

**GOVERNMENT OF TELANGANA  
MUNICIPAL ADMINISTRATION DEPARTMENT**

**From**

Dr. B. Janardhan Reddy, I.A.S.,  
Commissioner & Director of  
Municipal Administration  
640, AC Guards, Hyderabad.

**To**

- (1) The Commissioner, Greater Warangal  
Municipal Corporation
- (2) The Commissioner, Karimnagar Mpl Corpn
- (3) The Commissioner, Nizamabad Mpl Corpn
- (4) The Commissioner, Ramagundam Mpl Corpn
- (5) The Municipal Commissioner, Mancherial
- (6) The Municipal Commissioner, Miryalaguda
- (7) The Municipal Commissioner, Siddipet
- (8) The Municipal Commissioner, Jagtial
- (9) The Municipal Commissioner, Nalgonda
- (10) The Municipal Commissioner, Mahaboobnagar
- (11) The Municipal Commissioner, Bhongir

**Lr.Roc.No. 4078/2015/M1-3, dt. 15.10.2015**

Sir,

**Sub:-** Principal Accountant General (General & Social Sector Audit) –  
Draft thematic Audit Report on “Levy and Collection of taxes by the  
ULBs in Telangana State” proposed for inclusion in the Comptroller  
& Auditor General’s Audit Report for the year ended March, 2015 –  
Remarks called for – Regarding.

**Ref:-** D.O.No. PrI.AG(G & SSA)/AP&TS/LB-Reports/2015-16/68, dt.  
28.08.2015 of the Principal Accountant General (General & Social  
Sector Audit), Hyderabad

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I invite your attention to the reference cited wherein the Principal Accountant General (General & Social Sector Audit), Hyderabad has enclosed a draft Thematic Audit Report on “Levy and Collection of Taxes by Urban Local Bodies in Telangana” proposed for inclusion in the Comptroller and Auditor General’s Audit Report on Local Bodies for the year ended March, 2015.

2. As seen from the draft Thematic Audit Report on “Levy and Collection of Taxes by Urban Local Bodies in Telangana,” I am to inform that the audit of 11 ULBs in the State was carried out during the year 2014-15 in (1) Warangal Municipal Corporation (2) Karimnagar Municipal Corporation (3) Nizamabad Municipal Corporation (4) Ramagundam Municipal Corporation (5) Mancherial Municipality (6) Miryalaguda Municipality (7) Siddipet Municipality (8) Jagtial Municipality (9) Nalgonda Municipality (10) Mahaboobnagar Municipality and (11) Bhongir Municipality to check the correctness of levy and collection of taxes by them in compliance of A.P. Municipal Corporations Act, 1994, Hyderabad Municipal Corporation Act, 1955 and A.P. Municipalities Act, 1965.



3. Among others, audit Para Nos. 1.4.3 and 1.4.8 regarding 'Short Assessment of Property Tax resulted in loss of Revenue of Rs. 3.03 crores' and 'Collection of Property Tax' reads as follows:

**1.4.3 Short Assessment of Property Tax resulted in loss of Revenue of Rs. 3.03 crores:**

*As per para 10.1 of Municipal Corporation Building bye-laws, 1981 inspection has to be carried out periodically on commencement of work, intermediary stage and completion of buildings. There was however no evidence of inspection, which led to deviation and unauthorized construction resulting in short assessment of Rs.3.03 Crores in 161 properties in 11 ULBs. Short assessment was mainly due to ignoring the additional built up areas, construction of unauthorized floors without permission, adoption of residential rates for Commercial properties, delay in tax assessment and non-levy of penalty.*

*1) Out of Rs.3.03 crores, the ULB have suffered a permanent irrecoverable loss of Rs.2.13 crore as the ULBs cannot claim and legally enforce for the short demand raised by the ULBs prior to September, 2012 with respect to the current half year (September 2015-16) as per Municipality Act.*

*2) Two Municipalities (Nalgonda and Mahabubnagar) Sustained a loss of Rs.24.19 lakh (9 properties) and Rs.1.30 lakh (9 properties) respectively during 2013-14 due to erroneous positing and short levy.*

