

Chapter-VI

Valuation of land granted/leased

The objective of the land grant is generally to promote a socio-beneficial activity. While promoting this cause, the Government should consider the economic aspects like the valuation of land during its transfer.

Mechanism for valuation of land granted/leased

Rules 19 to 22 of the Karnataka Land Grant (KLG) Rules clearly prescribe levy of cost of land granted/leased at either Market Value or Guidance Value.

Prior to June 2015, Revenue Authorities were empowered to determine Market Value by themselves.

From June 2015, **Market Value** was fixed⁴⁷ as the average of the highest transaction that has occurred in the village during each of the preceding three years or the cost fixed for similar land acquired as per the Right of Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013, whichever is higher.

Guidance Value (GV) is the estimated value of property as notified by the Central Valuation Committee⁴⁸.

The KLG Rules also prescribe fulfilment of certain conditions for granting concessions to institutions for religious and charitable purposes.

6.1 Concessions in the valuation of land

The KLG Rules prescribe the extent of concession in the value of land that can be allowed for grant of land for various purposes. The concession depends on the purpose for which, land was granted and the status of the grantee, viz. statutory bodies, charitable institutions, etc.

Whether concessions in valuation were as per Rules?

Concessions granted were found to be not according to the Rules and reasons for going overboard were not stated.

Concessions were granted *suo motu* by the Government without any application from the beneficiary.

Concessions were also higher than the rates prescribed by the KLG Rules

Though the decision on grant of concession was taken under the KG (ToB) Rules, no reasons were recorded as required under Rule 27 of the KLG Rules.

⁴⁷ By insertion of Rule 22A in the KLG Rules, 1969.

⁴⁸ A Committee constituted under Section 45 A of the Karnataka Stamp Act, 1957.

Issues in detail are discussed below:

6.1.1 Grant of concession without application by beneficiary

As per Rule 21 of the KLG Rules, no concession in the price of land shall be allowed in respect of land grants for religious and charitable institutions. However, the Rule has a provision for grant of concession of 50 per cent, on application made by the institution, provided the institution runs purely for religious and charitable purposes, such as temples, leprosy treatment centres, old age homes, orphanages, etc. without collecting any fee or service charges. The application for concession shall be accompanied with supporting documents pertaining to a period of five years preceding the date of application, in proof of their satisfactory functioning.

Whether the concessions granted were duly applied for by the beneficiaries?

Concessions were granted *suo motu* by the Government without application by the beneficiary or recording any reasons for the same.

Details in this respect are given below:

<p>One⁴⁹ case, where six acres of land was granted to a trust for educational and social activities.</p>	<p>Original order (February 2009) for grant of land at 50 per cent concession was subsequently modified (July 2012) to 75 per cent concession and was stated to be at the request of the grantee. However, there was no request letter on record. The GV of the land was ₹ 45 lakh per acre and the extra concession amounted to ₹ 67.50 lakh.</p>
<p>Four⁵⁰ cases involving grant of 89-29 A-G of land to charitable activities.</p>	<p>Government <i>suo motu</i> accorded concession ranging from 20 to 100 per cent without recording any reasons there against. This resulted in undue concession of ₹ 18.93 crore (<i>Annexure - V</i>).</p>

6.1.2 Grant of excess concession

The KLG Rules prescribe the extent of concession in price of land depending on the grantee and the purpose of the grant.

⁴⁹ Sri Janaseva Vishwastha Mandala at Survey No. 19, Channenahalli, Bangalore South Taluk, Bangalore Urban District in February 2009.

⁵⁰ Karnataka Education Board, Dharwad District in October 2011, Rashthrothanna Parishath, Bengaluru (Rural) District in October 2009/March 2011, Mahatma Gandhi Vidhya Peeta, Survey No. 72 & 78, Devarakaggalahalli, Kanakapura, Ramanagara in June 2016 and Krishna Sevashrama Trust, Bengaluru (Urban) District in June 2011.

In 51 out of 320 cases, either the concession was in excess of the limits prescribed in KLG Rules or the concessions prescribed were allowed without verifying the conditions to be fulfilled for availing concession. This resulted in grant of extra concession of ₹ 176.01 crore. These decisions were made under the KG (ToB) Rules and Government Orders issued under Rule 27 of the KLG Rules without recording specific reasons for the excess concession granted. Details of cases are given in **Annexure-VI**.

In reply, the Government stated that the concessions were granted by relaxing the provisions of the KLG Rules under Rule 27 but agreed to the audit observation that specific reasons, as required under Rule 27, were not recorded. Further, no specific reply was given to the audit observation on the lack of uniformity in grant of concession.

