

CHAPTER-III: TAXES ON MOTOR VEHICLES

3.1 Results of audit

Test check of records in the Motor Vehicles Department, conducted during the year 2008-09, disclosed underassessment of tax amounting to Rs. 2.76 crore in 154 cases, which fall under the following categories:

(Rupees in crore)

Sl. No.	Category	Number of cases	Amount
1.	Non/short levy of lifetime tax on migrated motor vehicles	38	1.29
2.	Non/short levy of lifetime tax on motor vehicles converted from transport to non-transport series	25	0.35
3.	Non/short levy of lifetime tax	37	0.23
4.	Short levy of tax on fleet owners	3	0.21
5.	Non-levy of quarterly tax	16	0.16
6.	Short levy of tax due to incorrect classification	4	0.08
7.	Other irregularities	31	0.44
Total		154	2.76

During the year 2008-09, the department accepted underassessments of tax of Rs. 3.06 crore in 135 cases and, of that, recovered Rs. 93.82 lakh in 63 cases pointed out in the earlier years.

After issue of a draft paragraph, Government reported (September 2009) recovery of entire amount of Rs. 7.35 lakh in one case.

A few illustrative audit observations involving Rs. 1.35 crore are given in the succeeding paragraphs.

3.2 Audit observations

Scrutiny of records relating to levy of taxes on motor vehicles revealed cases of non/short levy of tax and composition sum 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 officers are pointed out in audit each year but not only do the irregularities persist; these remain undetected till an audit is conducted. There is a need for the Government to improve the internal control system including strengthening of internal audit.

3.3 Non-observance of provisions of the Acts/Rules

The Karnataka Motor Vehicles Taxation (KMVT) Act, 1957 and the KMVT Rules, 1957 provides for:

- (i) levy of tax on transport vehicles and lifetime tax on non-transport vehicles at rates prescribed in the Schedule;*
- (ii) composition of offence for non-payment of tax; and*
- (iii) conditional exemption from payment of tax for the period a vehicle is declared for non-use to the registering authority.*

The Regional Transport Officers had not followed the above provisions in cases as mentioned in paragraphs 3.3.1 to 3.3.4. This resulted in non/short levy of tax and composition sum of Rs. 1.35 crore.

3.3.1 Short levy of lifetime tax

Under the KMVT Act 1957, lifetime tax levied under the Act shall be paid by the registered owner. Lifetime tax for non-transport vehicles is levied as per the rates prescribed in part A5¹ of the schedule. The rates of lifetime tax were revised from 1 April 2003 to be a percentage of the cost of the vehicle while the pre-revised rates were fixed amounts based on the engine capacity of the vehicle. Every regional transport office (RTO) maintains a 'B' register to monitor the payment of taxes.

Test check of the 'B' registers during 2008-09 revealed that lifetime tax of Rs. 1.07 crore in respect of 792 motor cars was short levied. The short levy was due to levy of tax at pre-revised rates, allowing ineligible concession, etc. The RTOs stated that the levy at pre-revised rates was on the ground that these vehicles were registered prior to 1 April 2003. Their contention was not correct since rates of lifetime tax were revised from 1 April 2003 and hence revised rates were applicable in these cases. Details are mentioned below:

¹ Part A5 – part of the Schedule prescribes lifetime tax in respect of cars, omnibuses and private service vehicles.

Sl. No.	Number of Offices/ vehicles	Audit observations	(Rupees in lakh)		
			Leviable	Levied	Short levy
1.	37 ² RTOs (503)	RTOs incorrectly levied tax at pre-revised rates in respect of 503 vehicles migrated from other States to Karnataka between April 2007 and March 2008 on the ground that they were registered prior to 1 April 2003.	131.27	65.99	65.28
2.	25 ³ RTOs (265)	265 vehicles were converted from transport to non-transport vehicles between April 2003 and May 2008. However, lifetime tax was levied at pre-revised rates instead of revised rates resulting in short levy of lifetime tax.	84.02	48.57	35.45
3.	RTO, Bangalore East (10)	The Inspectors of motor vehicles had, during inspections in 2007-08, found 10 vehicles registered in other States plying in Karnataka without payment of lifetime tax and levied the same. However, lifetime tax had been levied at pre-revised rates resulting in short levy of lifetime tax.	2.80	1.25	1.55
4.	RTO, Bangalore (North) (4)	As per the provisions of the Act, central Government employees could pay tax at Rs. 187.50 per quarter instead of lifetime tax in respect of cars owned by them. In case of four vehicles, the employees of autonomous bodies were allowed to pay tax at annual rate of Rs. 825 per annum instead of levying lifetime tax at nine <i>per cent</i> of the cost of the vehicle.	1.29	0.03	1.26
5.	RTO, Bangalore (Central) (3)	Three Government vehicles exempted from payment of tax purchased by participants in an auction were re-registered in February 2007. However, lifetime tax was paid at pre-revised rates instead of revised rates.	1.49	0.39	1.10
6.	RTO, Bangalore (Central) (1)	Tax was levied short by RTO inadvertently.	6.53	4.96	1.57
7.	RTO, Hospet (5)	Tax was levied short by RTO inadvertently.	7.24	5.86	1.38
Total			234.64	127.05	107.59