**1.4.8 'Collection of Property Tax:'**

*Collection of taxes is watched through Demand, Collection and Balance (DCB) Register. Percentage of PT collected vis-à-vis demand, ranged from 58 to 98. While Ramagundam recorded the lowest percentage of 58, Karimangar recorded 98 per cent collection. Scrutiny of Statements of DCB in the test checked ULBs revealed the following:*

*i. In all the test checked ULBs (except Mancherla), opening balances did not tally with the closing balance of the previous year. Due to huge variation and incomplete records Audit could not vouchsafe the correctness of figures.*

*ii. In Miryalguda, Warangal, Ramagundam, Jagtial and Siddipet the Demand decreased during 2012-13, 2013-14 and 2014-15 for no recorded reasons.*

*iii. In Miryalguda Municipality a total number 213 properties amounting to Rs.57.25 lakh (arrear demand of Rs.47.63 Lakh, current demand of Rs.9.61 lakh) was eliminated from the PT demand register during 2014-15 based on Council resolutions without the approval of CDMA*



iv. Though an amount of Rs.1.98 crores was due as of December,2014 in the eleven test checked ULBs, the Commissioners have not initiated any action by issue of warrants and distraint notices against 286768 defaulters from whom tax was due.

2. In view of the above, while forwarding a copy of reference cited, I request you to **furnish your remarks on the above audit findings by 20.10.2015 without fail**, so as to send report to the Principal Accountant General (General & Social Sector Audit), Hyderabad and to Government.

3. Please treat this as "MOST URGENT."

Yours faithfully,  
Sd/- B. Janardhan Reddy  
Commissioner & Director

Encl:- As above

Copy to the Regional Director-cum-Appellate Commissioners of Municipal Administration, Warangal and Hyderabad to pursue action

Copy submitted to the Principal Accountant General (General & Social Sector Audit), Hyderabad

Copy submitted to the Principal Secretary to Government, MA & UD Department, Hyderabad

  
for Commissioner & Director  




Audit has verified Assessment Registers with reference to building permission files (wherever furnished), eMas data and conducted physical survey of some sampled properties and noticed discrepancies as enumerated below:

### 1.4.3 Short assessment of Property Tax resulted in loss of revenue of ₹3.03 crore

As per para 10.1 of Municipal Corporation Building bye-laws, 1981 inspection has to be carried out periodically on commencement of work, intermediary stage and completion of buildings. There was however no evidence of inspection, which led to deviation and unauthorised construction resulting in short assessment of ₹3.03 crore in 161<sup>6</sup> properties in 11 ULBs. Short assessment was mainly due to ignoring the additional built up areas, construction of unauthorised floors without permission<sup>7</sup>, adoption of residential rates for Commercial properties, delay in tax assessment and non-levy of penalty.

- i. Out of ₹3.03 lakh, the ULBs have suffered a permanent irrecoverable loss of ₹2.13 crore<sup>8</sup> as the ULBs cannot claim and legally enforce for the short demand raised by the ULBs prior to September 2012 with respect to the current half year (September 2015-16) as per Municipality Act<sup>9</sup>.
- ii. Two municipalities (Nalgonda and Mahabubnagar) sustained a loss of ₹24.19 lakh (9 properties) and ₹1.30 lakh (9 properties) respectively during 2013-14 due to erroneous posting and short levy<sup>10</sup>.

Lack of coordination between Town Planning and Revenue Wings and lack of inspection by the municipal authorities gave scope for unauthorised constructions and evasion of tax resulting in loss of revenue.

### 1.4.4 Occupancy Certificate

As per Rule 26 of GO Ms No 168 dated 7 April 2012 Occupancy Certificate<sup>11</sup> (OC) is mandatory for all buildings. No person can occupy a building unless it has been granted an OC by the sanctioning authority. However, none of the test checked ULBs have a system of

<sup>6</sup> Warangal ₹2.50 lakh (1), Karimnagar ₹0.63 lakh (33), Nizamabad ₹23.53 crore (37), Mancherial ₹2.48 lakh (3), Ramagundam ₹35.63 lakh (5), Bhongir ₹162.58 lakh (13), Siddipet ₹3.46 lakh (9), Jagtial ₹0.94 lakh (3), Nalgonda ₹24.18 lakh (9), Miryalguda ₹38.05 lakh (33), Mahabubnagar ₹9.17 lakh (15),

<sup>7</sup> Properties are treated as unauthorised as they were brought to tax after expiry of the 3 year validity period of according building permission and there is no record of date of construction and occupation. Also there is no evidence of revised proposals to these properties.

