the department accepted audit observation involving ₹ 1.52 crore of which were ₹ 0.23 crore has been realised so far. The Committee directs the department to initiate steps at the earliest to recover the short realisations. The Committee also advises the department to be vigilant in rectifying the defects pointed out by the audit.

5. The Committee understands that assessment relating to agricultural income tax is not being done properly. Though the Committee directed the department to furnish a detailed report on the latest position of the cases where assessment were pending at the meeting, the department had not yet furnished the report. It observes that the Taxes department had not made any serious effort to submit it till the date and it expresses strong displeasure over the lethargic attitude of the department. The Committee strongly demands the department to submit the report at the earliest.

Incorrect determination of taxable income

[(IAC (AIT), Kottayam; March 2012)]

The Kerala Agricultural Income Tax Act, 1991 stipulates that where an allowance or deduction is made in the assessment for any year in respect of loss or expenditure and if the assessee obtained any amount in lieu of such loss, the amount so obtained shall be deemed to be agricultural income.

It was noticed (December 2010) from the assessment records of KFDC Ltd¹, for the assessment year 2008-09 that as per balance sheet an amount of ₹ 3.64 crore received as subsidy by the assessee as a compensation for selling timber at reduced price was neither shown as income in the assessment return filed by the assessee nor was it assessed by the AIT officer through it was an agricultural income. The omission resulted in non-levy of tax of ₹ 1.82 crore.

After this being pointed to the Department and the Government in March 2012, the Government stated (September 2012) that the subsidy received by the corporation from the Government was an allowance intended for the compensation of loss happened by fall in price of timber and hence not agricultural income. The reply is not acceptable as the subsidy received was towards fall in price and as such was part of total agricultural income since there was no fall in price of timber and the amount received had to be reckoned as part of sale price.

[Audit paragraph 3.8.1 contained in the report of the Comptroller and Auditor General of India for the year ended 31st March, 2012 (Revenue sector)]

Notes furnished by Government on the above Audit paragraphs is included as Appendix II.

6. The Committee analysed that during the period 2008-2010, the assessment of agricultural income tax without observing the provisions of Act and Rules, resulted in a huge loss of ₹ 5.45 crore.

7. Regarding the audit paragraph, the Committee observed that, where an allowance or deduction is made in the assessment for any year in respect of loss or expenditure and if the assessee obtained any amount in lieu of such loss the amount so obtained shall be deemed to be Agricultural income. Audits view was that KFDC Ltd. received ₹ 3.64 crore as subsidy as a compensation for selling timber at reduced price and its omission instead of including it as income in the assessment return filed by the assessee resulted in non-levy of tax of ₹ 1.82 crore. When the Committee enquired whether the additional demand had been collected, the Additional Chief Secretary, Taxes department replied that the mistakes pointed out in audit were accepted, and the matter had been informed to KFDC. But when the department took steps to collect the additional demand of ₹ 3.68 crore, KFDC filed an appeal against Government. An official from the office of the Accountant General interfered and opined that there was no price fall in the market but as per Government order the timber was sold at a concessional rate. The Committee observed that subsidy was granted as a compensation for reduced price and hence there was no fall in price, the amount received had to be reckoned as part of sale price and to be included as agricultural income. The Additional Chief Secretary, taxes department supplemented that as per the Company Act, all subsidies were considered as income.

Conclusion/Recommendation

8. The Committee views that the subsidy received towards fall in price of timber shall be treated as agricultural income. The exclusion ₹ 3.64 crore from the assessment return filed by KFDC and the non-levy of ₹ 1.82 crore are not justifiable. Therefore, the Committee recommends that the department should initiate proper action to collect the short levy and furnish detailed report on the present status of the appeal filed by KFDC if any.

Incorrect allowance of expenses

[(IAC (AIT), Kottayam; March 2012)]

Section 5 of the KAIT Act enumerates the deductions allowable from the agricultural income. Cost of failed plantation and prior period expenditure are not included in the list of items on which deduction is allowable under the Act.

It was noticed that while finalising the assessment (December 2010) of a public sector company (KFDC Ltd.) for the assessment year 2008-09 the assessing officer allowed an amount of ₹ 3.04 crore being the cost of failed plantations. This resulted in escape of income of ₹ 3.04 crore with tax effect of ₹ 1.52 crore.

After the matter was pointed out to the Department to the Government in June 2012, the Government stated (September 2012) that the corporation was raising plantations solely for felling and sale of wood and income out of this sale was subjected to tax and hence cost of raising it ought to have been allowed for deduction. Further, failure of plantation is a universal phenomenon and certain percentage of the seedlings would perish before attaining maturity.

It is clear from the reply that the plants had perished when plants were in the immature stage and in view of the provision in the Act that expenditure incurred for the cultivation, upkeep or maintenance of immature plants from which no agricultural income is derived during the previous year shall not be allowed.

[(IAC (AIT), Kottayam; January 2012)]

It was noticed that while finalising the assessment (October 2010) of a public limited company (KFDC Ltd.) for the year 2008-09 the assessing officer allowed prior period expenditure of ₹ 33.59 lakh being expenditure incurred by the assessee towards various expenditure during earlier years. This resulted in escape of income of ₹ 33.59 lakh with consequent tax effect of ₹ 16.80 lakh.

After the matter was pointed out to the Department in January 2012 and reported to Government in March 2012, the Government stated (September 2012) that certain income and expenditure which relate to previous years are accounted by the corporation under the head 'Prior period income' and 'Prior period expenditure' in their books of accounts but they were actually derived and incurred in the current year itself. The reply is not tenable since the Act does not allow the adjustment of expenditure incurred in previous year against income in subsequent year.

[Audit paragraph 3.8.2 contained in the report of the Comptroller and Auditor General of India for the year ended 31st March, 2012 (Revenue sector)]

Notes furnished by Government on the above Audit paragraphs is included as Appendix II.

9. The Committee noticed the audit observation that while finalising the assessment of KFDC during 2008-09 by allowing ₹ 3.04 crore being the cost of failed plantation resulted in the non-levy of tax of ₹ 1.52 crore eventhough cost of failed plantation and prior period expenditure were not included in the list of items on which deduction is allowable under section 5 of KAIT Act. The ACS, taxes department detailed that in Section 5 of KAIT Act, interest, land development cost, bonus, gratuity, repair and maintenance, plantation, insurance etc., were included as deductible items, though the expenses on failed plantation were not included. He also added that when the matter was communicated to KFDC to clear the assessment they filed an appeal.

10. To a query on the cases relating to failed plantations, the ACS, taxes department replied that the corporation had cultivated coffee, tea, cardamom and other crops. The cultivation on the entire forest area covering 4000 hec, become

impracticable owing to that only 136 staff were employed there. He added that since cardamom is climatically sensitive, its plantation in Gavi could not be maintained due to financial and climatic problems.

11. When the Committee enquired whether the calculation of income depended on the area of cultivation, the Deputy AG stated that it was based on the profit and loss account.

12. The Committee remarked that at the time of filing return, expenses incurred on failed plantation were included eventhough section 5 did not allow deduction on account of failed plantations. The Committee enquired how the loss incurred on failed plantation would be calculated for the assessment, since there were no proof on plantation failure. In this regard ACS, taxes department replied that the deduction would not be allowed on items not mentioned in Section 5 and after Finance Act, 2013, deductions were allowed only to Companies.

13. The Committee understood that even though failure of plantation is a universal phenomenon, there were no reduction on expenditure incurred for cultivation, upkeep or maintenance of immature plants from which no agricultural income was derived and hence the cost of raising ought to have been allowed for deduction. The Committee emphasised the need for a proper mechanism for the assessment of cost of failed plantation and decided to recommend that necessary steps should immediately be taken to amend KAIT Act so as to incorporate cost of failed plantations in the list of deductible items.

14. To a query regarding the adjustment of expenditure incurred in previous year against income in subsequent year, the ACS replied that KFDC filed an appeal in this regard.

Conclusions/Recommendations

15. It is understood that while finalising the assessment of KFDC during 2008-09 by allowing ₹ 3.04 crore as the cost of failed plantation resulted in the non-levy of tax of ₹ 1.52 crore even though cost of failed plantation and prior period expenditure were not included as the deductible items under Section 5 of KAIT Act. Even though failure of plantation is a universal phenomenon, there were no reduction on expenditure incurred for cultivation, upkeep or maintenance

of immature plants from which no agricultural income was derived and hence the cost of raising ought to have been allowed for deduction. The committee emphasises the need for a proper mechanism for the assessment of cost of failed plantation.

16. The Committee realises that exemption of ₹ 33.59 lakh being the expenditure incurred during the earlier years was made during the assessment of the particular year. Since such deductions are not allowable under the provisions of the Act the Committee recommends that appropriate action should be taken to collect the escaped amount of ₹ 16.80 lakh and a detailed report be furnished on the present status of the appeal filed by KFDC if any.

Incorrect exemption of income led to income escaping assessment

[(IAC (AIT & CT); Mattancherry)]

Section 2(1) (a) of KAIT Act 1991 stipulates that any rent or revenue derived from land which is used for agricultural purposes is agricultural income. The agricultural income derived from cultivation of pineapple is exempt from levy of agricultural income tax; however, lease rent is not exempted from agricultural income tax.

It was noticed that while finalising the provisional assessment of a domestic company (Harrison Malayalam Ltd.) for the years 2006-07 and 2007-08 the assessing authority exempted the income of ₹ 1.45 crore and

₹ 1.42 crore received respectively by the company on account of lease rent/licence fee for intercrop cultivation of pineapple in the rubber division and tea division instead of levying tax on the income received by the assessee. The omission to assess the aggregate income of ₹ 2.87 crore resulted in non-levy of tax of ₹ 1.44 crore.

After the matter was pointed out to the Department in October 2010 and to the Government in December 2010, the Government stated (October 2011) that the agricultural income derived from cultivation of pineapple was not taxable and hence the lease rent/licence fee could not be assessed to agricultural income tax.

The reply is not tenable as only agricultural income derived by pineapple cultivation is exempt, the rent received from land used for agricultural purposes is taxable irrespective of the fact that source is taxable or not and that the cause of income by the tax payer, i.e. the assessee, is lease.

[(IAC (AIT); Kottayam)]

The KAIT Act 1991 stipulates that agricultural income means any income derived from land by sale by the cultivator or received by him in respect of which no process has been performed. The forest development tariff is the amount collected by the assessee at five per cent of the value of invoice raised during the year for timber and timber growth retained by him. As this is an additional source of revenue for the assessee, the same will form part of his agricultural income. From April 2005 onwards agricultural income tax leviable in the case of domestic company having total agricultural income exceeding rupees three lakh is 50 per cent of the total agricultural income.

It was noticed that while finalising the assessment of a public limited company (KFDC Ltd.) (October 2010) in IAC Kottayam, the assessing officer did not include forest development tariff of ₹ 66.58 lakh collected by the assessee in his income. This resulted in escape of income of ₹ 66.58 lakh with resultant short levy of tax of ₹ 33.29 lakh.

After the case was pointed out to the Department (January 2012) and reported to the Government (March 2012), Government stated (August 2012) that as per a tribunal decision², forest development tariff is a separate levy and cannot be treated as part of sale value and does not form part of income. The reply is not correct since tax and development tariff are different.

The tax paid is an allowable deduction whereas the forest development tariff is collected by the assessee from the purchasers of forest produce which is retained by them and hence form part of agricultural income under the KAIT Act. Tribunal decision cited is about forest development tax and not development tariff. Further report has not been received (December 2012).

[(IAC(AIT); Kottayam)]

The KAIT Act, 1991 allows deduction of expenditure not being in the nature of capital expenditure or personal expenses of the assessee expended wholly and exclusively for the purpose of deriving agricultural income.

It was noticed that while finalising the assessment of a public limited company (KFDC Ltd.) for the year 2008-09, the assessing officer allowed deduction of an

amount of ₹ 34.35 lakh on account of property written off and shown as expenditure in the Profit & Loss account. Since no agricultural income was derived from the property written off no deduction was admissible. The incorrect deduction resulted in escape of income of ₹ 34.35 lakh with short levy of tax of ₹ 17.17 lakh.

The matter was pointed out to the Department in January 2012; reply has not been received (December 2012).

[Audit paragraph 3.8.3 contained in the report of the Comptroller and Auditor General of India for the year ended 31st March 2012 (Revenue sector)]

Notes furnished by Government on the above Audit paragraphs is included as Appendix II.

17. The Committee was aggrieved to note that by exempting the lease rent of ₹ 2.87 crore received from Harrisson Malayalam Ltd. from the intercrop cultivation of pineapple instead of assessing it as taxable income resulted in the non-levy of tax of ₹ 1.44 crore. When the Committee enquired whether the lease rent was assessed, the ACS, Taxes Department replied that the case had been kept pending and section 2(1)(a) of the KAIT Act provided an exemption to the income derived from intercrop cultivation of pineapple. The ACS also added that recently Honourable Supreme Court had delivered a corresponding decision and assured to verify the relevance and correctness of it in consultation with the Law Department and would inform it to the Committee.

18. The Committee observed that even though, forest development tariff form part of agricultural income under the KAIT Act omission of forest development tariff of ₹ 66.58 lakh by the Assessing Officer resulted in the non-levy of tax of ₹ 33.29 lakh. The ACS, Taxes department informed that the department accepted the audit observation and an appeal in this case was also pending.

19. The Committee noticed the audit observation that incorrect deduction of ₹ 34.35 lakh on account of property written off resulted in the non-levy of tax of ₹ 17.17 lakh. No deduction was admissible according to the KAIT Act since no agricultural income was derived from property written off. The ACS, Taxes department informed that the assessment was completed with an additional demand of ₹ 3.68 crore.

20. At this juncture an official from the office of the Accountant General drew the attention of the Committee to the fact that the Government created an additional demand of ₹ 3.68 crore against ₹ 4.01 crore in the audit objection. The ACS, taxes department assured that they would reconcile, the difference in the figure and would furnish a report.

Conclusions/Recommendations

21. The Committee observes that lease rent received on account of intercrop cultivation of pineapple in the rubber division shall be taxable as per the relevant sections of the KAIT Act 1991. The Committee directed the taxes department to furnish a detailed report after examining the related verdicts of Supreme Court and present status of the cases. But the department had not yet furnished it. Hence the Committee recommends that the taxes department should furnish a detailed report after examining the related verdicts of Supreme Court, in consultation with the Law Department. And also demands to furnish present status of the cases or appeals filed by the assessee, Harrisons Malayalam Ltd, at the earliest.

22. The Committee views that the forest development tariff collected by the assessee on selling forest produce should not be evaded while assessing agricultural income, since it was collected by the assessee from the purchases of produce and was retained by them. At the Committee meeting, the department assured to furnish the present position of the appeal filed by

KFDC, but the department had not furnished yet. The Committee expresses its dissatisfaction over the slothful attitude of the department in not carrying out the assurances given at the time of Committee meetings. The Committee directs the taxes department to furnish the latest position of the appeal filed by KFDC to escape a tax of ₹ 33.29 lakh, at the earliest.

REGISTRATION DEPARTMENT

AUDIT PARAGRAPH

Tax Administration

The Registration Department is under the control of the Secretary to the Government, Taxes at Government level and the Inspector General of Registration is the head of the Department. Instruments affecting immovable property are to be presented for registration in the office of the Sub-Registrar within whose jurisdiction the whole or some portions of the property is situated. The Registration Department administers the Acts and Rules relating to Stamp Duty and Registration Fees.

Non-testamentary instruments which purport or operate to create, declare, assign, limit or extinguish, whether in present or in future, any right, title or interest, whether vested or contingent of the value of one hundred rupees and upwards, to or in immovable property and other instruments mentioned under Section 17 of the Registration Act 1908 are to be registered compulsorily and the registration of documents mentioned under Section 18 is optional.