² Bagalkot, Bailhongal, Bangalore (Central), Bangalore (East), Bangalore (Electronic city), Bangalore (Jnanabharathi), Bangalore (K.R. Puram), Bangalore (North), Bangalore (South), Bangalore (West), Bangalore (Yelahanka), Belgaum, Bellary, Bidar, Bijapur, Chamarajanagar, Chikkodi, Chickmagalur, Davanagere, Dharwad, Gokak, Gulbarga, Hassan, Haveri, Honnavar, Karwar, Kolar, Madikeri, Managalore, Mysore (East), Puttur, Raichur, Ramanagara, Sirsi, Tumkur, Udipi, Yadgir.

³ Bangalore (Jnanabharathi), Bangalore (K.R. Puram), Bangalore (South), Bangalore (Yelahanka), Bagalkot, Bidar, Bijapur, Chickmagalur, Davanagere, Gadag, Gulbarga, Hassan, Haveri, Honnavar, Karwar, Kolar, Koppal, Madikeri, Mangalore, Mysore (East), Puttur, Sakleshpura, Shimoga, Sirsi, Tumkur.

After these cases were brought to notice, the Government reported (September 2009) issue of notices in all the cases and recovery of Rs. 28.02 lakh in respect of 241 vehicles relating to 39 RTOs⁴.

3.3.2 Non-demand of tax

Under the KMVT Act 1957, the tax levied is to be paid in advance, for a quarter, half-year or year, within fifteen days from the commencement of such period. In case of short payment of tax, the taxation authority may after notice to the registered owner and giving him an opportunity of being heard recover the difference in tax. Non-payment of tax constitutes an offence and the KMVT Rules 1957 provide for composition of the offence on payment of a sum at 20 *per cent* of the arrears of tax due.

Test check of records of six RTOs⁵ between March and December 2008 revealed that in respect of 37 vehicles, tax of Rs. 4.25 lakh had not been paid for different periods between February 2005 and January 2009. No action had been taken by the Department to raise demand and recover the taxes due. On composition of these cases, a sum of Rs. 85,000 was also realisable.

After these cases were brought to notice, the Government reported (September 2009) issue of notices in all the cases and recovery of Rs. 1.93 lakh in respect of 21 vehicles relating to three RTOs⁶.

3.3.3 Short levy of tax

Under the KMVT Rules 1957, when a motor vehicle is registered in the State, the registering authority shall issue a taxation card indicating the rate of tax payable. Tax for different classes of vehicles shall be levied at rates prescribed in the schedule to the KMVT Act, 1957.

Test check of the records of six RTOs between May and December 2008 revealed that tax of Rs. 13.62 lakh in respect of 37 vehicles had been levied short for the periods between October 2005 and February 2009 as given below:

Sl. No.	Name of the RTO/ARTO (Number of vehicles)	Audit observation	(Rupees in lakh)		
			Leviable	Levied	Short levy
1.	Bagalkot (18)	Tax on 'trax toofan' vehicles was leviable on the basis of floor area of 4.90 sq.mt. as per Transport Commissioner's circular dated January 2006. RTO, Bagalkot, incorrectly registered these vehicles with floor area of 4.70 square metres resulting	4.62	4.43	0.19

⁴ Bagalkot, Bailhongal, Bangalore (Central), Bangalore (East), Bangalore (Electronic city), Bangalore (Inanabharathi), Bangalore (K.R. Puram), Bangalore (North), Bangalore (South), Bangalore (West), Bangalore (Yelahanka), Belgaum, Bellary, Bidar, Bijapur, Chickmagalur, Chikkodi, Davanagere, Dharwad, Gadag, Gokak, Hassan, Haveri, Honnavar, Hospet, Karwar, Kolar, Madikeri, Mangalore, Mysore (East), Puttur, Raichur, Ramanagara, Sakleshpura, Shimoga, Sirsi, Tumkur, Udupi, Yadgir.