<sup>8</sup> Ramagundam ₹27.69 lakh, Siddipet ₹0.88 lakh, Jagtial ₹0.13 lakh, Mancherial ₹1.11 lakh, Bhongir ₹149.94 lakh, Karimnagar ₹0.28 lakh, Nizamabad ₹3.32 crore, Miryalguda ₹19.34 lakh, Mahabubnagar ₹0.91 lakh

<sup>9</sup> Section 19 A of Municipality Act specify that assessment / correction of records shall not relate to a period earlier than 5 half years immediately preceding the current half year.

<sup>10</sup> While posting the data from manually maintained Assessment Register into eMas, less measurements (plinth area reduced from 16575.61 sqm to 7416.55 sqm) and wrong classification of construction type and nature of use were entered on account of which, less demand was generated.

<sup>11</sup> Occupancy Certificate is optional for plots up to 100 sq.m with height upto 7 m

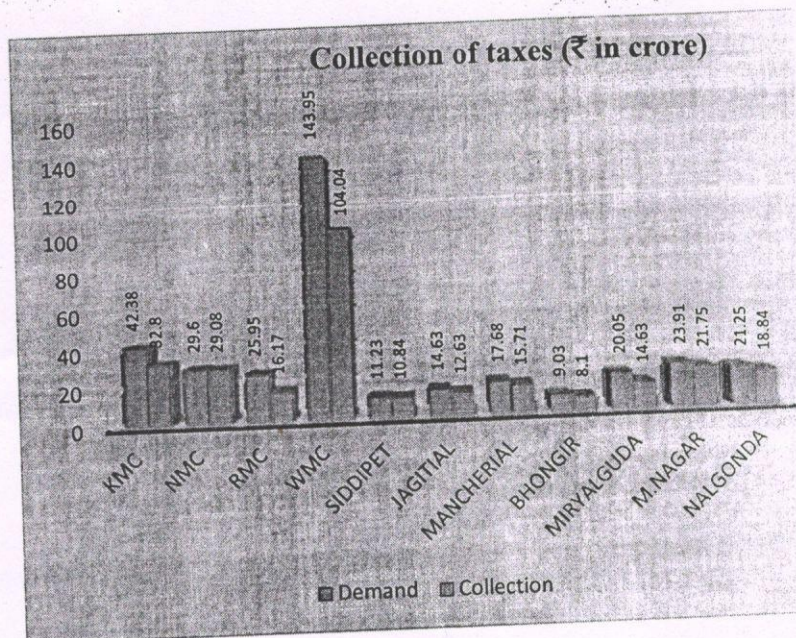


### 1.4.7 Non-revision of rates on merger of GPs with ULBs

A total no. of 42 and 10 Gram Panchayats respectively were merged (20.3.2013) with Warangal Municipal Corporation and Mahabubnagar (March 2012). However rates of PT were not revised on par with the respective ULBs resulting in loss of revenue to that extent.

### 1.4.8 Collection of Property Tax

Collection of taxes is watched through Demand, Collection and Balance (DCB) Register. ULB wise details of demand raised and actual collection of PT during 2012-15 is given alongside. It includes both current as well as arrears. Percentage of PT collected *vis-a-vis* demand, ranged from 58 to 98. While Ramagundam recorded the lowest percentage of 58, Karimnagar recorded 98 *per cent* collection. Scrutiny of Statements of DCB in the test checked ULBs revealed the following:



Source: Records of ULB and eMas data

It includes both current as well as arrears. Percentage of PT collected *vis-a-vis* demand, ranged from 58 to 98. While Ramagundam recorded the lowest percentage of 58, Karimnagar recorded 98 *per cent* collection. Scrutiny of Statements of DCB in the test checked ULBs revealed the following:

