

CHAPTER V TAXES ON VEHICLES

5.1 Results of audit

Test check of records of the offices of the Motor Vehicles Department conducted during the year 2008-09 revealed non/short levy of tax, incorrect classification, irregular exemption etc., amounting to Rs. 3.98 crore in 404 cases which fall under the following categories:

(Rupees in crore)

Sl. No.	Category	No. of cases	Amount
1.	Non/short levy of tax	212	1.09
2.	Incorrect classification	56	0.34
3.	Irregular exemption	20	0.19
4.	Other lapses	116	2.36
Total		404	3.98

During the year 2008-09, the department accepted 130 cases of underassessments and other deficiencies and recovered Rs. 56 lakh of which 21 cases involving Rs. 15.60 lakh were pointed out during 2008-09 and the rest in earlier years.

A few audit observations involving Rs. 2.36 crore are mentioned in the succeeding paragraphs.

5.2 Audit observations

Scrutiny of records of various Transport Offices revealed several cases of non-compliance of the provisions of the Motor Vehicles Act 1988 (MV Act) and Kerala Motor Vehicles Taxation Act (KMVT Act) and Government notifications 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 Regional Transport Officers (RTOs) are pointed out in audit each year but not only the irregularities persist; these remain undetected till an audit is conducted. There is need for the Government to improve the internal control system.

5.3 Non-compliance of provisions of Acts/Rules

The provisions of the MV Act and KMVT Act and Rules made thereunder provide for:

- i) collection of revenue on transport vehicles/stage carriages;
- ii) levy of tax/fees at the prescribed rates within the due dates; and
- iii) levy of penalty for various offences.

It was noticed that the RTOs did not observe some of the above provisions which resulted in non/short levy of tax/fee/fine of Rs. 2.36 crore as mentioned in paragraphs 5.3.1 to 5.3.7.

5.3.1 Irregular renewal of driving licence

5.3.1.1 Under the MV Act, a driving licence issued or renewed shall, in the case of a licence to drive a transport vehicle (badge), be effective for a period of three years and in the case of any other licence, it is effective for a period of 20 years from the date of issue or renewal or until the licence holder attains the age of 50 years whichever is earlier. After attaining the age of 50 years, it shall be renewed for a period of five years. Instructions were issued by the department of motor vehicles, to indicate separate validity for licence to drive transport vehicle and non-transport vehicle when the same is issued or renewed.

During scrutiny of records in nine regional transport offices¹ (RTO) and 16 sub-regional transport offices² (SRTO) between July and November 2008 it was noticed that at the time of renewal of licences (badge) to drive transport vehicle, the computer system automatically renewed the period of validity of licences to drive non-transport vehicle also from the date of renewal of badge for a period upto 20 years or upto the age of 50 years even in the cases where validity to drive the non-transport vehicle had not expired. Though provision existed in the system itself to rectify the error in the software, it was not rectified while renewing the badges. The renewal of non-transport driving

¹ Alappuzha, Attingal, Ernakulam, Kannur, Kasaragod, Kozhikode, Malappuram, Palakkad and Vada-kara.

² Aluva, Chengannur, Cherthala, Kanhangad, Kazhakuttom, Mannarkkad, Mattancherry, N.Parur, Parassala, Pattambi, Perinthalmanna, Ponnani, Thalassery, Thaliparamba, Thripunithura and Tirur.

licences without an application and without medical certificate, wherever necessary, would enable a licensee to drive vehicles which would be a threat to road safety.

After the case was pointed out, the department stated between July and November 2008 that the matter would be brought to the notice of the Transport Commissioner and final reply would be furnished. Further developments have not been reported (September 2009).

The case was reported to the Government in February 2009; their reply has not been received (September 2009).

5.3.1.2 Under Rule 32 of the Central Motor Vehicles Rules, 1989, as amended by Government of India notification dated 10 April 2007, fee for renewal of driving licence is Rs. 250. Transport Commissioner, Kerala vide letter dated 20 June 2007 had directed the department to collect the fee at the revised rate for all applications received on or after 10 April 2007.

During scrutiny of the records in 16 RTOs³ and 38 SRTOs/Rural RTOs⁴ between April 2008 and December 2008, it was noticed that renewal fee in respect of 87,212 driving licences was collected at the pre-revised rate of Rs. 200 during the period from 10 April 2007 to June 2008 instead of the revised rate of Rs. 250. This resulted in short collection of Rs. 43.61 lakh.

After the case was pointed out, the department stated (February 2009) that the short collection could be realised as and when the licence holders approach the office for any service as well as during vehicle checking. The reply was silent regarding the reasons for collecting licence renewal fees at pre-revised rates up to June 2008 despite orders of TC to collect it at revised rates from 10 April 2007.