6.1.3 Short levy of land cost due to incorrect adoption of Market Value/Guidance Value in computation.

Government Order issued in respect of grant/lease prescribes the value of land to be collected, based either on the market value or the GV of the land as the case may be. The DC shall issue a demand for the value of the land.

Whether land cost was collected as envisaged in the GOs?

On a comparison of the demands raised by the DCs *vis-a-vis* the Government Orders, Audit noticed that in 30 out of 320 cases, the cost to be collected as stipulated in the Government Order worked out to ₹ 39.81 crore, whereas the cost to be collected arrived at by the DCs was ₹ 21.98 crore. This resulted in short demand and consequent loss of Government revenue of ₹ 17.83 crore as given in **Annexure-VII**.

The short demand was due to adoption of lesser market value, GV, etc., by DC.

6.1.4 Non-adoption of general principles of valuation notified by Revenue Department

The Central Valuation Committee (CVC)⁵¹ notifies the Guidance Value of all properties for purposes of stamp duty. The CVC has also prescribed certain general principles to be followed while valuing land for stamp duty which *inter alia* stipulates that undeveloped agricultural lands converted for commercial and residential purposes shall be calculated respectively at 180 *per cent* and 165⁵² *per cent* of the GV applicable for agriculture land for the year 2016-17.

⁵¹ As per the Karnataka Stamp Act, 1957, Revenue Department had set up a CVC and Sub-Committees thereof in each District. The GVs of all properties in a District as approved by the CVC are notified in the Gazette for the guidance of the Sub-Registrars for Stamp Duty assessment.

⁵² For the period 2012-17, enhancement for commercial purposes varied between 60 and 80 *per cent* of value of agricultural land while for residential purposes, enhancement varied between 50 and 65 *per cent* of value of agricultural land.

Audit noticed that Government lands granted/leased were valued as agricultural lands even though they were granted for non-agricultural purposes.

Whether general principles of valuation prescribed under GV were followed to optimise revenue?

Government used the Guidance Value of agricultural lands notified by CVC while determining the cost of the land. The principle of CVC to enhance the GV by prescribed percentage for lands converted for commercial/residential purposes was not adopted. As an illustration, in 29 cases involving 243-29 A-G of land, Audit calculated that an increase of revenue of ₹ 35.40 crore would have resulted if the said principle of CVC was adopted. Details in ***Annexure-VIII***.

Hence, non-adoption of the general principles of valuation notified by Revenue Department itself for valuing lands for stamp duty assessment while valuing cost of Government lands granted for non-agricultural purposes resulted in under-valuation and consequent short-realisation of revenue to the Government.

Recommendation 4 – The Government may fix price of land by enhancement of GV for lands converted for commercial/residential purposes as notified by the CVC.

The Government agreed to examine principles of land valuation involved in the observations and furnish further remarks.

6.2 Application of Rule 22A of the Karnataka Land Grant Rules

With effect from 9 June 2015, uniform sets of rates for grant/lease were prescribed for Government lands for different purposes vide insertion of Rule 22A of the KLG Rules through an amendment in 2015. Rent was prescribed at 5 or 10 *per cent* of the GV of the land depending on the category of grantee such as individuals, statutory bodies, educational institutions, religious and charitable institutions, industries, etc. and the purpose of grant, such as for education, charitable, industrial, etc. Further, as per conditions attached in the Office Memoranda/Lease Agreement, lease rent was to be enhanced by 10 *per cent* every two years.

Whether the amendment addressed the issue of inconsistency in fixation of rates?

Though Rule 22A prescribed fixation of land value uniformly based on status of beneficiary and purpose for which land granted/leased, the implementation of the same at the field level posed challenges with regard to periodicity and increment of charging the lease rents.

Tahsildars were not clear if the lease rent were annual or for the entire period of lease. This in turn created problems with the collection of increments also, as it depended on the initial fixation of lease rent.

In the absence of clear directions, the field offices could not raise demands correctly and compute arrears, if any. Audit noticed that while Ballari District demanded and collected lease rent on annual basis with prescribed increments, Bengaluru North (Additional) Taluk did not raise any demand for lease rent after collection of the initial lease rent at 10 *per cent* of the market value.

Recommendation 5 – The Government may consider issuing suitable clarifications with respect to Rule 22A of the KLG Rules for calculation of lease rent, so as to enable correct demand and collection.

The Government concurred (September 2017) with the audit observations and stated that clarifications would be issued shortly.