- In all the test checked ULBs (except Mancherial), opening balances did not tally with the closing balance of the previous year. Due to huge variation and incomplete records, audit could not vouchsafe the correctness of figures.
- In Miryalguda, Warangal, Ramagundam, Jagtial and Siddipet the Demand decreased during 2012-13, 2013-14 and 2014-15 for no recorded reasons.
- In Miryalguda municipality a total number 213 properties amounting to ₹57.25 lakh (arrear demand of ₹47.63 lakh, current demand of ₹9.61 lakh) was eliminated from the PT demand register during 2014-15 based on Council resolutions without the approval of CDMA.
- Though an amount of ₹1.98<sup>15</sup> crore was due as of December 2014 (data updated up to December 2014 only) in the eleven test checked ULBs, the Commissioners have

<sup>15</sup> Miryalguda ₹12.91 crore (17378 defaulters), KMC ₹33.77 crore (44623), Nizamabad ₹53.44 crore (51653) Ramagundam ₹13.10 crore (18), Bhongir ₹3.99 crore (10496) Siddipet ₹2.11 crore (2112), Jagtial ₹8.28 crore



not initiated any action by issue of warrants and distraint notices<sup>16</sup> against 286768 defaulters from whom tax was due.

#### 1.4.9 Non revision of Property Tax

As per Municipalities Act, PT has to be revised every five years. PT was last revised in 2002 for residential buildings and 2007 for commercial properties. However tax was not revised thereafter resulting in loss of revenue to that extent.

#### 1.4.10 Non remittance of Library cess to Zilla Grandhalaya Samstha

According to the Andhra Pradesh Libraries Act, 1960 all the Municipalities/Municipal Corporations are to set cess. The amount so set apart is to be remitted to the Zilla Grandhalaya Samstha (ZGS) (the body constituted for maintenance of the Public Libraries in each district) of the respective Districts every year. It was verified from the test checked ULBs that out of ₹10.44 crore<sup>17</sup> collected towards library cess, an amount of only ₹8.21 crore was remitted to the ZGS.

#### 1.4.11 Vacant Land Tax

As per Section 85(3) of the Municipalities Act, 1965 Vacant Land Tax (VLT) is to be levied as per rates as fixed by the Council on the capital value (document value) of the land/site which is not exclusively used for agricultural purposes and is not occupied or adjacent and appurtenant<sup>18</sup> to buildings. The Department issued circular dated 16 October 2013 to improve the coverage of PT on vacant lands and bring all the vacant lands under taxation by March 2014. The steps *interalia* included obtaining the late maintain Demand, Arrear Registers and levy of penalty of 2 per cent penal interest on late payment. The instructions further stipulate that no building permission is to be issued on these sites unless there is zero arrear of VLT on these sites. The ULBs suffered from various lapses in collection of VLT as detailed below:

- i. None of the ULBs (except Mahabubnagar) have the details vacant lands and DCB.
- ii. None of the ULBs have completed the exercise of identifying the vacant lands by obtaining the encumbrance certificate from the Registration Department as the details of total number of vacant lands available was not for the coming from the registers.

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(15579), Mahaboobnagar ₹20.02 crore (25022), Mancherial ₹10.53 crore (15667), Nalgonda ₹32.61 crore (26665)

<sup>16</sup> Rule 31 (1) of Schedule –II to the Act laid down issue of warrants and distraints to the defaulters and watched through 'Register of Warrants' as per GO Ms No 1468 MA dated 18.12.1965

<sup>17</sup> Jagtial ₹55.46 27 lakh(C), ₹48.86 lakh(R), Mancherial ₹80.64 lakh(C) ₹71.49 lakh(R), Miryalguda ₹95.38 lakh (C), ₹84.36 lakh (R) Nizamabad ₹20.04 lakh (C) NIL(R) Mahabubnagar ₹27.58 lakh (C), NIL (R), Nalgonda ₹1.40 crore(C), ₹41.45 lakh(R). Warangal ₹5.65 crore (C) ₹5.65 crore (R), Ramagundam ₹62.41 lakh (C) ₹10.00 lakh (R), Karimnagar ₹1.80 crore (C) NIL

<sup>18</sup> An Area not exceeding three times the plinth area of the building including its site or vacant land to the extent of 1000 sq.mtrs whichever is less shall be deemed to be adjacent premises occupied or appurtenant to the building. The area if any, in excess of the said limit shall be deemed to be vacant land VLT shall be levied on such property