The case was reported to the Government in January 2009; the Government stated in April 2009 that many offices had issued demand notices to licence holders. Further development has not been reported (September 2009).

5.3.2 Non/short realisation of revenue on transport vehicles

5.3.2.1 Under the MV Act, omnibus means any motor vehicle constructed or adapted to carry more than six persons excluding the driver. The Government of India (GOI) as per the powers conferred under the Act, on 5 November 2004 revised the list of vehicles under transport and non-transport categories. 'Omnibus for private use' which was earlier listed as a non-transport vehicle was excluded from that category and a new entry 'omnibus' was included in the list of transport vehicles. The transport vehicles require a permit and certificate of fitness. The minimum fee specified for a regular permit under

³ Alappuzha, Attingal, Ernakulam, Idukki, Kannur, Kasaragod, Kollam, Kottayam, Kozhikode, Malappuram, Muvattupuzha, Palakkad, Pathanamthitta, Thiruvananthapuram, Thrissur and Vadakara.

⁴ Adoor, Aluva, Changanassery, Chengannur, Cherthala, Irinjalakkuda, Kanhangad, Kanjirappally, Karunagappally, Kayamkulam, Kazhakuttom, Kodungallur, Koduvally, Kothamangalam, Kottarakkara, Koyilandy, Mallappally, Mannarkkad Mattancherry, Mavelikkara, Neyyattinkara, N.Parur, Ottapalam, Pala, Parassala, Pattambi, Perinthalmanna, Perumbavoor, Ponnani, Punalur, Thalassery, Thaliparamba, Thiruvalla, Thodupuzha, Thripunithura, Tirur, Vaikom and Wadakkancherry.

Kerala Motor Vehicles Rules is Rs. 500 and fee for grant and renewal of certificate of fitness of medium motor vehicles and registration fee is Rs. 300 and Rs. 100 respectively.

During scrutiny of records in 16 RTOs⁵ and 41 SRTOs⁶ between May 2008 and September 2008, it was noticed that 7,056 omnibus registered for private use during 2006-07 and 2007-08 continued to be categorised as non-transport vehicle instead of classifying the vehicles as transport vehicles and fee due on permit and fee for certificate of fitness was not levied. The omission to levy and collect the fee for permit and renewal of certificate of fitness and short levy of fee for registration resulted in non/short levy of fee of Rs. 63.50 lakh.

After the case was pointed out, the department stated between May and September 2008 that clarification from GOI had been sought for. Further developments have not been reported (September 2009).

The case was reported to Government in March 2009; their reply has not been received (September 2009).

5.3.2.2 Under the Kerala Motor Vehicles Rules 1989, (KMVR) the minimum seating capacity of a stage carriage shall be directly proportionate to the wheel base of the vehicle. The tax due on stage carriage is determined on the basis of the seating capacity. The seating capacity can be reduced by two seats in respect of vehicles with separate entrance and exit and further reduced by one fifth in respect of vehicles operating as city/town service. However, such vehicles with reduced seating capacity are eligible for *moffusil* permit, only if the seating capacity is enhanced to the minimum capacity as prescribed in the rule.

During scrutiny of the records in seven RTOs⁷ and three SRTOs⁸ between April 2007 and January 2009, it was noticed that *moffusil* permits were granted to 34 vehicles after collecting tax based on the reduced seating capacity of the vehicles instead of collecting tax at the minimum seating capacity of stage carriage proportionate to wheel base. This resulted in short collection of tax of Rs. 12.12 lakh.

After the case was pointed out, the department stated between April 2007 and January 2009 that action would be taken to realise the balance tax. Report on recovery has not been received (September 2009).

The case was reported to Government in February 2009; their replies have not been received (September 2009).

⁵ Alappuzha, Ernakulam, Idukki, Kannur, Kasaragod, Kollam, Kottayam, Kozhikode, Malappuram, Muvattupuzha, Palakkad, Pathanamthitta, Thiruvananthapuram, Thrissur, Vadakara and Wayanad.

⁶ Adoor, Aluva, Attingal, Changanassery, Chengannur, Cherthala, Guruvayoor, Irinjalakuda, Kanhangad, Kanjirappally, Karunagappally, Kayamkulam, Kazhakkottam, Kodungallur, Koduvally, Kothamangalam, Kottarakkara, Koyilandy, Mannarkkad, Mattanchery, Mavelikkara, Muvattupuzha, N. Parur, Neyyattinkara, Ottapalam, Pala, Parassala, Pattambi, Perinthalmanna, Perumbavoor, Ponnani, Punalur, Thalassery, Thaliparamba, Thiruvalla, Thodupuzha, Thripunithura, Tirur, Vaikom, Vandiperiyar and Wadakkanchery.

⁷ Ernakulam, Kottayam, Kozhikode, Malappuram, Muvattupuzha, Palakkad and Thrissur.