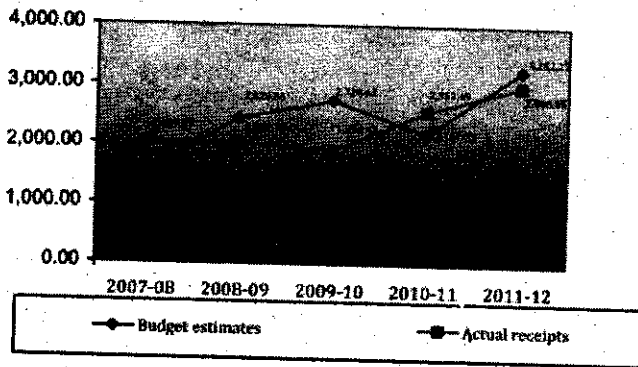
Trend of receipts

Actual receipts from stamp duty and registration fees during the last five years (2007-08 to 2011-12) along with the budget estimates during the same period is exhibited in the following table and graph.

(₹ in crore)

Year	Budget Estimates	Actual Receipts	Variation	Percentage of variation	Total tax receipts of the State	Percentage of actual receipts vis-a-vis total tax receipts	Percentage of growth rate over actual receipts
2007-08	1,524.12	2,027.97	(+) 503.85	(+) 33.06	13,668.95	14.84	33.42
2008-09	2,420.56	2,002.99	(-) 417.57	(-) 17.25	15,990.18	12.53	(-) 1.23
2009-10	2,728.63	1,896.41	(-) 832.22	(-) 30.50	17,625.02	10.76	(-) 5.32
2010-11	2,187.51	2,552.49	(+) 364.98	(+) 16.68	21,721.69	11.75	34.59
2011-12	3,252.17	2,986.55	(-) 265.62	(-) 8.17	25,718.60	11.61	17.01

Budget estimates and actual receipts



It is appreciable to note that there is an increasing trend in the revenue collection during past two years.

Cost of Collection

The gross collection of revenue receipts under the head Stamps and Registration fees, expenditure incurred on collection and the percentage of

expenditure to gross collection during 2007-08 to 2011-12 along with the All India average percentage of expenditure on collection to gross collection for relevant years are mentioned below.

Year	Collection	Expenditure on collection of revenue	Percentage of Expenditure to gross collection	All India average percentage over the previous year
	(` in crore)			
2007-08	1,946.08	77.64	3.99	2.33
2008-09	1,931.75	82.97	4.30	2.09
2009-10	1,812.89	100.70	5.55	2.77
2010-11	2,477.19	101.56	4.09	2.47
2011-12	2,906.89	144.85	4.98	1.60

(Source : Finance Accounts and Departmental figures)

It was noticed that the expenditure on collection was throughout higher than the All India Average. However, the revenue collection registered an increase of 17.35 per cent in 2011-12 over the previous year, whereas the expenditure on collection of revenue was much higher with 42.63 per cent for the said period.

Impact of Audit

During the last four years, undervaluation of documents, short levy of stamp duty etc. with revenue implication of ₹ 64.89 crore were pointed out in 973 paragraphs. Of these, the Department/Government accepted audit observations involving ₹ 6.40 crore and recovered ₹ 0.13 crore. The details are shown in the following table.

(` in crore)

Year of Audit Report	Paragraphs included in the LAR		Paragraphs accepted during the year		Amount recovered during the year	
	No.	Amount	No.	Amount	No.	Amount
1	2	3	4	5	6	7
2007-08	245	1.59	118	0.25	6	0.02
2008-09	235	7.02	54	0.38	52	0.03

1	2	3	4	5	6	7
2009-10	258	9.04	176	3.02	54	0.03
2010-11	235	47.24	87	2.75	74	0.05
Total	973	64.89	435	6.40	186	0.13

It is seen from the table that the Department has recovered only 2.03 per cent of the total amount accepted during the four years.

Working of Internal Audit Wing

Inspector General of Registration (IGR), Kerala monitors the functioning of the Internal Audit Wing (IAW) of the Registration Department. The District Registrar (DR) (Audit) and team conduct audit in the district. The SROs are audited annually. The total number of staff deputed for the internal audit work in this Department is sixty two. The team leader is the DR (Audit) who is assisted by his subordinates. There is neither an Internal Audit Manual nor a centralised training system for the audit wing. During 2011-12, IAW audited 256 units out of 312 units planned for audit.

It is recommended that the IAW may be strengthened by imparting training to the persons deployed for audit and by preparing an Internal Audit Manual.

Results of audit

In 2011-12 the records of 160 units relating to the Registration Department were test checked and underassessment of tax and other irregularities involving ₹ 3.31 crore were detected in 160 cases which fall under the following categories:

(₹ in crore)

Sl. No.	Categories	No. of cases	Amount
1	Undervaluation of documents	145	3.09
2	Other lapses	15	0.22
	Total	160	3.31

The Department accepted undervaluation and other deficiencies of ₹ 2.35 crore in 90 cases, of which 13 cases involving ₹ 0.10 crore were pointed out in audit during the year 2011-12 and the rest in earlier years. An amount of ₹ 0.07 crore was realised in 76 cases during the year of which four cases involving ₹ 0.01 crore pertained to 2011-12.

A few illustrative cases involving money value of ₹ 94.16 lakh are discussed in the succeeding paragraphs.

[Audit paragraph 4.1 to 4.6 contained in the report of the Comptroller and Auditor General of India for the year ended 31st March 2012 (Revenue sector)]

Notes furnished by Government on the above Audit paragraphs is included as Appendix II.

23. The Committee noticed the audit observation that there was neither an Internal Audit Manual nor a centralised training system for the audit wing in Registration Department. The ACS, taxes department informed that the department accepted the audit observation and he added that arrangements were taken for giving proper training to all officers and a new training centre would start its function within one year.

24. The Committee was of the opinion that Internal Audit Wing could not be functioned effectively without guidelines. Therefore, the Committee directed the department to prepare an Internal Audit Manual and to take necessary steps to establish a centralised training system for the audit wing.

Conclusion/Recommendation

25. The Internal Audit Wing of any department is expected to conduct proper auditing of all the financial transactions done by the department. It is evident from the audit objection that the department has neither an Internal Audit Manual nor a centralised training system for the audit wing. The Committee opines that Internal Audit Wing could not be functioned effectively without proper guidelines. Therefore the Committee directs the department to prepare an Internal Audit Manual and to take adequate steps to establish a centralised training system for the officials of the audit wing.

Other audit observations

The records of various registration offices were scrutinised and several cases of non-compliance of the provisions of the Indian Stamp Act, 1899 and the Kerala Stamp Act, 1959 (KS Act) and other cases as mentioned in the succeeding paragraphs in this chapter were noticed. These cases are illustrative and are based on a test check carried out in audit. Such omissions on the part of the Sub-Registrars (SRs) are pointed out each year. Not only do the irregularities persist, but also remain undetected till another audit is conducted. There is need for the Government to improve the internal control system including strengthening of the internal audit.

Non-Compliance of provisions of Act/Rules

The provisions of the KS Act and Registration Rules require:—

- i) initiating action in cases where documents were undervalued and
- ii) correct classification of documents.

We noticed that the SRs did not observe some of the above provisions at the time of registration of the documents. This resulted in short levy/evasion of stamp duty of ₹ 94.16 lakh as mentioned in the succeeding paragraphs.

Splitting up of land to evade stamp duty and registration fee

* (SRO, Ambalapuzha)

Section 45 B of Kerala Stamp Act, 1959 stipulates that if the registering authority has reason to believe that the value of the property or the consideration has not been truly set forth in the instrument transferring any property brought before him for registration, he may after registering the document, refer the same to the Collector for determination of the value or consideration and the proper duty payable thereon in terms of SRO No. 1514/86 read with Act 16 of 1991, District Registrars are empowered to act as Collectors for this purpose.

It was noticed (November 2011) from the "Register of Non-Testamentary Documents" relating to immovable property that 272.1 ares² of land was transferred by the same executant to the same

- 1 Containing details of all documents relating to immovable property other than 'Will' like conveyance, partition, release, mortgage etc.,
- 2 One Are= 100 sq. metres.

person through two sale deeds registered on the same day by which 40.47 ares and 231.63 ares were sold for ₹ one crore each. Land was split up before the transactions in such a way that major portion of land was without road facility and it was registered at a lower value. The case was not reported as a suspected case of undervaluation to the Registrar for initiating action under Section 45 B (2) of the Act. This resulted in undervaluation of the second document to the tune of ₹ 4.72 crore and consequent short levy of stamp duty and registration fee of ₹ 56.68 lakh.

The matter was pointed out to the Department (November 2011) and reported to Government (February 2012); their reply has not been received (December 2012).

* (SRO, Nileswaram)

It was noticed (December 2010) that 21.04 ares of land was transferred by the same executant to the same two persons through two sale deeds executed within four days (6 August 2009 and 10 August 2009) by which 1.11 ares and 19.93 ares were sold for ₹ 4.68 lakh and ₹ 3.50 lakh respectively. Land was split up before the transactions in such a way that major portion of land was without road facility and it was registered at a lower value. This resulted in undervaluation of the second document to the tune of ₹ 80.44 lakh and consequent short levy of stamp duty and registration fee of ₹ 9.65 lakh.

The matter was pointed out to the Department (December 2010) and the Department stated (December 2011) that *suo motu* action was being taken on the document.

The case was reported to Government (February 2012); their remarks have not been received (December 2012).

[Audit paragraph 4.7 to 4.8.1 contained in the report of the Comptroller and Auditor General of India for the year ended 31st March 2012 (Revenue sector)]

Notes furnished by Government on the above Audit paragraphs is included as Appendix II.

26. The Committee came to know that violation of Section 45 B of Kerala Stamp Act, 1959 resulted in the short levy/evasion of stamp duty of ₹ 94.16 lakh in different undervaluation cases. The Committee also noticed that even though the whole property had road access, the land was split up before the transaction in such a way that major portion of land was without road facility and was registered at a lower value. The ACS, Taxes department accepted the audit observation and informed that sub-registrar had no authority to reject an application for registration and added that 30000 undervaluation cases had included in the Amnesty Scheme since 2009. The Committee also noticed that the issue regarding splitting up of land to evade stamp duty was not addressed.

27. When an official from the office of the Accountant General brought to the attention of the Committee over the fact that even after the implementation of fair value in the State, the splitting up of land before sale had been existing now. The Committee enquired how to resolve the issue of stamp duty evasion; The ACS, Taxes department replied that there was provision in the Budget 2013, for imposing two times stamp duty for subsequent transactions within a period of 3 months from the date of registration and 1 ½ times stamp duty for transaction within six months and norms were fixed while implementing fair value. The ACS added that the practice of splitting up of land before sale deed was being continued and in accordance with this the respective RDO's should fix and publish the fair value. The Committee opined that even though the lapses pointed out by Audit were accepted by the Government, they persist widely. Therefore, the Committee decided to recommend that the department should take scrupulous efforts to avoid such irregularities in future.

Conclusion/Recommendation

28. The Committee notices from the audit observation that violation of Section 45 B of Kerala Stamp Act, 1959 resulted in the short levy/evasion of stamp duty of ₹ 94.16 lakh in different undervaluation cases. Even though the whole property had road access, the land was split up before the transaction in

such a way that major portion of land was without road facility and was registered at a lower value. The practice of splitting up of land before sale deed was being continued extensively to skip out the fair value fixed and published by RDOs. The Committee opines that even though the lapses pointed out by Audit were accepted by the Government such cases persist widely. Therefore, the committee recommends that the department should take scrupulous efforts to prevent such cunning misdeeds in future, and furnish a report in this regard.

Short levy of stamp duty and registration fee due to undervaluation

* (SRO, Agali)

Section 45 B of Kerala Stamp Act, 1959 stipulates that if the registering authority has reason to believe that the value of the property or the consideration has not been truly set forth in the instrument transferring any property brought before him for registration, he may after registering the document, refer the same to the Collector for determination of the value or consideration and the proper duty payable thereon. The Collector may, *suo motu*, within two years from the date of registration of the instrument not already referred to him, call for and examine for the purpose of satisfying himself as to the correctness of its value and the duty payable thereon and may determine the value and duty. For this purpose power of Collector has been delegated to the District Registrar.

It was noticed (May 2008) that 34 sale deeds were registered, whereby 122.365 acres³ of land was sold to company, the previous documents of which were registered within a period of one to six months prior to the registration of the present documents. The values shown in the

previous documents were considerably lower than the subsequent documents resulting in undervaluation of previous documents to the extent of ₹ 1.26 crore. This resulted in short levy of stamp duty and registration fees of ₹ 15.15 lakh.

The Government formed a committee (May 2010) which was entrusted the work of enquiring into these audit observations also. The committee confirmed (October 2010) that there had been undervaluation in sale deeds presented for registration at SRO Agali. However, further report on action taken has not been received (December 2012).

*(SRO, Vadakkencherry)

Verification (November 2011) of Book 1 and register of undervaluation revealed that while registering the conveyance deeds, conveyance transfer of two properties of 243.03 ares and 113.72 ares in Kizhakkencherry Panchayat in April and May 2008 for ₹ 7 lakh and ₹ 4.90 lakh respectively, the registering authority estimated the value of these properties as ₹ 48.29 lakh and ₹ 36 lakh respectively and referred the deeds to District Registrar as suspected cases of undervaluation. The values estimated by the registering authority with available details were recorded in the register of undervaluation maintained in the sub registry office. Subsequently, notices were issued to the parties for settling the cases under compounding scheme and the first case was settled under compounding scheme while the second case remained unsettled, Meanwhile, these properties were sold again in October and November 2009 for consideration of ₹ 11.60 lakh and ₹ 8 lakh respectively. Though the details of undervaluation of property and the value estimated and reported to District Registrar were available in the undervaluation register of the said office, the registering authority did not report the subsequent transactions to the District Registrar as undervaluation cases. This resulted in short levy of stamp duty and registration fee of ₹ 7.76 lakh.

We pointed out the matter to the Department (November 2011) and reported to the Government (February 2012). We have not received any further remarks (December 2012).

*(SRO, Vadakkencherry)

It was noticed (December 2011) that a property of 155.01 ares of land sold for ₹ 7.66 lakh in July 2009 was resold after 18 days without any improvement for a consideration of ₹ 29 lakh. However, the registering authority did not report the first sale to the District Registrar as undervaluation. This resulted in short levy of stamp duty and registration fee of ₹ 2.56 lakh.

The matter was pointed out to the Department (December 2011) and reported to the Government (February 2012); their remarks have not been received (December 2012).

- (SRO, Kozhencherry)

From verification (October 2011) of Book 1 and register of undervaluation it was noticed that the registering authority referred to the District Registrar four conveyance deeds registered between January and September 2008 as suspected cases of undervaluation estimating their values of ₹ 12.74 lakh, ₹ 10.80 lakh, ₹ 5.06 lakh and ₹ 2.50 lakh respectively. The values estimated by the registering authority with available details were recorded in the register of undervaluation maintained in the sub registry office. The cases are pending disposal by the District Registrar. Meanwhile, these properties were sold between October 2009 and January 2010 for ₹ 2.60 lakh, ₹ 5 lakh, ₹ 3 lakh and ₹ 0.80 lakh respectively. Though the details of undervaluation of the properties and the values estimated and reported to the District Registrar were available in the undervaluation register of the said office, the registering authority did not refer the register and report the subsequent transactions to the District Registrar as undervaluation cases. This resulted in short levy of stamp duty and registration fee of ₹ 2.36 lakh.

The matter was pointed out to the Department (November 2011) and reported to the Government (February 2012); their remarks have not been received (December 2012).

[Audit paragraph 4.8.2 contained in the report of the Comptroller and Auditor General of India for the year ended 31st March 2012 (Revenue sector)]

Notes furnished by Government on the above Audit paragraphs is included as Appendix II.

Conclusion/Recommendation

The Committee finds the explanation furnished by Government satisfactory. Hence no comments.

Thiruvananthapuram,
3rd December, 2018.