⁵ Chamarajanagara, Mysore (East), Nelamangala, Puttur, Raichur, Ramanagara.

⁶ Nelamangala, Mysore (East), Raichur.

Sl. No.	Name of the RTO/ARTO (Number of vehicles)	Audit observation	(Rupees in lakh)		
			Tax		
			Leviable	Levied	Short levy
		in short levy of tax.			
After these cases were brought to notice, the Government reported (September 2009) recovery of Rs. 18,510 in respect of all the vehicles.					
2.	Bangalore (Central) (12)	Tax on private service vehicles was leviable on the basis of floor area. In RTO, Bangalore (Central), it was noticed that 12 'Swaraj Mazda T-3500 BS III' vehicles were registered as private service vehicle. Floor area had been recorded as ranging from 11.7 to 12.78 square metres as against floor area of 13.5 square metres adopted in respect of other vehicles of the same model registered in the same RTO. This resulted in short levy of tax.	16.03	12.05	3.98
After these cases were brought to notice, the Government reported (September 2009) recovery of Rs. 2.33 lakh in seven cases and filing of charge sheet in the balance five cases.					
3.	Bangalore Central (2), Honnavar (1), Kolar (1)	In the schedule to the KMVT Act, different rates ⁷ of tax are prescribed in respect of contract carriages. It was noticed that tax had been levied at lower rates resulting in short levy of tax.	14.68	5.38	9.30
After this was brought to notice, the Government reported (September 2009) recovery of Rs. 1.32 lakh in respect of two vehicles in RTO, Bangalore (Central) and issue of notice in respect of one vehicle in RTO, Kolar.					
4.	Bangalore (Yelahanka) (1), Gokak (2)	Tax was levied at incorrect rates/pre-revised rates resulting in short levy of tax.	1.14	0.99	0.15
After this was brought to notice, the Government reported (September 2009) recovery of Rs. 8,800 in respect of two vehicles in ARTO, Gokak.					
Total (37)			36.47	22.85	13.62

3.3.4 Non-levy of tax on violation of conditions of surrender

Under the KMVT Act 1957, motor vehicles registered in the State are exempted from payment of tax for the period during which the vehicles are not intended to be used on roads. For obtaining the exemption, the registered owner of the motor vehicle is required to furnish to the registering authority a declaration of non-use specifying the place where it is garaged along with details of payment of taxes up to the date of surrender of the documents. According to the notification issued in August 2003, the regional transport officer or any other officer authorised in this behalf shall have the power to inspect the motor vehicle at the place where it is intimated to have been kept to satisfy himself about the identity and non-use of the vehicle. If on such inspection, the motor vehicle is not found at the declared place, exemption from payment of tax for the entire period of non-use shall not be available.

⁷ Rate of tax varies depending on whether the contract carriage complies with minimum seating capacity based on wheel base of the vehicle prescribed in Rule 151 (2) of Karnataka Motor Vehicle Rules or the vehicle complies with provisions of Central Motor Vehicle Rules.

Test check of the records of Bangalore (Yelahanka) and Hospet RTOs between February and August 2008 revealed that declarations of non-use of five registered motor vehicles were accepted between April 1999 and December 2003 by the Department. However, during inspection by the concerned Inspectors of Motor Vehicles between February 2004 and February 2008, the vehicles were not found at the declared place of garage. Consequently, they had become ineligible for exemption from payment of tax. The tax from the date of surrender to March 2008 worked out to Rs. 9.08 lakh, but no action had been taken to raise demand and recover the same.

After these cases were brought to notice, the Government reported (September 2009) recovery of Rs. 1.24 lakh in respect of three vehicles of RTO, Bangalore (Yelahanka) and issue of demand notices by RTO, Hospet in respect of two vehicles.