⁸ Kayamkulam, Irinjalakuda and Vaikom.

5.3.2.3 Under the MV Act, 'private service vehicle' is a motor vehicle constructed or adapted to carry more than six persons excluding the driver and ordinarily used by or on behalf of the owner of such vehicle for the purpose of carrying persons for, or in connection with, his trade or business otherwise than for hire or reward. It was clarified by Ministry of Shipping, Road Transport and Highways, that 'private service vehicle registered in the name of an individual and if declared to be used by him solely for personal use' only can be classified under non-transport vehicle and others would come under transport vehicle.

During scrutiny of records in 10 RTOs⁹ and four SRTOs¹⁰ between June 2007 and November 2008, it was noticed that the department was classifying motor vehicles owned by a firm as private services vehicles for personal use under non-transport vehicle. This classification was against the provisions of the Act and has resulted in recurring revenue loss as fee for certificate of fitness and permit. The total revenue effect worked out to Rs. 7.47 lakh in 42 cases.

The matter was reported to Government in March 2009; the Government stated in June 2009, that Rs. 1.51 lakh was collected from 11 vehicle owners and efforts were being taken to collect the balance amount. Report on recovery of balance amount has not been received (September 2009).

5.3.2.4 Under the Central Motor Vehicles Rules, a certificate of fitness in respect of transport vehicle granted is valid for two years in the case of new transport vehicle and one year in the case of renewal of certificate of fitness of such vehicle.

During scrutiny of the records in eight RTOs¹¹ and 11 SRTOs¹² between April 2006 and March 2009 it was seen that validity of certificate of fitness in respect of 326 transport vehicles had been granted beyond the prescribed period resulting in short realisation of revenue of Rs. 2.23 lakh.

After the case was pointed out, the department replied between April 2006 to March 2009 that short collection would be made good.

The matter was reported to Government in March 2009; the Government stated in June 2009, that Rs. 60,500 was collected from 150 cases and efforts are being taken to collect the balance amount. Report on recovery of balance amount has not been received (September 2009).

5.3.3 Non-realisation of tax from stage carriages

5.3.3.1 Under the KMVT Act, exemption from payment of tax in respect of a motor vehicle which has not been used for the first month or for first and second month or for the whole quarter or the whole year shall be allowable if the owner furnishes a declaration in form 'G'. Tax is leviable for the part of the quarter for which declaration in form 'G' is not furnished.

⁹ Attingal, Ernakulam, Kannur, Kottarakkara, Kottayam, Kozhikode, Palakkad, Pathanamthitta, Thrissur and Wayanad.

¹⁰ Mannarkkad, Pattambi, Perumbavoor and Thiruvalla.

¹¹ Attingal, Kannur, Kozhikode, Malappuram, Palakkad, Pathanamthitta, Thrissur and Thiruvananthapuram.

¹² Irinjalakuda, Kanhangad, Koduvally, Kottarakkara, Koyilandy, Mallappally, Mavelikkara, Perumbavoor, Punalur, Tirur and Wadakkancherry.

During scrutiny of the records in 11 RTOs¹³ between April 2006 and March 2009, it was noticed that in the case of 208 stage carriages, tax due was not realised for periods for which non-use intimation had not been filed. This resulted in short levy of tax of Rs. 25.53 lakh.

After the case was reported to Government in March 2009, the Government stated in June 2009 that Rs. 9.78 lakh was collected from 61 cases and further report would be furnished shortly. Further development has not been reported (September 2009).

5.3.3.2 Under the KMVT Act, tax shall be levied on every motor vehicle used or kept for use in the State at the rate specified for such vehicle in the Schedule. Under the KMVR, the minimum seating capacity of a stage carriage shall be directly proportionate to the wheel base of the vehicle and the rate of tax prescribed for interstate stage carriage is Rs. 690 for every seated passenger and Rs. 210 for every standing passenger. Government issued orders in December 1989 granting adjustment of rent of space utilised by Transport Commissioner's Office in Transport Bhavan, a building owned by Kerala State Road Transport Corporation (KSRTC) against the motor vehicles tax due.

- During scrutiny of records in RTO (Nationalised Sector), Thiruvananthapuram between August 2006 and June 2007, it was noticed that tax in respect of 33 inter-state stage carriages of KSRTC was remitted short due to incorrect reckoning of the seating capacity and standing capacity during 2005-06 and 2006-07. The short collection worked out to Rs. 7.94 lakh.

After the case was pointed out, the department stated (June 2007) that the case would be examined. Further developments have not been reported (September 2009).

The matter was reported to Government in April 2009; their reply has not been received (September 2009).