V. D. SATHEESAN,
Chairman,
Committee on Public Accounts.

APPENDIX I

SUMMARY OF MAIN CONCLUSIONS/RECOMMENDATIONS

Sl. No.	Para No.	Department Concerned	Conclusions/Recommendations
1	2	3	4
1.	4	Taxes Department	The Committee observes that revenue implication of ₹ 54.99 crore, was materialised due to inadmissible expenses, escaped income, incorrect computation of income and under assessment and from that the department accepted audit observation involving ₹ 1.52 crore of which were ₹ 0.23 crore has been realised so far. The Committee directs the department to initiate steps at the earliest to recover the short realisations. The Committee also advises the department to be vigilant in rectifying the defects pointed out by the audit.
2.	5	Taxes Department	The Committee understands that assessment relating to agricultural income tax is not being done properly. Though the Committee directed the department to furnish a detailed report on the latest position of the cases where assessment were pending at the meeting, the department had not yet furnished the report. It observes that the Taxes Department had not made any serious effort to submit it till the date and it expresses strong displeasure over the lethargic attitude of the department. The Committee strongly demands the department to submit the report at the earliest.

1	2	3	4
3.	8	Taxes Department	The Committee views that the subsidy received towards fall in price of timber shall be treated as agricultural income. The exclusion ₹ 3.64 crore from the assessment return filed by KFDC and the non-levy of ₹ 1.82 crore are not justifiable. Therefore, the Committee recommends that the department should initiate proper action to collect the short levy and furnish detailed report on the present status of the appeal filed by KFDC if any.
4.	15	Taxes Department	It is understood that while finalising the assessment of KFDC during 2008-09 by allowing ₹ 3.04 crore as the cost of failed plantation resulted in the non-levy of tax of ₹ 1.52 crore even though cost of failed plantation and prior period expenditure were not included as the deductible items under Section 5 of KAIT Act. Even though failure of plantation is a universal phenomenon, there were no reduction on expenditure incurred for cultivation, upkeep or maintenance of immature plants from which no agricultural income was derived and hence the cost of raising ought to have been allowed for deduction. The committee emphasises the need for a proper mechanism for the assessment of cost of failed plantation.

1	2	3	4
5.	21	Taxes Department	<p>The Committee observes that lease rent received on account of intercrop cultivation of pineapple in the rubber division shall be taxable as per the relevant sections of the KAIT Act 1991. The Committee directed the taxes department to furnish a detailed report after examining the related verdicts of Supreme Court and present status of the cases. But the department had not yet furnished it. Hence the Committee recommends that the taxes department should furnish a detailed report after examining the related verdicts of Supreme Court, in consultation with the Law Department. And also demands to furnish present status of the cases or appeals filed by the assessee, Harrisons Malayalam Ltd., at the earliest.</p>
6.	22	Taxes Department	<p>The Committee views that the forest development tariff collected by the assessee on selling forest produce should not be evaded while assessing agricultural income, since it was collected by the assessee from the purchases of produce and was retained by them. At the Committee meeting, the department assured to furnish the present position of the appeal filed by KFDC, but the department had not furnished yet. The Committee expresses its dissatisfaction over the slothful attitude of the department in not carrying out the assurances given at the time of Committee meetings. The Committee directs the taxes department to furnish the latest position of the appeal filed by KFDC to escape a tax of ₹ 33.29 lakh, at the earliest.</p>

1	2	3	4
7.	25	Registration Department	<p>The Internal Audit Wing of any department is expected to conduct proper auditing of all the financial transactions done by the department. It is evident from the audit objection that the department has neither an Internal Audit Manual nor a centralised training system for the audit wing. The Committee opines that Internal Audit Wing could not be functioned effectively without proper guidelines. Therefore the Committee directs the department to prepare an Internal Audit Manual and to take adequate steps to establish a centralised training system for the officials of the audit wing.</p>
8.	28	Registration Department	<p>The Committee notices from the audit observation that violation of Section 45 B of Kerala Stamp Act, 1959 resulted in the short levy/evasion of stamp duty of ₹ 94.16 lakh in different undervaluation cases. Even though the whole property had road access, the land was split up before the transaction in such a way that major portion of land was without road facility and was registered at a lower value. The practice of splitting up of land before sale deed was being continued extensively to skip out the fair value fixed and published by RDOs. The Committee opines that even though the lapses pointed out by Audit were accepted by the Government such cases persist widely. Therefore, the committee recommends that the department should take scrupulous efforts to prevent such cunning misdeeds in future, and furnish a report in this regard.</p>

APPENDIX II

Notes furnished by Government

Action taken Notes on C& AG's Reports

	(a)	Department	COMMERCIAL TAXES
	(b)	Subject/Title of the Review Paragraph	Tax administration
	(c)	Paragraph No.	3.1
	(d)	Report No. and Year	C& AG report ended 31.3.2012
II	(a)	Date of receipt of the Draft Para/Review in the Department	
	(b)	Date of Department's Reply	
III		Gist of Paragraph/ Review	Companies and persons, who derive agriculture income within the State are liable to KAIT. In respect of Companies tax at the rates prescribed in the Schedule to the Act shall be charged. From April 2000, persons holding landed property upto 500 hectares may opt to pay tax at compounded rate. No tax is payable on first five hectares.
IV	(a)	Does the Department agree with the facts and figures included in the paragraph?	Yes
	(b)	If not, Please indicate areas of disagreement and also attach copies of relevant documents in support	
V	(a)	Does the Department agree with the Audit conclusions?	--
	(b)	If not, please indicate specific areas of disagreement with reasons for disagreement and also attach copies of relevant documents where necessary	

VI

Remedial action taken

	(a)	Improvement in system and procedures, including internal controls.	No Remarks
	(b)	Recovery of overpayment pointed out by audit	
	(c)	Recovery of under assessment, short levy or other dues	--
	(d)	Modification in the schemes and programmes including financing pattern	--
	(e)	Review of similar cases/complete scheme/project in the light of findings of sample check by Audit findings of sample check by Audit	--

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SECRETARY
 Additional Secretary to Govt
 Taxes Dept., Secretariat
 Thiruvananthapuram

Action taken Notes on C& AG's Reports

	(a)	Department	COMMERCIAL TAXES
	(b)	Subject/Title of the Review Paragraph	Trend of Receipts
	(c)	Paragraph No.	3.2
	(d)	Report No. and Year	C& AG report ended 31.3.2012
II	(a)	Date of receipt of the Draft Para/Review in the Department	
	(b)	Date of Department's Reply	
III		Gist of Paragraph/Review	It was noticed in Audit that during 11-12, the department could not maintain the growth rate achieved during the previous year. Department may streamline its budgeting process to make the budget estimates realistic and significant variations were noticed persistently between budget estimates and actual receipts.
IV	(a)	Does the Department agree with the facts and figures included in the paragraph?	Yes
	(b)	If not, Please indicate areas of disagreement and also attach copies of relevant documents in support	
V	(a)	Does the Department agree with the Audit conclusions?	
	(b)	If not, please indicate specific areas of disagreement with reasons for disagreement and also attach copies of relevant documents where necessary	

Action taken Notes on C& AG's Reports

	(a)	Department	COMMERCIAL TAXES
	(b)	Subject/Title of the Review Paragraph	Arrears in AIT assessment
	(c)	Paragraph No.	3.3
	(d)	Report No. and Year	C& AG report ended 31.3.2012
II	(a)	Date of receipt of the Draft Para/Review in the Department	
	(b)	Date of Department's Reply	
III		Gist of Paragraph/Review	As per department figures total assessment under AIT to be completed was 9807 nos. but no. of assessment completed is only 5067 nos. leaving a balance of 4740 nos. The percentage of AIT assessment completed was 51.67%.
IV	(a)	Does the Department agree with the facts and figures included in the paragraph?	Yes
	(b)	If not, Please indicate areas of disagreement and also attach copies of relevant documents in support	
V	(a)	Does the Department agree with the Audit conclusions?	
	(b)	If not, please indicate specific areas of disagreement with reasons for disagreement and also attach copies of relevant documents where necessary	

VI

Remedial action taken

	(a)	Improvement in system and procedures, including internal controls.	<p>According to the AG, assessment to be completed during 11-12 was 9807 nos. and that completed was only 5067 nos. and percentage of achievement is only 51.67%. But the statistics from CCT reveal that no. of assessment to be completed was 7356, completed 2633 and balance to be completed 4723 nos. The details from 09-10 to 12-13 is given below.</p> <p>AIT assessment</p> <table border="1" data-bbox="518 556 1064 744"> <thead> <tr> <th>Year</th> <th>To be completed</th> <th>Completed</th> <th>Balance</th> </tr> </thead> <tbody> <tr> <td>09-10</td> <td>9740</td> <td>3426</td> <td>6314</td> </tr> <tr> <td>10-11</td> <td>7249</td> <td>2630</td> <td>4619</td> </tr> <tr> <td>11-12</td> <td>7356</td> <td>2633</td> <td>4723</td> </tr> <tr> <td>12-13</td> <td>7455</td> <td>2997</td> <td>4458</td> </tr> </tbody> </table> <p>Directions are issued to the assessing officers to wipe out the balance pending assessments by 31.3.2014.</p>	Year	To be completed	Completed	Balance	09-10	9740	3426	6314	10-11	7249	2630	4619	11-12	7356	2633	4723	12-13	7455	2997	4458
Year	To be completed	Completed	Balance																				
09-10	9740	3426	6314																				
10-11	7249	2630	4619																				
11-12	7356	2633	4723																				
12-13	7455	2997	4458																				
	(b)	Recovery of overpayment pointed out by audit																					
	(c)	Recovery of under assessment, short levy or other dues	--																				
	(d)	Modification in the schemes and programmes including financing pattern	--																				
	(e)	Review of similar cases/ complete scheme/project in the light of findings of sample check by Audit findings of sample check by Audit	--																				

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S. DEEPA DEVI
Additional Secretary to Govt
Taxes Dept., Govt. Secretariat,
Thiruvananthapuram

Action taken Notes on C& AG's Reports

	(a)	Department	COMMERCIAL TAXES
	(b)	Subject/Title of the Review Paragraph	Impact of audit Revenue impact
	(c)	Paragraph No.	3.4
	(d)	Report No. and Year	C& AG report ended 31.3.2012
II	(a)	Date of receipt of the Draft Para/Review in the Department	
	(b)	Date of Department's Reply	
III		Gist of Paragraph/Review	During the last 4 years case of inadmissible expenses, income escaping assessment, incorrect computation of income, under assessment due to assignment of incorrect status etc. with revenue implication of Rs.54.99 crore in 208 paras were pointed out. Of these, the department accepted audit observations involving Rs.1.52 crores and had since recovered Rs.0.23 crores. the recovery of case vis-à-vis the amount accepted was negligible.
IV	(a)	Does the Department agree with the facts and figures included in the paragraph?	Yes
	(b)	If not, Please indicate areas of disagreement and also attach copies of relevant documents in support	
V	(a)	Does the Department agree with the Audit conclusions?	
	(b)	If not, please indicate specific areas of disagreement with reasons for disagreement and also attach copies of relevant documents where necessary.	

VI

Remedial action taken

(a)	Improvement in system and procedures, including internal controls.	Assessment has been revised in almost all cases where short levy pointed out by the AG is sustaining. All the amounts pending for realization has been recommended for action under RR. Progress of collection under RR by the Revenue Department and IACs are reviewing every month. In the review held on 12.12.2013 at Aluva the Hon'ble Finance Minister has categorically insisted for 50% collection on collectable demand by the end of March 2014. The position is that 37% of the collectable arrears under RR before the IACs could have been collected so far.
(b)	Recovery of overpayment pointed out by audit	
(c)	Recovery of under assessment, short levy or other dues	--
(d)	Modification in the schemes and programmes including financing pattern	--
(e)	Review of similar cases/complete scheme/project in the light of findings of sample check by Audit findings of sample check by Audit	--

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S. DEEPA DEVI
Additional Secretary to Govt
Taxes Dept., Govt. Secy. Office

Action taken Notes on C& AG's Reports

	(a)	Department	COMMERCIAL TAXES
	(b)	Subject/Title of the Review Paragraph	Working of Internal Audit Wing
	(c)	Paragraph No.	3.5
	(d)	Report No. and Year	C& AG report ended 31.3.2012
II	(a)	Date of receipt of the Draft Para/Review in the Department	
	(b)	Date of Department's Reply	
III		Gist of Paragraph/Review	As the department did not furnish detailed information on internal audit, audit was unable to comment on the performance of the internal audit wing.
IV	(a)	Does the Department agree with the facts and figures included in the paragraph?	Yes
	(b)	If not, Please indicate areas of disagreement and also attach copies of relevant documents in support	
V	(a)	Does the Department agree with the Audit conclusions?	--
	(b)	If not, please indicate specific areas of disagreement with reasons for disagreement and also attach copies of relevant documents where necessary	

VI

Remedial action taken

(a)	Improvement in system and procedures, including internal controls.	<p>The internal audit wing of the department started functioning w.e.f. 1.6.2009. The IAW has no office at district level or in the regional basis. The whole operation of audit inspection are being carried out from the headquarters at Thiruvananthapuram.</p> <p>No. of inspections conducted by the IAW in the AIT units are very less. Details of inspection from 09-10 onwards in the AIT offices are given below.</p> <table border="1" data-bbox="467 443 1013 637"> <thead> <tr> <th>Office</th> <th>From -To</th> <th>No. of paras</th> <th>Settled</th> <th>Balance</th> </tr> </thead> <tbody> <tr> <td>AIT & CTO Kalpetta</td> <td>7.2.11 to 11.2.11</td> <td>7 nos.</td> <td>0</td> <td>7 nos.</td> </tr> <tr> <td>IAC (AIT) Idukki</td> <td>12.3.12 to 17.3.12</td> <td>12 nos.</td> <td>0</td> <td>12 nos.</td> </tr> <tr> <td>AIT & CTO Kanjirappally</td> <td>8.10.12 to 12.10.12</td> <td>7 nos.</td> <td>0</td> <td>7 nos.</td> </tr> </tbody> </table> <p>The DC(Internal Audit wing) has been instructed to conduct more audit inspections in the AIT sector.</p>	Office	From -To	No. of paras	Settled	Balance	AIT & CTO Kalpetta	7.2.11 to 11.2.11	7 nos.	0	7 nos.	IAC (AIT) Idukki	12.3.12 to 17.3.12	12 nos.	0	12 nos.	AIT & CTO Kanjirappally	8.10.12 to 12.10.12	7 nos.	0	7 nos.
Office	From -To	No. of paras	Settled	Balance																		
AIT & CTO Kalpetta	7.2.11 to 11.2.11	7 nos.	0	7 nos.																		
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AIT & CTO Kanjirappally	8.10.12 to 12.10.12	7 nos.	0	7 nos.																		
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S. DEEPA DEVI
 Additional Secretary to Govt
 Taxes Dept., Govt. Secretariat
 Thiruvananthapuram

Action taken Notes on C& AG's Reports

	(a)	Department	COMMERCIAL TAXES
	(b)	Subject/Title of the Review Paragraph	Results of audit
	(c)	Paragraph No.	3.6
	(d)	Report No. and Year	C& AG report ended 31.3.2012
II	(a)	Date of receipt of the Draft Para/Review in the Department	
	(b)	Date of Department's Reply	
III		Gist of Paragraph/Review	In 2011-12 audit test checked records of 32 units relating to agricultural income tax. Under assessment of tax and other irregularities involving Rs.24.98 crores in 13 cases were noticed in audit in income escaping assessment incorrect computation of tax in admissible expenses and others
IV	(a)	Does the Department agree with the facts and figures included in the paragraph?	Yes
	(b)	If not, Please indicate areas of disagreement and also attach copies of relevant documents in support	
V	(a)	Does the Department agree with the Audit conclusions?	--
	(b)	If not, please indicate specific areas of disagreement with reasons for disagreement and also attach copies of relevant documents where necessary	

VI

Remedial action taken

(a)	Improvement in system and procedures, including internal controls.	Observation of AG relates to the year 11-12. Short levy involved is Rs.24.98 crores in 13 cases. On this, observation of AG is sustaining in some cases and not sustaining in some other. With respect to the period 11-12 reports to the AG's observation will be submitted (paras 3.8.1 to 3.8.3) shortly.
(b)	Recovery of overpayment pointed out by audit	
(c)	Recovery of under assessment, short levy or other dues.	--
(d)	Modification in the schemes and programmes including financing pattern	--
(e)	Review of similar cases/complete scheme/project in the light of findings of sample check by Audit findings of sample check by Audit	--

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S. DEEPA GPTI
 Additional Secretary to Govt
 New Delhi, (Part. Sec. Secretariat)
 Thiruvananthapuram

Action taken Notes on C& AG's Reports

	(a)	Department	COMMERCIAL TAXES
	(b)	Subject/Title of the Review Paragraph	Audit observations
	(c)	Paragraph No.	3.7
	(d)	Report No. and Year	C& AG report ended 31.3.2012
II	(a)	Date of receipt of the Draft Para/Review in the Department	
	(b)	Date of Department's Reply	
III		Gist of Paragraph/Review	There is need for the Govt. to improve the internal control system including strengthening of the internal audit.
IV	(a)	Does the Department agree with the facts and figures included in the paragraph?	Yes
	(b)	If not, Please indicate areas of disagreement and also attach copies of relevant documents in support	
V	(a)	Does the Department agree with the Audit conclusions?	--
	(b)	If not, please indicate specific areas of disagreement with reasons for disagreement and also attach copies of relevant documents where necessary	

VI

Remedial action taken

(a)	Improvement in system and procedures, including internal controls.	The Govt. have decided in principle for the restoration of audit assessment wing with a view to strengthening the process of audit as there is limitation to extent the working of internal audit wing with the limited manpower now available. Further, as pointed out by the AG conducting audit and monitoring the progress achieved by the assessing officers spread across the state from the headquarters at Trivandrum is not feasible in the present scenario. Therefore, the department is looking forward for a complete restructuring of audit wing on regional basis.
(b)	Recovery of overpayment pointed out by audit	
(c)	Recovery of under assessment, short levy or other dues	--
(d)	Modification in the schemes and programmes including financing pattern	--
(e)	Review of similar cases/complete scheme/project in the light of findings of sample check by Audit, findings of sample check by Audit	--

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S. S. S. S. S.
 Additional Secretary to Govt.
 Taxes Department
 Thiruvananthapuram

Action taken Notes on C& AG's Reports

	(a)	Department	COMMERCIAL TAXES
	(b)	Subject/Title of the Review Paragraph	Non-observance of provision of Act / Rules
	(c)	Paragraph No.	3.8
	(d)	Report No. and Year	C& AG report ended 31.3.2012
II	(a)	Date of receipt of the Draft Para/Review in the Department	
	(b)	Date of Department's Reply	
III		Gist of Paragraph/Review	It was noticed that while finalizing the assessment, the assessing authorities did not observe some provisions which resulted in short levy of tax and interest of Rs.5.45 crores as mentioned in the paragraphs 3.8.1 to 3.8.3.
IV	(a)	Does the Department agree with the facts and figures included in the paragraph?	Yes
	(b)	If not, Please indicate areas of disagreement and also attach copies of relevant documents in support	
V	(a)	Does the Department agree with the Audit conclusions?	--
	(b)	If not, please indicate specific areas of disagreement with reasons for disagreement and also attach copies of relevant documents where necessary	

VI

Remedial action taken

(a)	Improvement in system and procedures, including internal controls.	Findings of the AG is that most of the assessing authorities are not adhered to the directions of prescribed <u>tax rate on agricultural income, condition for deductions allowable and levy of interest on balance payable.</u> The observation of AG in paras 3.8.1 to 3.8.3 will be discussed separately.
(b)	Recovery of overpayment pointed out by audit	
(c)	Recovery of under assessment, short levy or other dues	--
(d)	Modification in the schemes and programmes, including financing pattern	--
(e)	Review of similar cases/complete scheme/project in the light of findings of sample check by Audit findings of sample check by Audit.	--

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S. DEEPA DEVI
 Additional Secretary to Govt
 Taxes Dept., Government of Karnataka
 Thiruvananthapuram

ACTION TAKEN NOTES ON C & AG'S REPORTS

I	(a)	Department	COMMERCIAL TAXES
	(b)	Subject/Title of the Review Paragraph	Incorrect determination of taxable income
	(c)	Paragraph No.	3.8.1
	(d)	Report No. and Year	C & AG report for the year ended 31.3.2012
II	(a)	Date of receipt of the Draft Para / Review in the Department	
	(b)	Date of Department's Reply	
III		Gist of Paragraph/Review	It was noticed from the assessment records of Kerala Forest Development Corporation Ltd. for the assessment year 2008-09 that as per balance sheet an amount of Rs. 3.64 crore received as subsidy by the assessee as a compensation for selling timber at reduced price was neither shown as income in the assessment return filed by the assessee nor was it assessed by the AIT officer though it was an agricultural income. The omission resulted in non levy of tax of Rs. 1.82 crore (IAC (AIT), Kottayam).
IV	(a)	Does the Department agree with the facts and figures included in the paragraph?	Yes
	(b)	If not, Please indicate areas of disagreement and also attach copies of relevant documents in support	NA
V	(a)	Does the Department agree with the Audit conclusions?	Yes
	(b)	If not, please indicate specific areas of disagreement with reasons for disagreement and also attach copies of relevant documents where necessary	NA

REMEDIAL ACTION TAKEN

VI	(a)	Improvement in system and procedures, including internal controls.	Kerala Forest Development Corporation (2008-09) On the basis of audit objection assessment has been completed incorporating other defects with an additional demand of Rs. 3.68crore.
	(b)	Recovery of overpayment pointed out by audit	--
	(c)	Recovery of under assessment, short levy or other dues	--
	(d)	Modification in the schemes and programmes including financing pattern	--
	(e)	Review of similar cases / complete scheme / project in the light of findings of sample check by audit findings of sample check by audit.	--

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ACTION TAKEN NOTES ON C & AG'S REPORTS

I	(a)	Department	COMMERCIAL TAXES
	(b)	Subject/Title of the Review Paragraph	Incorrect allowance of expenses
	(c)	Paragraph No.	3.8.2(a)
	(d)	Report No. and Year	C & AG report for the year ended 31.3.2012
II	(a)	Date of receipt of the Draft Para / Review in the Department	
	(b)	Date of Department's Reply	
III		Gist of Paragraph/Review	It was noticed that while finalizing the assessment of a public sector company (Kerala Forest Development corporation Ltd.) for the assessment year 2008-09 the assessing officer allowed an amount of Rs. 3.04 crore being the cost of failed plantations. This resulted in escape of income of Rs. 3.04 core with tax effect of Rs. 1.52 crore.
IV	(a)	Does the Department agree with the facts and figures included in the paragraph?	Yes
	(b)	If not, Please indicate areas of disagreement and also attach copies of relevant documents in support	NA
V	(a)	Does the Department agree with the Audit conclusions?	Yes
	(b)	If not, please indicate specific areas of disagreement with reasons for disagreement and also attach copies of relevant documents where necessary.	NA

REMEDIAL ACTION TAKEN			
VI	(a)	Improvement in system and procedures, including internal controls.	Kerala Forest Development Corporation (2008-09) On the basis of audit objection assessment has been completed incorporating other defects with an additional demand of Rs. 3.68crore.
	(b)	Recovery of overpayment pointed out by audit	--
	(c)	Recovery of under assessment, short levy or other dues	--
	(d)	Modification in the schemes and programmes including financing pattern	--
	(e)	Review of similar cases / complete scheme / project in the light of findings of sample check by audit findings of sample check by audit.	--

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ACTION TAKEN NOTES ON C & AG'S REPORTS

I	(a)	Department	COMMERCIAL TAXES
	(b)	Subject/Title of the Review Paragraph	Incorrect allowance of expenses
	(c)	Paragraph No.	3.8.2(b)
	(d)	Report No. and Year	C & AG report for the year ended 31.3.2012
II	(a)	Date of receipt of the Draft Para / Review in the Department	
	(b)	Date of Department's Reply	
III		Gist of Paragraph/Review	It was noticed that while finalizing the assessment of a public sector company (Kerala Forest Development corporation Ltd.) for the assessment year 2008-09 the assessing officer allowed prior period expenditure of Rs. 33.59 lakh being expenditure incurred by the assessee towards various expenditure during earlier years. This resulted in escape of income of Rs. 33.59 lakh with consequent tax effect of Rs. 16.80 lakh.
IV	(a)	Does the Department agree with the facts and figures included in the paragraph?	Yes
	(b)	If not, Please indicate areas of disagreement and also attach copies of relevant documents in support	NA
V	(a)	Does the Department agree with the Audit conclusions?	Yes
	(b)	If not, please indicate specific areas of disagreement with reasons for disagreement and also attach copies of relevant documents where necessary	NA

REMEDIAL ACTION TAKEN

VI	(a)	Improvement in system and procedures, including internal controls.	Kerala Forest Development Corporation (2008-09) On the basis of audit objection assessment has been completed incorporating other defects with an additional demand of Rs. 3.68crore.
	(b)	Recovery of overpayment pointed out by audit	--
	(c)	Recovery of under assessment, short levy or other dues	--
	(d)	Modification in the schemes and programmes including financing pattern	--
	(e)	Review of similar cases / complete scheme / project in the light of findings of sample check by audit findings of sample check by audit.	--

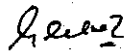
Geetha L
GEETHA. L
 Additional Secretary
 Taxes Department
 Govt. Secretariat
 Thiruvananthapuram

ACTION TAKEN NOTES ON C & AG'S REPORTS

I	(a)	Department	COMMERCIAL TAXES
	(b)	Subject/Title of the Review Paragraph	3.8.3 Incorrect exemption of income led to income escaping assessment.
	(c)	Paragraph No.	3.8.3.1
	(d)	Report No. and Year	C & AG report for the year ended 31.3.2012
II	(a)	Date of receipt of the Draft Para / Review in the Department	
	(b)	Date of Department's Reply	
III		Gist of Paragraph/Review	It was noticed that while finalising the provisional assessment of a domestic company (Harrison Malayalam Ltd.) for the years 2006-07 and 2007-08 assessing authority exempted the income of Rs. 1.45 crore and Rs. 1.42 crore received respectively by the company on account of lease rent / licence fee for inter crop cultivation of pineapple in the rubber division and tea division instead of levying tax on the income received by the assessee. The omission to assess the aggregate income of Rs. 9.87 crore resulted on non-levy of tax of Rs. 1.44 crore.
IV	(a)	Does the Department agree with the facts and figures included in the paragraph?	Yes
	(b)	If not, Please indicate areas of disagreement and also attach copies of relevant documents in support	NA
V	(a)	Does the Department agree with the Audit conclusions?	Yes
	(b)	If not, please indicate specific areas of disagreement with reasons for disagreement and also attach copies of relevant documents where necessary	NA

REMEDIAL ACTION TAKEN

VI	(a)	Improvement in system and procedures, including internal controls.	M/s. Harrison Malayalam Ltd.(2006-07 & 2007-08) IAC (AIT & CT), Mattancherry Notice U/Sec. 41(1) of KAIT Act 1991 has been issued to the assessee M/s. Harrison Malayalam Ltd. for assessing the escaped turnover in respect of the lease rent received on agricultural land for the years 2006-07 and 2007-08. The Deputy Commissioner, Mattancherry reported that the company is running in a loss for the years from 1999-2000 till 2004-05 leaving a gross loss of Rs. 27.14 crores to be carried forwarded to the assessment years including 2006-07 to 2009-10. Therefore there is no revenue loss as pointed out in audit.
	(b)	Recovery of overpayment pointed out by audit	--
	(c)	Recovery of under assessment, short levy or other dues	--
	(d)	Modification in the schemes and programmes including financing pattern	--
	(e)	Review of similar cases / complete scheme / project in the light of findings of sample check by audit findings of sample check by audit.	--


GEETHA. L
 Additional Secretary
 Taxes Department
 Govt. Secretariat
 Thiruvananthapuram

ACTION TAKEN NOTES ON C & AG'S REPORTS

I	(a)	Department	COMMERCIAL TAXES
	(b)	Subject/Title of the Review Paragraph	3.8.3 Incorrect exemption of income led to income escaping assessment.
	(c)	Paragraph No.	3.8.3.2
	(d)	Report No. and Year	C & AG report for the year ended 31.3.2012
II	(a)	Date of receipt of the Draft Para / Review in the Department	
	(b)	Date of Department's Reply	
III		Gist of Paragraph/Review	It was noticed that while finalising the assessment of a public limited company (M/s. Kerala Forest Development Corporation Ltd.) in IAC, Kottayam, the assessing officer did not include forest development thariff of Rs. 66.58 lakh collected by the assessee in his income. This resulted in escape of income of Rs. 66.58 lakh with resultant short levy of tax of Rs. 33.29 lakh.
IV	(a)	Does the Department agree with the facts and figures included in the paragraph?	Yes
	(b)	If not, Please indicate areas of disagreement and also attach copies of relevant documents in support	
V	(a)	Does the Department agree with the Audit conclusions?	
	(b)	If not, please indicate specific areas of disagreement with reasons for disagreement and also attach copies of relevant documents where necessary	

REMEDIAL ACTION TAKEN

VI	(a)	Improvement in system and procedures, including internal controls.	Kerala Forest Development Corporation (2008-09) On the basis of audit objection assessment has been completed incorporating other defects with an additional demand of Rs. 3.68crore.
	(b)	Recovery of over payment pointed out by audit	--
	(c)	Recovery of under assessment, short levy or other dues	--
	(d)	Modification in the schemes and programmes including financing pattern	--
	(e)	Review of similar cases / complete scheme / project in the light of findings of sample check by audit findings of sample check by audit.	--

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ACTION TAKEN NOTES ON C & AG'S REPORTS

I	(a)	Department	COMMERCIAL TAXES
	(b)	Subject/Title of the Review Paragraph	3.8.3 Incorrect exemption of income led to income escaping assessment.
	(c)	Paragraph No.	3.8.3.3
	(d)	Report No. and Year	C & AG report for the year ended 31.3.2012
II	(a)	Date of receipt of the Draft Para / Review in the Department	
	(b)	Date of Department's Reply	
III		Gist of Paragraph/Review	It was noticed that while finalising the assessment of a public limited company (M/s. Kerala Forest Development Corporation Ltd.) for the year 2008-09, the assessing officer allowed deduction of an amount of Rs. 34.35 lakh on account of property written off, and shown as expenditure in the Profits & Loss Account. Since no agricultural income was derived from the property written off no deduction was admissible. The incorrect deduction resulted in escape of income of Rs. 34.35 lakh with short levy of tax of Rs. 17.17 lakh.
IV	(a)	Does the Department agree with the facts and figures included in the paragraph?	Yes
	(b)	If not, Please indicate areas of disagreement and also attach copies of relevant documents in support	NA
V	(a)	Does the Department agree with the Audit conclusions?	Yes
	(b)	If not, please indicate specific areas of disagreement with reasons for disagreement and also attach copies of relevant documents where necessary.	NA

REMEDIAL ACTION TAKEN

VI	(a)	Improvement in system and procedures, including internal controls.	Kerala Forest Development Corporation (2008-09) On the basis of audit objection assessment has been completed incorporating other defects with an additional demand of Rs. 3.68crore.
	(b)	Recovery of overpayment pointed out by audit	--
	(c)	Recovery of under assessment, short levy or other dues	--
	(d)	Modification in the schemes and programmes including financing pattern	--
	(e)	Review of similar cases / complete scheme / project in the light of findings of sample check by audit findings of sample check by audit.	--

[Handwritten Signature]

02/07/2018
 Director
 Government
 Forest Department
 Thiruvananthapuram

ACTION TAKEN NOTES ON C & AG'S REPORTS

I	(a)	Department	COMMERCIAL TAXES
	(b)	Subject/Title of the Review Paragraph	3.8.3 Incorrect exemption of income led to income escaping assessment.
	(c)	Paragraph No.	3.8.3.3
	(d)	Report No. and Year	C & AG report for the year ended 31.3.2012
II	(a)	Date of receipt of the Draft Para / Review in the Department	
	(b)	Date of Department's Reply	
III		Gist of Paragraph/Review	It was noticed that while finalising the assessment of a public limited company (M/s. Kerala Forest Development Corporation Ltd.) for the year 2008-09, the assessing officer allowed deduction of an amount of Rs. 34.35 lakh on account of property written off and shown as expenditure in the Profits & Loss Account. Since no agricultural income was derived from the property written off no deduction was admissible. The incorrect deduction resulted in escape of income of Rs. 34.35 lakh with short levy of tax of Rs. 17.17 lakh.
IV	(a)	Does the Department agree with the facts and figures included in the paragraph?	Yes
	(b)	If not, Please indicate areas of disagreement and also attach copies of relevant documents in support	NA
V	(a)	Does the Department agree with the Audit conclusions?	Yes
	(b)	If not, please indicate specific areas of disagreement with reasons for disagreement and also attach copies of relevant documents where necessary	NA

REMEDIAL ACTION TAKEN

VI	(a)	Improvement in system and procedures, including internal controls.	Kerala Forest Development Corporation (2008-09) On the basis of audit objection assessment has been completed incorporating other defects with an additional demand of Rs. 3.68crore.
	(b)	Recovery of overpayment pointed out by audit	--
	(c)	Recovery of under assessment, short levy or other dues	--
	(d)	Modification in the schemes and programmes including financing pattern	--
	(e)	Review of similar cases / complete scheme / project in the light of findings of sample check by audit findings of sample check by audit.	--

L. S. S.

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**STATEMENT OF REMEDIAL MEASURES TAKEN ON THE REPORT
OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA FOR
THE YEAR ENDED 31.03.2012 (RR)**

I	a)	Name of the Department	REGISTRATION
	b)	Subject/Title of the Review/ Paragraph	Working of Internal Audit Wing
	c)	Paragraph Number	Para. 4.5
	d)	Report No /Year	Report of The Comptroller And Auditor General of India for the Year Ended 31.03.2012 (RR)
II	a)	Date of receipt of the Draft Para	Recommendation through C&AG Report- 2012
	b)	Date of Department Reply	NA
III		Gist of Paragraph	<p>Para 4.5: Inspector General of Registration (IGR), Kerala monitors the functioning of the Internal Audit Wing (IAW) of the Registration Department. The District Registrar (DR-Audit) and team conduct audit in the district. The SROs are audited annually. The total number of staff deputed for the internal audit work in this Department is sixty two. The team leader is the District Registrar (Audit) who is assisted by his subordinates. There is neither an Internal Audit Manual nor a centralized training system for the audit wing. During 2011-2012, IAW audited 256 units out of 312 units planned for audit.</p> <p>It is recommended that the IAW may be strengthened by imparting training to the persons deployed for audit and by preparing an Internal Audit Manual.</p>
IV	a)	Does the Department agree the fact and figures included in the paragraph	Yes
	b)	If not please indicate the areas of disagreement	NA
V	a)	Does the Department agree with the Audit Conclusion	Partially
	b)	If not please indicate the areas of disagreement	The audit teams constituted in District Registrar Offices are not permanent teams engaged in audit. The Members of the team (Clerks) get transfer frequently based on their requests, administrative reasons, seniorities etc. So imparting training regarding the aspects of audit only, for those who were

		<p>posted in District Registrar (Audit) offices do not seem to be fruitful to a higher extent. So Registration Department is giving training to all classes of staff related to the Act and Rules which also include audit instructions at regular intervals based on scheduled time table throughout a calendar year.</p> <p>At present the District Registrars are following the Kerala Registration Manual Orders 702-764 for conducting Inspection/Audit. Duties of Registrar and Camp Clerks, inspection/audit procedures regarding Registers, Indexes, Account books etc are well demarcated in the Kerala Registration Manual order and final order has been given by the concerned zonal Deputy Inspector General of Registration.</p>
VI	Remedial Action taken	<ol style="list-style-type: none"> 1. In order to strengthen the internal audit, utmost care has been taken by deploying experienced and senior hands in District Registrar (Audit) Offices during transfer and posting. 2. During 2011-2012, under STP Scheme, 7 training programmes (3 Days - 30 Employees) related to Act and Rules have been given to various cadres of staff, those who are engaged in audit and other works, through IMG - TVM, EKM and KKD. Under ITP Scheme, 8 training programmes were also organized during 2011-2012, related to Act and Rules through IMG-TVM 3. During 2012-2013, under STP Scheme, 18 training programmes (3 Days - 30 Employees - training to 540 Employees) related to Act and Rules have been given to various cadres of staff, through IMG - TVM, EKM and KKD. 4. Under ITP Scheme 11 training programmes (3-5 Days - 30 Employees- training to 330 Employees) were also organized during 2012-2013, related to Act and Rules through IMG-TVM. 5. By accepting the views and recommendations rendered by the C & AG through the above para in good spirit, the Registration Department is on the way for the preparation of Internal Audit Manual by

			combining the instructions contained in the Internal Audit Manual of Finance Department and also the instructions contained in the Kerala Registration Manual Orders. It is also proposed to constitute a committee in this regard which include the experts of Registration Department.
I	a)	Name of the Department	REGISTRATION
	b)	Subject/Title of the Review/ Paragraph	4.8 - Non-compliance of provisions of Act/Rules
	c)	Paragraph Number	Para. 4.8.1 Splitting up of land to evade SD and RF
	d)	Report No /Year	Report of The Comptroller And Auditor General of India for the Year Ended 31.03.2012 (RR)
II	a)	Date of receipt of the Draft Note	02.03.2012 (DRAFT NOTE) DO.No. SRA (HQ) V/22-1283/2011-2012
	b)	Date of Department Reply	31.03.2012
III		Gist of Paragraph	<p>Para 4.8.1: SRO AMBALAPUZHA:</p> <p>It was noticed (November 2011) from the "Register of Non-Testamentary Documents" relating to immovable property that 272.1 Ares of land was transferred by the same person through two sale deeds registered on the same day by which 40.47 Ares and 231.63 Ares were sold for Rs. 1 crore each. Land was split up before the transactions in such a way that major portion of land was without road facility and it was registered at a lower value. The case was not reported as a suspected case of undervaluation to the Registrar for initiating action under Section 45 B (2) of the Act. This resulted in undervaluation of the second document to the tune of Rs. 4.72 crore and consequent short levy of Stamp Duty and Registration Fee of Rs. 56.68 lakh.</p> <p>The matter was pointed out to the Department (November 2011) and reported to Government (February); their reply has not been received (December 2012)</p>
IV	a)	Does the Department agree the fact and figures	No

	included in the paragraph	
	<p>b) If not please indicate the areas of disagreement</p>	<ol style="list-style-type: none"> 1. Detailed examination of the two documents under remark, reveals that the vendors are same but the purchaser, Sri. Muralidharan Nair purchased the two properties on behalf of the representative capacity of Managing Director of <u>two different companies registered under the Indian Companies Act, 1956</u>. The property mentioned in the document 410/2009 was purchased for <u>"Craberry Properties Pvt Ltd"</u> with the registration number 70100 KL2008 PTCO 23435 and the 2nd property mentioned in the document numbered 411/2009 was purchased for <u>"Lilly Properties Pvt Ltd"</u> with the registration number U70100 KL 2008 PTCU 23440 under Companies Act. 2. So it is obvious that the representative is one but the purchaser in fact is different companies. So it is difficult to assume and admit that the splitting up of properties into two was done deliberately by the parties to evade stamp duty. So the department is also not in a position to stick on the assumption that there exist an inherent intension between the parties to evade stamp duty by splitting up of properties one with road access and other without road access. 3. It is clear from the recitals that the consideration is paid from the account of the company and the properties were conveyed in favour of different companies. 4. There is no provision in the Kerala Stamp Act or the law made there under to determine the value of the property based on the value of the other adjacent properties even if they were in the same survey numbers. Comparison based on the transaction value of a piece of land with that of adjacent land is not legal and correct in the absence of Fair value. A Sub Registrar is not empowered to interfere in a property transaction and to increase or decrease the actual transaction value of a property. 5. Since the Fair value was not prevalent in the state, undervaluation cases were increasing enormously. So the department was forced to introduce Guideline value / alternate arrangement for preventing the loss of revenue through undervaluation. <u>Instructions were issued to subordinate officers not to refer documents registered</u>

			<p><u>with higher value than the Guide line value, for undervaluation. It is seen that the value shown in the documents is higher than the Guide line value.</u></p> <p>6. The Guide line value for residential plot with Corporation road access in Purakkad village- Ward VII is Rs. 42,500/- per Are, for residential plot with private road access is Rs. 22,500/- per Are and for the plot without road access is Rs. 15,000/- per Are. Here in the document 410/2009 party set forth Rs. 2,47,100/- per Are and in 411/2009 party set forth Rs. 43,172/- per Are. Hence the document 411/2009 was not reported for under valuation by the registering officer.</p>
V	a)	Does the Department agree with the Audit Conclusion	No
	b)	If not please indicate the areas of disagreement	<p>1. Since the Fair value was not prevalent in the state, there was no other option in front of the registering officer, but to accept the document for registration. He is not liable to take into account, the market value or to refuse the document based on this regard.</p> <p>2. It may kindly be noted that the Fair value fixed by the Government and came to force on 01.04.2010 (i.e. after 1 year of the audit remark) to the Survey number 259 of Purakkad village is only Rs. 90,000/- per Are for Residential plot with Corp/Mun/ Panchayath road access. This value is remarkably low when compared with the value set forth in the document numbered 410/2009 by which the audit team taken as yardstick to compare the document 411/2009. <u>Here the party set forth Rs. 2,47,100/- per Are and an extra amount of Rs. 63,57,700/- in the document 410/2009.</u></p>
VI		Remedial Action taken	<p>1. The department has already taken effective steps with the co-ordination of Revenue department for implementing Fair value in the state. As a result, Fair value of land was fixed by the respective RDO's subject to the rules stipulated in the Kerala Stamp (Fixation of Fair value of Land) Rules- 1995 and was implemented in the state on 06.03.2010 through extra ordinary Gazette notification numbered 515 (1) to (21).</p> <p>2. From 01.04.2010 onwards documents are being</p>

			<p>registered in the State in accordance with the Fair value and such types of transaction/remarks has not been pointed out by the Accountant General for the past three years after the implementation of Fair Value.</p> <p>3. Furthermore provisions were already included in the Schedule to Stamp Act 1959 in Article 21 and 22, through <u>Finance Bill-2013</u>, to restrict subsequent conveyance transactions in respect of the whole or portion of the property involved in the previous conveyance within a period of three months from the date of registration of previous documents, by imposing higher SD of two times higher than previous transaction and one and half times higher SD for subsequent transaction with in a period of six months from the date of registration of previous documents.</p> <p>It is also informed that the Government have furnished reply to this draft para as per Letter No. 5267/E3/2012/T.D. dated 18/09/2012</p> <p>Considering the above facts, the para may kindly be dropped from the Report of Comptroller and Auditor General for the year ended 31-03-2012.</p>
I	a)	Name of the Department	REGISTRATION
	b)	Subject/Title of the Review/ Paragraph	4.8 - Non-compliance of provisions of Act/Rules
	c)	Paragraph Number	Para. 4.8.1 Splitting up of land to evade SD and RF
	d)	Report No /Year	Report of The Comptroller And Auditor General of India for the Year Ended 31.03.2012 (RR)
II	a)	Date of receipt of the Draft Para	30.03.2012 Report-RR/DP-4101/12-13
	b)	Date of Department Reply	04.04.2012 (Due date - 03.05.2012)
III		Gist of Paragraph	<p>Para 4.8.1: SRO NILESWARAM.</p> <p>It was noticed (December 2010) that 21.04 ares of land was transferred by the same executants to the same two persons through two sale deeds executed within four days (6 August 2009 and 10 August 2009) by which 1.11 ares and 19.93 ares were sold for Rs. 4.68 lakh and Rs. 3.50 lakh respectively. Land was split up before the transactions in such a way that major portion of land was without road facility and it was</p>

			<p>registered at a lower value. This resulted in undervaluation of the second document to the tune of Rs. 80.44 lakh and consequent short levy of SD and RF of Rs. 9.65 lakh.</p> <p>The matter was pointed out to the Department (December 2010) and the Department stated (December 2011) that suo-motu action was being taken on the document.</p> <p>The case was reported to Government (February 2012), their reply has not been received (December 2012)</p>
IV	a)	Does the Department agree the fact and figures included in the paragraph	Yes
	b)	If not please indicate the areas of disagreement	NA
V	a)	Does the Department agree with the Audit Conclusion	Yes
	b)	If not please indicate the areas of disagreement	NA
VI		Remedial Action taken	<ol style="list-style-type: none"> 1. Since the land was split up into two pieces by an extent of 1.11 Ares and 19.93 Ares based on road facility and purchased by the same person through two documents, the remark of the Accountant General seems to be justifiable in this case and this department also felt that there occurs undervaluation which is entirely different from the case mentioned in SRO Ambalapuzha. 2. Hence <i>Suo-motu</i> action has already been taken under section 45 B (3) of the Kerala Stamp Act, 1959 against the document number 2064/2009. Form II notice was issued to the parties on 23.02.2011 itself. But the parties neither respond to this notice nor submit any representation regarding this issue. So the District Registrar determined the value/ consideration for the document 2064/2009, based on the value set forth in the document 2044/2009 as Rs. 83,94,000/- (without taking into account of being heard the parties and also not considering the Fair value, that is considerably low, which came to effect on 01.04.2010) and issued preliminary order vide order numbered PUV/29/11/N (SM) dated 31.01.2012 and Final Order to the parties vide order numbered PUV/29/11/N (SM) dated 15.03.2012. 3. Meanwhile the Government, as a policy decision, introduced again the One time settlement Compounding scheme vide GO (P) 151/2012/TD dated 25.08.2012 to

			<p>clear off all the pending undervaluation cases referred to the District Registrar or called for by him under section 45 B (1) and (3) of the Kerala Stamp Act- 1959, <u>by considering the extent of transaction, rather than the value reported or determined by the District Registrar. As per the Government order, the decision of the District Registrar regarding the determination of value is void and the aforesaid document deserves the benefit of the scheme.</u></p> <p>4. An amount of Rs. 2000/- has been remitted by the concerned parties as per TR.5 receipt number 14 dated 21.12.2012 in the Sub Registrar office, Nileswaram.</p> <p>5. Furthermore provisions were already included in the Schedule to Stamp Act 1959 in Article 21 and 22, through <u>Finance Bill-2013</u>, to restrict subsequent conveyance transactions in respect of the whole or portion of the property involved in the previous conveyance within a period of three months from the date of registration of previous documents, by imposing higher Stamp Duty at the rate of two times higher than previous transaction and one and half times higher Stamp Duty for subsequent transaction with in a period of six months from the date of registration of previous documents.</p> <p>In this connection, it is informed that eventhough the draft para was reported to government by the Accountant General, it became an audit para, during the course of examination by the Government. Hence reply of the Government could not be furnished.</p> <p>Considering the above facts, the para may kindly be dropped from the Report of Comptroller and Auditor General for the year ended 31-03-2012.</p>
I	a)	Name of the Department	REGISTRATION
	b)	Subject/Title of the Review/ Paragraph	4.8- Non-compliance of provisions of Act/Rules
	c)	Paragraph Number	Para. 4.8.2 Short levy SD and RF due to Undervaluation
	d)	Report No /Year	Report of The Comptroller And Auditor General of India for the Year Ended 31.03.2012 (RR)
II	a)	Date of receipt of the Draft Para	07.04.2012

			Report-RR/DP-4108/12-13
	b)	Date of Department Reply	02.05.2012 (Due date - 04.05.2012)
III		Gist of Paragraph	<p>Para 4.8.2: SRO AGALI.</p> <p>It was noticed (May 2008) that 34 sale deeds were registered, whereby 122.365 acres of land was sold to a company, the previous documents of which were registered within a period of one to six months prior to the registration of the present documents. The values shown in the previous documents were considerably lower than the subsequent documents resulting in undervaluation of previous documents to the extent of Rs. 1.26 crore. This resulted in short levy of SD and RF of Rs. 15.15 lakh.</p> <p>The Government formed a committee (May 2010) which was entrusted the work of enquiring into these audit observations also. The committee confirmed (October 2010) that there had been undervaluation in sale deeds presented for registration at SRO Agali. However further report of action taken has not been received (December 2012)</p>
IV	a)	Does the Department agree the fact and figures included in the paragraph	No
	b)	If not please indicate the areas of disagreement	<ol style="list-style-type: none"> 1. Subsequent documents bearing higher value, than the previous document whether it is normal or abnormal is a common phenomenon. We are also insisting sub-ordinate officers to encourage the parties to set forth higher values to achieve Revenue target given by the Government. 2. No Registering officer can foresee any considerable increase of price in the subsequent transactions while registering the documents. There is also no rule prevailing that empower the registering officer to initiate undervaluation proceedings against a pre document if there is variation in values when compared with the values shown in the subsequent transactions. It is also not practical on the part of the Registering Officer to go through the documents already registered, while registering subsequent documents. 3. It is to be admitted that the Sub Registrar has performed his duty legally and fairly <u>in the absence of "Fair Value" and also in the absence of further higher valued subsequent transactions.</u>

V	a) Does the Department agree with the Audit Conclusion	No
	b) If not please indicate the areas of disagreement	<ol style="list-style-type: none"> 1. It is to be noted that, here the purchaser is a well known limited company registered under Indian Companies Act-1956 and also the subsidiary associate of multinational power giant M/s Suzlon Energy Ltd, in the field of Installation of Wind mills and Electricity production. Therefore it is the need of the company to purchase acres of land in a particular area (Hill Tract) as a whole plot for the installation of wind mills. 2. It is also to be noted that the transactions relating the pre documents are between local individuals with different earning capacities. So it is common and obvious that the consideration paid might be within their financial capacities. But the transactions relating to the subsequent documents are between individuals and a multinational company. For these reason they might have offered charming price to all the owners to get the title deed and ownership of 122 acres together. 3. Since Fair value was not prevalent in the State, Registration department introduced Guideline value to prevent undervaluation. The consideration set forth in the 34 pre documents were based on the Guideline Value and also there was a reasonable hike in the value from the earlier pre documents (in 25 cases and 8 documents were registered based on the procession certificate). Since the value set forth in 15 documents (out of the total 48 documents mentioned by the Accountant General in their earlier local audit report and draft para of 2009) are below guideline value, and there is a valid reason to believe that the value is not truly set forth, the Sub Registrar reported the above 15 documents for undervaluation and deficit amount has been collected from 13 documents. This implies that the Sub Registrar has acted as per rules and also in good faith. 4. It is humbly stated that the comparison of pre documents with the "Fair value" is more relevant and legally valid, than comparing with the subsequent documents for accessing revenue loss. 5. The "Fair value" fixed by the Government on 14.12.2009 and come into force on April 2010 (i.e. after 3 years of the audit remark and registration of subsequent documents) for the survey numbers 1273/1, 1274, 1275, 1283/2, 1295of Kottathara village is Rs.

		<p>1000/- per Acre (i.e. Rs. 405/- per cent) for Hill tract with road access/ residential plot with road access, and for the survey numbers 1819, 1326 of Kottathara village is Rs. 1250/- per Acre. (i.e. Rs. 506/- per cent) This value is remarkably low when compared to the value set forth in the subsequent documents.</p> <p>6. By comparing this fair value of 2010, with that of the consideration shown in the pre documents (average Rs. 150/cent) there occurs no revenue loss as pointed out by the audit, because the mentioned documents were registered in 2006-2007 i.e. before 4 years. Since the day to day increase of land value is unpredictable now a days, a nominal decrease of value per cent (average Rs. 250-300/cent) in 2006 while comparing with the value in 2010 is quite natural.</p> <p>7. From this comparison it is very clear that there is no revenue loss occurred to Government as mentioned by the audit team, and there is only revenue gain occurred while registering the subsequent documents with higher consideration (set forth as per company's discretion)</p>
VI	Remedial Action taken	<p>6. The department has already taken effective steps with the co-ordination of Revenue department for implementing Fair value in the State. As a result Fair value of land was fixed by the respective RDO's subject to the rules stipulated in the Kerala Stamp (Fixation of Fair value of Land) Rules- 1995 and was implemented in the state on 06.03.2010 through extra ordinary Gazette Notification numbered 515 (1) to (21). From 01.04.2010 onwards documents are being registered in the State in accordance with the Fair value and such types of transaction/remarks has not been pointed out by the Accountant General for the past two years after the implementation of Fair Value.</p> <p>7. Provisions were already included in the Schedule to Stamp Act 1959 in Article 21 and 22, through <u>Finance Bill-2013</u> to restrict subsequent conveyance transactions in respect of the whole or portion of the property involved in the previous conveyance when executed within a period of six months from the date of registration of previous documents, by imposing higher rate of Stamp Duty at the rate of two times for 3 months and one and half times for 6 months higher than previous transaction.</p> <p>8. The allegation of alienation of tribal land in Attappady, illegal erection of wind mills on land owned by tribals,</p>

			<p>fraudulent means of transactions, land scam, Committees observation etc are current affairs and this issue arised after a period of 4 years from the registration of the pre documents in the absence of Fair value. The observation of audit team and the committee, related to undervaluation of documents is not legally sustainable in the absence of fair value.</p> <p>Considering the above facts, the para may kindly be dropped from the Report of Comptroller and Auditor General for the year ended 31-03-2012.</p>
I	a)	Name of the Department	REGISTRATION
	b)	Subject/Title of the Review/ Paragraph	4.8 - Non-compliance of provisions of Act/Rules
	c)	Paragraph Number	Para. 4.8.2 Short levy SD and RF due to Undervaluation
	d)	Report No /Year	Report of The Comptroller And Auditor General of India for the Year Ended 31.03.2012 (RR)
II	a)	Date of receipt of the Draft Para	07.04.2012 Report-RR/DP-4107/2012-2013
	b)	Date of Department Reply	24.04.2012 (Due date 04.05.2012)
III		Gist of Paragraph	<p>Para 4.8.2: SRO VADAKKENCHERRY (PKD).</p> <p>Verification (November 2011) of the Book 1 and register of undervaluation revealed that while registering the conveyance deeds, conveyance transfer of two properties of 243.03 Ares and 113.72 Ares in Kizhakencherry Panchayat in April and May 2008 for Rs. 7 lakh and Rs. 4.90 lakh respectively, the Registering Authority estimated the value of these properties as Rs. 48.29 lakh and Rs. 36 lakh respectively and referred the deeds to the District Registrar as suspected cases of undervaluation. The values estimated by the Registering Authority with available details were recorded in the register of undervaluation maintained in the SRO. Subsequently notices were issued to the parties for settling the cases under compounding scheme and the first case was settled under compounding scheme, while second case remained unsettled. Meanwhile these properties were sold again in October and November 2009 for consideration of Rs. 11.60 lakh and Rs. 8 lakh respectively. Though the details of undervaluation of the property and the value estimated and reported to District Registrar were available in the undervaluation register of the said office, the registering authority did not report the subsequent transactions to the</p>

			District Registrar as undervaluation cases. This resulted in short levy of SD and RF of Rs. 7.76 lakh. We pointed out the matter to the Department (November 2011) and reported to Government (February 2012), We have not received any further remarks (December 2012)
IV	a)	Does the Department agree the fact and figures included in the paragraph	No
	b)	If not please indicate the areas of disagreement	<p>1. Since Fair value was not prevalent in the state, the department introduced Guideline value to prevent undervaluation. Even though the guideline value had no statutory backing, this initiative helped to prevent the loss of revenue to the Government to a remarkable extent, by setting low values in document.</p> <p>2. In the pre documents numbered 1790/2008 and 2533/2008 the parties set forth the value which is lower than the Guideline value assigned by the department and hence both the documents were reported for UV. The higher value noted in the UV Report is only an assumption, with a good intention to prevent the parties setting very low value in the documents and also to give inspiration to set forth correct value. The parties subsequently sold the properties through the documents 3157/2009 and 3473/2009. Here they set forth higher values than the pre documents and also higher than the Guideline Value. Hence the subsequent documents were not reported for undervaluation.</p> <p>3. While comparing with the pre documents, it is obvious that there is a reasonable hike in the value of the subsequent documents 3157/2009 and 3473/2009. <u>The party set forth Rs. 11,60,000/- in the subsequent document numbered 3157/2009 against Rs. 7,00,000/- in the pre document numbered 1790/2008 which shows a hike of 65% in the value. In the second case the party set forth Rs. 8,00,000/- in the subsequent document numbered 3473/2009 against Rs. 3,10,000/- in the pre document numbered 2533/2008 which shows a hike of 63% in the value.</u> In such a situation the Sub Registrar has no reason to believe that the value of the property has not truly set forth in the subsequent documents and also not liable to report it for undervaluation in the absence of "Fair Value".</p> <p>4. The value reported by the registering authority is not final and it is only an opinion and a mere assumption in the absence of Fair value. The registering officer's role in this regard is limited. He has no authority to determine the exact value/consideration. He is only offering his opinion about the value/ consideration and referring the document</p>

			to the Collector/District Registrar for the correct determination of stamp duty.
			5. The determination of value and the proper duty payable thereon is calculated by the Collector/District Registrar in such a manner prescribed by the Kerala Stamp (Prevention of Undervaluation of Instruments) Rules, 1968- Rules. (4), (5), (6) and (7). There is no provision in the Kerala Stamp Act, 1959 or the Kerala Stamp (Prevention of Undervaluation of Instruments) Rules-1968, that the opinion of the Sub Registrar offered in the prescribed UV form should be considered as a final value.
V.	a)	Does the Department agree with the Audit Conclusion	No
	b)	If not please indicate the areas of disagreement	<p>1. It is humbly stated that the comparison of pre documents with the "Fair value" fixed by the Government is more relevant and legally acceptable one than comparing with the value reported by the Sub Registrar for assessing revenue loss.</p> <p>2. The "Fair value" fixed by the Government on 14.12.2009 and come into force on April 2010 (i.e. after 2 years of the audit remark and registration of 1790/2008 document) for the Re Survey numbers 377, 378/1 in Kizhakkancherry village is Rs. 6000/- per Are. and for 382/4 is Rs. 11000/- per Are.</p> <p>3. The Collector/District Registrar determined the value of the property mentioned in the first document numbered 1790/2008 as Rs. 15,88,000/- based on the Fair value. <u>Therefore the value/consideration of the document numbered 3157/2009 is also valued as Rs. 15,88,000/- and not Rs. 48.29 lakh as per the assumption of the Sub Registrar.</u></p> <p>4. By comparing this fair value of 2010, with that of the consideration shown in the document 3157/2009 (Rs.11.60 /- lakh) there occurs no revenue loss as pointed out by the audit, because the mentioned document was registered in 2009 i.e. before 1 year to the introduction of Fair Value. Since the day to day increase of land value is unpredictable now days, a nominal decrease of Rs. 1967/Are in 2009 while comparing with the value in 2010 is quite natural and reasonable.</p> <p>5. In the second case also the Collector/District Registrar is liable to consider the Fair Value of Land, while determining the proper stamp duty. The mere opinion about the value, by the Registering authority also has no</p>

		<p>legal validity.</p> <p>6. The Collector/District Registrar determined the value of the property mentioned in the pre document numbered 2533/2008 as Rs. 28,43,000/- based on the Fair value. Therefore the value/consideration of the document numbered 3473/2009 is also valued as Rs. 28,43,000/- and not Rs. 36.00 lakh as per the assumption of the Sub Registrar.</p> <p>7. Preliminary orders were issued to the concerned parties to remit the deficit amount determined by the District Registrar with respect to the pre documents. Meanwhile the Government of Kerala, as a policy decision introduced One time settlement Compounding scheme vide GO (P) 57/09/TD dated 27.03.2009 to clear off all the pending undervaluation cases referred to the District Registrar or called for by him under section 45 B (1) and (3) of the Kerala Stamp Act- 1959, <u>by considering the extent of transaction, rather than the value reported by the Sub Registrar nor determined by the District Registrar.</u></p> <p>8. <u>As per the above Government order, the decision of the District Registrar regarding value determination is void and the aforesaid document deserves the benefit of the scheme.</u></p> <p>9. An amount of Rs. 3000/- has been remitted by the concerned party related to document numbered 1790/2008 and action is going on in the case of document numbered 2533/2008.</p> <p>10. The remarks of the Audit is that, the registering authority did not report the subsequent transactions to the District Registrar as undervaluation cases. <u>Even if the subsequent documents under remark have also been reported for undervaluation based on the earlier estimation of the Sub Registrar, the result will not be different since the compounding scheme is in effect and also continues up to 31.03.2014.</u></p> <p>11. The above policy decision of the Government related to the compounding scheme also proves that, the assumption of Sub Registrar and remarks of the Accountant General are not legally sustainable.</p>
VI	Remedial Action taken	<p>1. The Accountant General also made comments that, though the details of undervaluation of the properties and the values estimated and reported to the District Registrar were available in the UV Register of the said office, the Registering Officer did not refer the register and report the subsequent transactions to the District Registrar.</p>

2. In a heavy station, while registering the documents it is not practically possible on the part of the registering officer to refer the UV Register and to take the pre reported value as a yardstick. Finalizing a decision that there occurred undervaluation and revenue loss, by referring with an anticipated value of a reported case is also not legally sustainable.
3. The Sub Registrar is also not legally competent to insist the party to set forth the value in the subsequent document with the same value that has already been reported by the Sub Registrar.
4. Even though the above mentioned factors are true to facts, this office also accepting the views rendered by your office in good spirit. But there is no rule prevailing in the Kerala Stamp (Prevention of Undervaluation of Instruments) Rules, 1968 or any other Registration Rules that empower the registering officer to initiate undervaluation proceedings against a subsequent document if its pre document has already been reported to UV for an anticipated value.
5. In order to overcome such difficulties the department has already taken effective steps with the co-ordination of Revenue department for implementing Fair value in the state. As a result Fair value of land was fixed by the respective RDO's subject to the rules stipulated in the Kerala Stamp (Fixation of Fair value of Land) Rules-1995 and was implemented in the state on 06.03.2010 through extra ordinary Gazette Notification numbered 515 (1) to (21). From 01.04.2010 onwards documents are being registered in the State in accordance with the Fair value and such types of transaction/remarks has not been pointed out by the Accountant General for the past two years after the implementation of Fair Value.
6. Provisions were already included in the Schedule to Stamp Act 1959 in Article 21 and 22, through Finance Bill-2013 to restrict subsequent conveyance transactions in respect of the whole or portion of the property involved in the previous conveyance when executed within a period of six months from the date of registration of previous documents, by imposing higher SD at the rate of two times for 3 months and one and half times for 6

			<p>months higher than previous transaction.</p> <p>It is also informed that remarks of the Government with respect to this draft para was furnished as per Letter No. 3861/E3/2012/T.D. dated 01/12/2012</p> <p>Considering the above facts, the para may kindly be dropped from the Report of Comptroller and Auditor General for the year ended 31-03-2012.</p>
I	a)	Name of the Department	REGISTRATION
	b)	Subject/Title of the Review/ Paragraph	4.8 - Non-compliance of provisions of Act/Rules
	c)	Paragraph Number	Para. 4.8.2
	d)	Report No./Year	Short levy SD and RF due to Undervaluation Report of The Comptroller And Auditor General of India for the Year Ended 31.03.2012 (RR)
II	a)	Date of receipt of the Draft Para	30.03.2012 Report- RR/DP-4102/2012-2013
	b)	Date of Department Reply	02.04.2012 (Due date - 03.05.2012)
III		Gist of Paragraph	<p>Para 4.8.2: SRO WADAKKANCHERRY (TSR).</p> <p>It was noticed (December 2011) that a property of 155.01 ares of land sold for Rs. 7.66 lakh in July 2009 was resold after 18 days without any improvement for a consideration of Rs. 29 lakh . However the registering authority did not report the first sale to the District Registrar as undervaluation.This resulted in short levy of SD and RF of Rs. 2.56 lakh.</p> <p>The matter was pointed out to the Department (December 2011) and reported to Government (February 2012), their remarks have not been received (December 2012)</p>
IV	a)	Does the Department agree the fact and figures included in the paragraph	No
	b)	If not please indicate the areas of disagreement	<p>1. Subsequent documents bearing higher value than the previous document whether it is normal or abnormal is a common phenomenon.</p> <p>2. The total consideration set forth in the documents numbered 722/1991, 1812/2003, 1813/2003 and</p>

			<p>2128/2004 the pre documents, of 3250/2009 is only Rs. 1,40,500/-. This shows that there is a reasonable increase in the value of the subsequent document 3250/2009 (Rs. 7,66,000/-) in the absence of "Fair Value".</p> <p>3. Initiation of undervaluation proceedings must be carried out "while" registering the document as per the section 45 B (1) of the Kerala Stamp Act, on the same day itself and "may refer" means it is the discretion of the Registering Officer whether to report or not the instrument for undervaluation. Comparing with the pre document, it is obvious that the value has been truly set forth in the document numbered 3250/2009. More over the higher valued subsequent document 3510/2009 has not been registered. In such a situation the Sub Registrar has no reason to believe that the value of the property has not truly set forth in the document and also not liable to report it for undervaluation.</p>
V	a)	Does the Department agree with the Audit Conclusion	No
	b)	If not please indicate the areas of disagreement	<p>1. Since the "Fair Value" was not prevalent in the state, there was no other option in front of the registering officer, but to accept the document for registration. He is not liable to take into account of the market value.</p> <p>2. The department introduced Guideline value to prevent undervaluation in the absence of Fair value. Instructions were also given to officers, not to refer documents for undervaluation if the value set forth is higher than the Guideline value.</p> <p>3. Moreover, in a similar case, Government, as per GO (Rt) No. 354/10/TD dated 13.04.2010, had allowed the appeal filed by the Sub Registrar, Ayyanthole and rejected the contention that valuation in a document registered earlier should be higher since the subsequent document was registered at a higher value. It may kindly be considered as a precedent.</p>
VI		Remedial Action taken	<p>1. In order to overcome the above type difficulties the department has already taken effective steps with the co-ordination of Revenue department for implementing Fair value in the state. As a result Fair value of land was fixed</p>

		<p>by the respective RDO's subject to the rules stipulated in the Kerala Stamp (Fixation of Fair value of Land) Rules-1995 and was implemented in the state on 06.03.2010 through extra ordinary Gazette Notification numbered 515 (1) to (21). From 01.04.2010 onwards documents are being registered in the State in accordance with the Fair value and such types of transaction/remarks has not been pointed out by the Accountant General for the past two years after the implementation of Fair Value.</p> <p>2. Provisions were already included in the Schedule to Stamp Act 1959 in Article 21 and 22, through <u>Finance Bill-2013</u> to restrict subsequent conveyance transactions in respect of the whole or portion of the property involved in the previous conveyance when executed within a period of six months from the date of registration of previous documents, by imposing higher SD at the rate of two times for 3 months and one and half times for 6 months higher than previous transaction.</p> <p>3. The Inspector General of Registration issued a general circular numbered <u>RR.3-16535/2012 dated 13.09.12</u> to Registering Officers related to the precautionary measures to be taken while accepting/registering the documents by checking the title/authority/right to transfer etc before registration.</p> <p>It is also informed that remarks of the Government with respect to this draft para was furnished as per <u>Letter No. 3417/E3/2012/T.D. dated 13/06/2012.</u></p> <p>Considering the above facts, the para may kindly be dropped from the Report of Comptroller and Auditor General for the year ended 31-03-2012.</p>	
I	a)	Name of the Department	REGISTRATION
	b)	Subject/Title of the Review/ Paragraph	4.8 - Non-compliance of provisions of Act/Rules
	c)	Paragraph Number	Para. 4.8.2 Short levy SD and RF due to Undervaluation
	d)	Report No /Year	Report of The Comptroller And Auditor General of India for the Year Ended 31.03.2012 (RR)
II	a)	Date of receipt of the Draft Para	07.04.2012 Report- RR/DP-4105/2012-2013

	b)	Date of Department Reply	20.04.2012 (Due date - 04.05.2012)
III		Gist of Pa ragraph	<p>Para 4.8.2: SRO KOZHENCHERRY (PTA).</p> <p>From verification (October 2011) of Book 1 and register of undervaluation it was noticed that the registering authority referred to the District Registrar four conveyance deeds registered between January and September 2008 as suspected cases of undervaluation estimating their values at Rs. 12.74 lakh, Rs. 10.80 lakh, Rs. 5.06 lakh and Rs. 2.50 lakh respectively. The values estimated by the registering authority with available details were recorded in the register of undervaluation maintained in the SRO. The cases are pending disposal by the District Registrar. Meanwhile, these properties were sold between October 2009 and January 2010 for Rs. 2.60 lakh, Rs. 5.00 lakh, Rs. 3.00 lakh and Rs. 0.80 lakh respectively. Though the details of undervaluation of the properties and the values estimated and reported to the District Registrar were available in the undervaluation register of the said office, the registering authority did not refer the register and report the subsequent transactions to the District Registrar as undervaluation cases. This resulted in short levy of stamp duty and registration fee of Rs. 2.36 lakh.</p> <p>The matter was pointed out to the Department (November 2011) and reported to Government (February 2012), their remarks have not been received (December 2012)</p>
IV	a)	Does the Department agree the fact and figures included in the paragraph	No
	b)	If not please indicate the areas of disagreement	<ol style="list-style-type: none"> 1. The value reported by the registering authority is not final and it is only an opinion and a mere assumption. The registering officer's role in this regard is limited. He has no authority to determine the exact value/consideration. He is only offering his opinion about the value/ consideration and referring the document to the Collector/District Registrar for the correct determination of stamp duty. 2. There exists so many instances in which the decision of the Collector/District Registrar regarding the value determination based on the stipulated rules, has also been "set aside" through several Court Orders with a conclusion that the Collector/the District Registrar has no authority to determine market value and stamp duty to be paid on such value. In these circumstances the

mere opinion about the value, by the Registering authority also has no legal validity.

3. The registering authority is only referring the document for correct determination of stamp duty. The Collector is functioning as a statutory authority and he has to act in a judicial manner and he must be satisfied that there are materials which would support the conclusion that there has been undervaluation.
4. It is to be noted that by a mere assumption the Sub Registrar reported the pre documents for undervaluation by estimating higher consideration. But prior to take any further action regarding the proper value determination, the Government of Kerala, as a policy decision introduced One time settlement Compounding scheme vide GO (P) 57/09/TD dated 27.03.2009 to clear off all the pending undervaluation cases referred to the District Registrar or called for by him under section 45 B (1) and (3) of the Kerala Stamp Act- 1959, by considering the extent of transaction, rather than the value reported by the Sub Registrar nor determined by the District Registrar.
5. Owing to this, the District Registrar had to do nothing in connection with these documents. As per the above Government order, the decision of the District Registrar regarding value determination is void. The aforesaid reported documents, which Accountant General has taken as yardstick to compare the subsequent documents, also deserve the benefit of the scheme.
6. Notices were issued to the parties under the above scheme to remit Rs. 8000/- (2000+3000+2000+1000) for the four documents.
7. The above policy decision of the Government related to the compounding scheme proves that, the assumption of Sub Registrar and remarks of the Accountant General are not legally sustainable.
8. Accountant General made remarks that the registering authority did not report the subsequent transactions to the District Registrar as undervaluation cases. Even if the subsequent documents under remark have been reported for undervaluation based on the earlier estimation of the Sub Registrar, the result will not be different since the compounding scheme is in effect and will continue up to 31.03.2014.

V	a)	Does the Department agree with the Audit Conclusion	No
	b)	If not please indicate the areas of disagreement	<p>1. It is humbly stated that the comparison of pre documents with the "Fair value" fixed by the Government is more relevant and legally acceptable than comparing with the value reported by the Sub Registrar for assessing revenue loss.</p> <p>2. The value determination of the reported cases based on the fair value (without taking into account of being heard the parties) is given separately for your perusal.</p> <p>3. From this it is evident that the value assumed by the Sub Registrar is not legal and correct. By comparing this fair value of 2010, with that of the consideration shown in the subsequent documents there occurred no revenue loss of Rs. 2.36/- lakh as pointed out by the audit, because of the mentioned documents were registered in 2009 i.e. before 1 year to the introduction of Fair Value. Since the day to day increase of land value is unpredictable now a days, a nominal decrease of consideration/Are in the subsequent documents in 2009 while comparing with the value of 2010 is quite natural and reasonable. It is to be noted that the parties set forth a higher amount in the document 887/2008 and its subsequent document 892/2009 than the fair value, before two years itself.</p>
VI		Remedial Action taken	<p>1. The Accountant General made comments that, though the details of undervaluation of the properties and the values estimated and reported to the District Registrar were available in the UV Register of the said office, the Registering Officer did not refer the register and report the subsequent transactions to the District Registrar.</p> <p>2. This office also accepted the views rendered by your office in good spirit. But there is no rule prevailing in the Kerala Stamp (Prevention of Undervaluation of Instruments) Rules, 1968 or any other Registration Rules that empower the registering officer to initiate undervaluation proceedings against a subsequent document if its pre document has already been reported to UV for an anticipated value.</p> <p>3. In order to overcome such difficulties this department has already taken effective steps with the co-ordination of Revenue department for implementing Fair Value in the State. As a result Fair value of land was fixed by the respective RDO's subject to the rules stipulated in the</p>

Kerala Stamp (Fixation of Fair value of Land) Rules-1995 and was implemented in the state on 06.03.2010 through extra ordinary Gazette Notification numbered 515 (1) to (21). From 01.04.2010 onwards documents are being registered in the State in accordance with the Fair value.

4. Since Fair value is now prevalent in the state and the documents have been registered based on the Fair Value, further instructions regarding this issue is not essential for the time being to make the existing system more effective.
5. Even though this office issued a general circular numbered *RR.3-16535/2012 dated 13.09.12* to Registering Officers related to the precautionary measures to be taken while accepting/registering the documents by checking the title/authority/right to transfer etc before registration.
6. Furthermore provisions were already included in the Schedule to Stamp Act 1959- Article 21 and 22, through Finance Bill-2013 to restrict subsequent conveyance transactions in respect of the whole or portion of the property involved in the previous conveyance when executed within a period of six months from the date of registration of previous documents, by imposing higher Stamp Duty at the rate of two times for 3 months and one and half times for 6 months higher than previous transaction.

It is also informed that remarks of the Government with respect to this draft para was furnished as per Letter No. 5261/E3/2012/T.D. dated 18/09/2012.

Considering the above facts, the para may kindly be dropped from the Report of Comptroller and Auditor General for the year ended 31-03-2012.



A. SHAJI
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**STATEMENT OF REMEDIAL MEASURES TAKEN ON THE REPORT OF
THE COMPTROLLER AND AUDITOR GENERAL OF INDIA FOR THE
YEAR ENDED 31.03.2012 (RR) Para 4.1 to 4.4**

I	a)	Name of the Department	REGISTRATION
	b)	Subject/Title of the Review/ Paragraph	Tax Administration
	c)	Paragraph Number	Para. 4.1
	d)	Report No /Year	Report of The Comptroller And Auditor General of India for the Year Ended 31.03.2012 (RR)
II	a)	Date of receipt of the Draft Para	Not treated as Draft Para (Common Introductory Para of The Report)
	b)	Date of Department Reply	NA
III		Gist of Paragraph	<p>Para 4.1: The Registration Department is under the control of the Secretary to the Government. Taxes at the Government level and the Inspector General of Registration is the head of the Department. Instruments affecting immovable property are to be presented for registration in the office of Sub-Registrar within whose jurisdiction the whole or some portion of the property is situated. The Registration department administers the Acts and Rules relating to stamp Duty and Registration Fees.</p> <p>Non -testamentary instruments which purport or operate to create, declare, assign, limit or extinguish, whether in present or in future, any right, title or interest, whether vested or contingent of the value of one hundred rupees and upwards, to or in immovable property and other instruments mentioned under Section 17 of the Registration Act 1908 to be registered compulsorily and the registration of documents mentioned under Section 18 is optional.</p>
IV	a)	Does the Department agree the fact and figures included in the paragraph	Yes
	b)	If not please indicate the areas of disagreement	NA
V	a)	Does the Department agree with the Audit Conclusion	Yes
	b)	If not please indicate the areas of disagreement	NA

VI		Remedial Action taken	NA
I	a)	Name of the Department	REGISTRATION
	b)	Subject/Title of the Review/ Paragraph	Trend of receipts
	c)	Paragraph Number	Para. 4.2
	d)	Report No /Year	Report of The Comptroller And Auditor General of India for the Year Ended 31.03.2012 (RR)
II	a)	Date of receipt of the Draft Note	Not treated as Draft Para (Common Introductory Para of The Report)
	b)	Date of Department Reply	NA
III		Gist of Paragraph	It is appreciable to note that there is as increasing trend in the revenue collection during past two years.
IV	a)	Does the Department agree the fact and figures included in the paragraph	Yes
	b)	If not please indicate the areas of disagreement	NA
V	a)	Does the Department agree with the Audit Conclusion	Yes
	b)	If not please indicate the areas of disagreement	NA
VI		Remedial Action taken	NA
I	a)	Name of the Department	REGISTRATION
	b)	Subject/Title of the Review/ Paragraph	Cost of collection
	c)	Paragraph Number	Para. 4.3
	d)	Report No /Year	Report of The Comptroller And Auditor General of India for the Year Ended 31.03.2012 (RR)
II	a)	Date of receipt of the Draft Para	Not treated as Draft Para (Common Introductory Para of The Report)

	b)	Date of Department Reply	NA
III		Gist of Paragraph	<p>The gross collection of revenue receipts under the head Stamps and Registration Fee, expenditure incurred on collection during 2007-08 to 2011-12 along with the All India average percentage of expenditure on collection to gross collection for relevant years are mentioned in chart.</p> <p>It was noticed that the expenditure on collection was throughout higher than the All India Average. However, the revenue collection registered an increase of 17.35 per cent in 2011-12 over the previous year, whereas the expenditure on collection of revenue was higher with 42.63 per cent for the said period.</p>
IV	a)	Does the Department agree the fact and figures included in the paragraph	NO
	b)	If not please indicate the areas of disagreement	<p>On examination of the C & AG's report it is understood that the whole expenditure under the major head - Stamps and Registration Fees is taken by the Accountant General for consideration to compare with the all India average. It is informed that "2030-03-Registration" only relates to the Registration Department. 2030-Stamps and Registration consists of three major sub heads operated by various controlling Officers. The major sub head 2030-01-Stamps -Judicial is operated and controlled by the Director of Treasuries, the major sub head 2030-02-Stamps- Non Judicial is operated and controlled by Land Revenue Commissioner and the major sub head 2030-03-Registration is operated by Inspector General of Registration.</p>
V	a)	Does the Department agree with the Audit Conclusion	Yes
	b)	If not please indicate the areas of disagreement	NA
VI		Remedial Action taken	<p>Expenditure under plan scheme for modernization, construction of buildings etc were also reckoned. Revenue collection is depend on prevailing rates of SD and RF imposed by the Government in line with the policy decision and other fees fixed by the Government time to time. Now fees in respect of various items have been rationalized. Modernization programs of the Registration Department such as computerization, digitization of records, online services including E payment of Fees and E-stamping are in progress.</p> <p>These steps will helpful to reduce the cost of revenue collection</p>

I	a)	Name of the Department	REGISTRATION
	b)	Subject/Title of the Review/ Paragraph	Impact of audit
	c)	Paragraph Number	Para. 4.4
	d)	Report No /Year	Report of The Comptroller And Auditor General of India for the Year Ended 31.03.2012 (RR)
II	a)	Date of receipt of the Draft Para	Not treated as Draft Para (Common Introductory Para of The Report)
	b)	Date of Department Reply	NA
III		Gist of Paragraph	<p>During the last four years ,undervaluation of documents , short levy of stamp duty etc.with revenue implication of 64.89 crore were pointed out in 973 paragraphs. Of these, the Department/Government accepted audit observations involving 6.40 crore and recovered 0.13 crore.</p> <p>The Department has recovered only 2.03 per cent of the total amount during the four years.</p>
IV	a)	Does the Department agree the fact and figures included in the paragraph	No
	b)	If not please indicate the areas of disagreement	<p>There occurred glaring undervaluation in documents, pointed out by the Accountant General through the local audit reports, the Department usually admit and accept the audit objections and take prompt measures to realize the deficit amount from the concerned parties with respect to provisions stipulated under the <i>section 45 B (3) of the Kerala Stamp Act</i> is initiating <i>suo-motu</i> action by the District Collector/District Registrar. Section 45 B (3) is the only provision in front of the Registrar, that has to be adopted to recover the deficit amount from the parties. Since it is a time consuming process, there occurs delay to collect the deficit amount on time in many accepted cases, that has been pointed out by the Accountant General. RR action in many cases also take long duration to complete the entire procedure. Hence there occurs delay, to collect the deficit amount on time in many accepted cases which has been pointed out by the Accountant General.</p>

			<p>AG usually made remarks (most of the remarks) related to undervaluation of a pre document by comparing its consideration with respect to its higher valued subsequent documents/higher valued subsequent Gehans, undervaluation of lower valued document in a particular re survey number with higher valued document pertaining in the same re survey number etc and accounted, unrealistic short levy based on the higher consideration documents.</p>
V	a)	Does the Department agree with the Audit Conclusion	No
	b)	If not please indicate the areas of disagreement	<p>Once UV action has been initiated by DR, he has to consider all aspects apart from the contention of AG. He has to act in a quasi judicial manner to derive a conclusion related to the consideration before arriving a final decision with respect to the determination of short levy in accordance with the prevention of undervaluation rules and also by considering the representation of party. He has limitations to stick only on the contention of AG in this aspect. Therefore there occurs a difference in amount determined by DR related to short levy in accepted cases. Hence the pointed out figure by AG does not correlates with the actually determined figure.</p> <p>Government of Kerala introduced one time settlement compounding scheme from time to time vide Government Orders to settle all pending undervaluation cases. It is to be noted that, as a policy decision of the Government, the liability to pay SD shall stand completely discharged by an additional payment on SD as specified in separate slabs with a minimum value, by considering the extent of transaction, rather than the value determined by the District Registrar.</p> <p>Therefore the value determined by the District Registrar, based on the amount/figure pointed out by the Accountant General related to the deficit SD and RF has no importance. Further the scheme has also been operated without realizing any additional Registration Fee.</p> <p>The documents mentioned in the pointed out/accepted cases will come under the purview of the scheme and also deserves the benefit of the scheme as per the above Government order. Thus the decision of the District Registrar regarding the</p>

			<p>determination of value (based on the remarks of the Accountant General and the short levy pointed out by the Accountant General) will become infructuous, if the party approaches the District Registrar to remit the deficit amount within the time limit of compounding scheme. This is another reason for the difference in the amount recovered (low per cent) by the department while comparing with the amount/figure pointed out by the Accountant General.</p> <p>→ So percent calculation of Accountant General related to the amount recovered is, in turn does not correlates with the pointed out figure . The above reason may also be considered.</p>
VI		Remedial Action taken	<p>RR proceedings were initiated by this department based on the instructions of the Government vide the letter numbered 8198/E.2/2014/TD dated 24.04.2014 and 25.04.2014. Further, instructions were given to all subordinate officers in this department vide letter number FIN.3-24022/2013 dated 13.05.2014 and ARA.1-14452/2011 dated 24.05.2014 to initiate RR Proceedings.</p>

Geetha

GEETHA. L
 Additional Secretary
 Taxes Department
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**STATEMENT OF REMEDIAL MEASURES TAKEN ON THE REPORT OF
THE COMPTROLLER AND AUDITOR GENERAL OF INDIA FOR THE
YEAR ENDED 31.03.2012 (RR) Para 4.6, 4.7, 4.8.1**

I	a)	Name of the Department	REGISTRATION
	b)	Subject/Title of the Review/ Paragraph	Para 4.6 – Results of Audit
	c)	Paragraph Number	Para. 4.6
	d)	Report No /Year	Report of The Comptroller And Auditor General of India for the Year Ended 31.03.2012 (RR)
II	a)	Date of receipt of the Draft Note	Recommendation through C&AG Report- 2012
	b)	Date of Department Reply	NA
III		Gist of Paragraph	In 2011-12 the records of 160 units relating to the Registration Department were not checked and underassessment of tax and other irregularities involving 5.31 crore were detected in 160 cases. The department accepted undervaluation and other deficiencies of ₹2.35 crore in 90 cases, of which 13 cases involving 0.18 crore were pointed out in audit during the year 2011-12 and the rest in earlier years. A amount of ₹0.07 crore was realized in 76 cases during the year of which four cases involving ₹1.00 crore pertained to 2011-2012.
IV	a)	Does the Department agree the fact and figures included in the paragraph	Partially
	b)	If not please indicate the areas of disagreement	The low per cent in recovery amount related to undervaluation cases during the report period is actually due to the reason that, most of the undervaluation cases mentioned in the LARs have been settled through the One Time Settlement Compounding Scheme during . Therefore the realized figure does not coincide with the detected figure during this period. <i>Section 45 B (3) of the Kerala Stamp Act 1957</i> is the only provision in front of the Registrar, that has to be adopted to recover the deficit amount from the parties. Since it is a time consuming process, there occurs delay to collect the deficit amount on time in many accepted cases, that has been pointed out by the Accountant General. Once CV action has been initiated by DR he has to consider all aspects apart from the contention of AG. He has limitations to stick only on the contention of AG in this aspect. Therefore there occurs a difference in amount determined by DR related to short levy in accepted cases. Hence the pointed out

			figure by AG does not correlates with the actually determined figure.
V	a)	Does the Department agree with the Audit Conclusion	No
	b)	It not please indicate the areas of disagreement	Short levy pointed out by the Accountant General related to the non-compliance of Act and Rules were normally realized from the concerned Registering Officers. Based on the final order from AG the same amount may be fixed as the liability or removed from liability and information will be given to the concerned employee. If the recovery could not effect in service period, this amount will be included in the provisional/final liability certificate and deducted from the DCRG. In case of higher amounts, recovery is only possible from their DCRG amounts at the time of retirement of the officers. The above procedure will also takes time to realize the amount pointed out by the Accountant General in accepted cases. This is another reason for the decrease in per cent related to the recovery of deficit amount.
VI		Remedial Action taken	Now RR proceedings were initiated by this department based on the instructions of the Government vide the letter numbered 8198/E.2/2014/TD dated 24.04.2014 and 25.04.2014. Further, instructions were given to all subordinate officers in this department vide letter number FIN.3-24022/2013 dated 13.05.2014 and ARA.1-14452/2011 dated 24.05.2014 to initiate RR Proceedings.
I	a)	Name of the Department	REGISTRATION
	b)	Subject/Title of the Review/ Paragraph	4.7 - Other audit observations
	c)	Paragraph Number	Para. 4.7
	d)	Report No /Year	Report of The Comptroller And Auditor General of India for the Year Ended 31.03.2012 (RR)
II	a)	Date of receipt of the Draft Para	Recommendation through C&AG Report- 2012
	b)	Date of Department Reply	NA
III		Gist of Paragraph	The records of various registration offices scrutinized and several cases of non-compliance of the provisions of the Indian Stamp Act 1899 and the Kerala Stamp Act 1959 and other cases as mentioned in the succeeding paragraphs in this chapter were noticed. These cases are illustrative and are based on a test check carried out in audit. Such omissions on the part of the Sub Registrar

			(SR's) are pointed out in each year. Not only do the irregularities persist, but also remain undetected till another audit is conducted. There is Need for the Government to improve the internal control system including strengthening of the internal audit.
IV	a)	Does the Department agree the fact and figures included in the paragraph	Yes
	b)	If not please indicate the areas of disagreement	NA
V	a)	Does the Department agree with the Audit Conclusion	Partially
	b)	If not please indicate the areas of disagreement	High volumes of work and inadequate staff strength are the main reasons for audit arrears. Since all the documents were registered based on fair value from 2010 onwards, there exists a need to check each and every documents during audit, with respect to the misclassification of fair value, non adoption of fair value, in-correct adoption of fair value etc by the audit team. This is a time consuming audit process carried out by utilizing inadequate staff strength. Under these circumstances 5 week days seems not to be sufficient to carry out entire audit in a particular unit. Hence it is not possible on the part of District Registrar (Audit) who has been entrusted to audit in Sub Registrar offices to cover all offices in the stipulated time schedule for a particular year. Even though the above are facts the department has taken sincere efforts to clear maximum arrears and to clear off audit observations.
VI		Remedial Action taken	At present the District Registrars are following the instructions contained in the Internal Audit Manual of Finance Department and the Kerala Registration Manual Orders 702-764 for conducting Inspection/Audit. Duties of Registrar and Camp Clerks, inspection/audit procedures regarding Registers, Indexes, Account books etc were well demarcated in the Kerala Registration Manual order. In order to strengthen the internal audit, utmost care has been taken by deploying experienced and senior hands in DR (Audit) Offices during transfer and posting. Further an Audit Monitoring Committee has also been constituted in this department under the head of Finance Officer to monitor the audit/audit report of DRs and DIGRs. Steps have also been taken to verify all internal audit reports under the head of Finance Officer.

I	a)	Name of the Department	REGISTRATION
	b)	Subject/Title of the Review/ Paragraph	4.8 - Non-compliance of provisions of Act/Rules
	c)	Paragraph Number	Para. 4.8.1 Splitting up of land to evade SD and RF
	d)	Report No /Year	Report of The Comptroller And Auditor General of India for the Year Ended 31.03.2012 (RR)
II	a)	Date of receipt of the Draft Note	02.03.2012 (DRAFT NOTE) DO.No. SRA (HQ) V/22-1283/2011-2012
	b)	Date of Department Reply	31.03.2012
III		Gist of Paragraph	<p>Para 4.8.1: SRO AMBALAPUZHA:</p> <p>It was noticed (November 2011) from the "Register of Non-Testamentary Documents" relating to immovable property that 272.1 Ares of land was transferred by the same person through two sale deeds registered on the same day by which 40.47 Ares and 231.63 Ares were sold for ₹.1 crore each. Land was split up before the transactions in such a way that major portion of land was without road facility and it was registered at a lower value. The case was not reported as a suspected case of undervaluation to the Registrar for initiating action under Section 45 B (2) of the Act. This resulted in undervaluation of the second document to the tune of ₹.4.72 crore and consequent short levy of SD and RF of ₹.56.68 lakh.</p> <p>The matter was pointed out to the Department (November 2011) and reported to Government (February), their reply has not been received (December 2012)</p>
IV	a)	Does the Department agree the fact and figures included in the paragraph	No
	b)	If not please indicate the areas of disagreement	<p>1. Detailed examination of the two documents under remark, reveals that the vendors are same but the purchaser, Sri. Muralidharan Nair purchased the two properties on behalf of the representative capacity of Managing Director of <u>two different companies registered under the Indian Companies Act, 1956</u>. The property mentioned in the document 410/2009 was purchased for "<u>Craberry Properties Pvt Ltd</u>" with the registration number 70100 KL2008 PTCO 23435 and the 2nd property mentioned in the document numbered 411/2009 was purchased for the same person.</p>

the registration number U70100 KL 2008 PTCU 23440 under Companies Act and the said properties are still possessed by the same companies till date.

2. So it is obvious that the representative is one but the purchaser in fact is different companies. So it is difficult to assume and admit that the splitting up of properties into two was done deliberately by the parties to evade stamp duty. So this office is also not in a position to stick on the assumption that there exist an inherent-intension between the parties to evade stamp duty by splitting up of properties one with road access and other without road access.

3. It is clear from the recitals that the consideration is paid from the account of the company and the properties were conveyed in favour of different companies.

4. There is no provision in the Kerala Stamp Act or the law made there under to determine the value of the property based on the value of the other adjacent properties even if they were in the same survey numbers. Comparison based on the transaction value of a piece of land with that of adjacent land is not legal and correct in the absence of Fair value. A Sub Registrar is not empowered to interfere in a property transaction and to increase or decrease the actual transaction value of a property.

5. Since the Fair value was not prevalent in the state, undervaluation cases were increasing enormously. So the department was forced to introduce Guideline value / alternate arrangement for preventing the loss of revenue through undervaluation. Instructions were issued to subordinate officers not to refer documents registered with higher value than the Guide line value, for undervaluation. It is seen that the value shown in the documents is higher than the Guide line value.

6. The Guide line value for residential plot with Corporation road access in Purakkad village- Ward VII is ₹.42,500/- per Are, for residential plot with private road access is ₹.22,500/- per Are and for the plot without road access is ₹.15,000/- per Are. Here in the document 410/2009 party set forth ₹.2,47,100/- per Are and in 411/2009 party set forth ₹.43,172/- per Are. Hence the document 411/2009 was not reported for under valuation by the registering officer.

			<p>7. In the first Document No.410/09 of Sub Registrar Office Ambalappuzha, the property covered therein has road access and in the property covered in the second Document No.411/09 has no such facility. So I may submit that it is quite natural that the valuation in the second document will not attract the higher consideration while comparing with the 1st document. In the case of 2nd document, the Registering Authority is not empowered to return or refuse the document as per the provisions of the Registration Act and rules framed there under, but has to report the District Registrar under section 45B of the Kerala Stamp Act after registration. Regarding the matter, the District Registrar in his report stated that the value shown in the document is higher than the guide line value. Guideline value fixed for the property in Purakkad Panchayath Ward 7 was Rs.6000/- per cent. As per the guideline value prescribed as above the total value comes to Rs.34,38,000/- only for 573 cents of property transacted in document No.411/09. But the consideration set forth in document was 1 crore. So it can be seen that the value set forth in the document No.411/09 is very higher than the guideline value (copy of guidelines value mentioned above is enclosed).</p> <p>8. The Document No.411/2009 was registered on 21.02.2009 and The Accountant General's Local Audit Report containing the remark has reached only on 20.12.2011 that is two years after registration of document. The time limit for initiation of SUO MOTO action on document by District Registrar during 2011 was two years only. Hence District Registrar in his report stated that he was unable to initiate SUO MOTO action on document No 411/2009 owing to aforesaid reason. I may also submit that Government have further extended the time limit for Suo Moto action from two years to five years as per Order No.20478/Leg.A2/14/Law dated 01.01.2015.</p>
V	a)	Does the Department agree with the Audit Conclusion	No
	b)	If not please indicate the areas of disagreement	<p>1. Since the Fair value was not prevalent in the state, there is no other option in from of the registering officer, but to accept the document for registration. He is not liable to take into account of market value or to refuse the document based on this regard.</p> <p>2. It may kindly be noted that the Fair value fixed by the Government and came to force on 01.04.2010 (i.e. after 1 year of the audit remark) to</p>

			<p>the Survey number 259 of Purakkad village is only ₹.90,000/- per Acre for Residential plot with Corp/Mun/ Panchayath road access. This value is remarkably low when compared with the value set forth in the document numbered 410/2009 by which the audit team taken as yardstick to compare the document 411/2009. <u>Here the party set forth ₹.2,47,100/- per Acre and an extra amount of ₹.63,57,700/- in the document 410/2009.</u> (Fair value chart attached)</p>
VI		Remedial Action taken	<p>1. The department has already taken effective steps with the co-ordination of Revenue department for implementing Fair value in the state. As a result, Fair value of land was fixed by the respective RDO's subject to the rules stipulated in the Kerala Stamp (Fixation of Fair value of Land) Rules- 1995 and was implemented in the state on 06.03.2010 through extra ordinary Gazette notification numbered 515 (1) to (21).</p> <p>2. From 01.04.2010 onwards documents are being registered in the State in accordance with the Fair value and such types of transaction/remarks has not been pointed out by the Accountant General for the past three years after the implementation of Fair Value.</p> <p>3. Furthermore provisions were already included in the Schedule to Stamp Act 1959 in Article 21 and 22, through <u>Finance Bill-2013</u>, to restrict subsequent conveyance transactions in respect of the whole or portion of the property involved in the previous conveyance within a period of three months from the date of registration of previous documents, by imposing higher SD of two times higher than previous transaction and one and half times higher SD for subsequent transaction with in a period of six months from the date of registration of previous documents.</p> <p>Considering the above facts, the part may kindly be dropped from the Report of Comptroller and Auditor General for the year ended 31-03-2012.</p>

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