- During scrutiny of records in Transport Commissioner's Office, between June 2007 and April 2009, it was noticed that even though the Transport Commissioner's Office was shifted in October 2006 from Transport Bhavan and the space utilised by Transport Commissioner's Office was in possession of KSRTC, the KSRTC had been remitting the tax after adjusting the rent payable by the Transport Commissioner's office. The irregular adjustment made during the period from October 2006 to March 2008 had resulted in short remittance of tax of Rs. 5.42 lakh.

After the case was reported to Government in April 2009; the Government stated in June 2009, that the department had requested KSRTC to remit the amount. Report on recovery has not been received (September 2009).

5.3.4 Non/short levy of one time tax

Under Section 3 of the KMVT Act, tax shall be levied on every motor vehicle used or kept for use in the State, at the rates specified for such vehicle in the Schedule which were based on the unladen weight of the vehicle. The rates

¹³ Alappuzha, Attingal, Ernakulam, Idukki, Kannur, Kottayam, Kozhikode, Palakkad, Pathanamthitta, Thiruvananthapuram and Vadamakara.

were revised with effect from 1 April 2007 at different rates for various classes of vehicles. As per proviso under section 3(1) of the Act, one time tax shall be levied from the date of purchase of vehicle at the rates specified at the time of first registration of the vehicle and the rates for motorcycles, motor cars, three wheelers and omnibus are six *per cent* of the purchase value of the vehicle.

5.3.4.1 During scrutiny of records in 12 RTOs¹⁴ and 31 SRTOs¹⁵ between April 2008 and February 2009, it was noticed that in 2,179 cases, one time tax was short levied due to incorrect computation of purchase value. This resulted in short levy of tax of Rs. 19.43 lakh.

After the case was pointed out, the department stated between April 2008 and February 2009 that loss would be made good. Report on recovery has not been received (September 2009).

The case was reported to Government in March 2009; their replies have not been received (September 2009).

5.3.4.2 During scrutiny of the records in three RTOs¹⁶ and five SRTOs¹⁷ between April 2008 and March 2009, it was noticed that in 30 cases registered after 1 April 2007 tax was collected on the basis of unladen weight of the vehicle instead of collecting one time tax at the rate of six *per cent* of purchase value of vehicle. This resulted in short levy of tax of Rs. 2.42 lakh.

After the case was reported to Government in March 2009; the Government stated in June 2009, that Rs. 1 lakh was collected from eight cases and that efforts were being taken to collect the balance amount. Report on recovery of balance amount has not been received (September 2009).

5.3.4.3 As per notification¹⁸ of Ministry of Shipping, Road Transport and Highways, one time tax in respect of motor cars weighing not more than 750 kg was Rs. 14,000 and for those weighing more than 750 kg but not more than 1,500 kg was Rs. 18,800.

During scrutiny of the records in eight RTOs¹⁹ and 16 SRTOs²⁰ between March 2008 and December 2008, it was noticed that in 317 vehicles, alterations were carried out by fitting liquified petroleum gas kits enhancing the unladen weight of the vehicles to more than 750 kg attracting additional

¹⁴ Alappuzha, Attingal, Ernakulam, Kannur, Kollam, Kottayam, Kozhikode, Malappuram, Palakkad, Thrissur, Thiruvananthapuram and Vadakara.

¹⁵ Aluva, Changanassery, Chengannur, Cherthala, Guruvayur, Irinjalakuda, Kanjirappally, Karunagappally, Kazhakuttom, Kodungallur, Koduvally, Kothamangalam, Kottarakkara, Koyilandy, Mallappally, Mattanchery, Mavelikkara, North Parur, Neyyattinkara, Ottapalam, Pala, Parassala, Perumbavoor, Punalur, Thalassery, Thaliparamba, Thodupuzha, Thripunithura, Vaikom, Vandiperiyar and Wadakkancherry.

¹⁶ Attingal, Kasaragod and Kottayam.

¹⁷ Karunagappally, Kottarakkara, North Parur, Punalur and Thripunithura.

¹⁸ No. S.O 1248 (E) dated 5 November 2004.

¹⁹ Alappuzha, Attingal, Kannur, Kasaragod, Malappuram, Palakkad, Thrissur and Thiruvananthapuram.

²⁰ Aluva, Chengannur, Cherthala, Irinjalakuda, Kanhangad, Kayamkulam, Kodungallur, Koduvally, Mannarkkad, Mavelikkara, Pattambi, Perinthalmanna, Thalassery, Thripunithura, Tirur and Wadakkancherry.

tax of Rs. 4,800 each which was not levied. This resulted in short levy of tax of Rs. 15.22 lakh.

After the cases were reported to Government in March 2009; the Government stated in June 2009 that Rs. 4.25 lakh was collected from 86 cases and efforts are being taken to collect the balance amount. Report on recovery of balance amount has not been received (September 2009).

5.3.4.4 In case of vehicles originally registered in other States on or after 1 April 2007 and migrated to Kerala State as well as for the vehicles registered on or after 1 April 2007 and reclassified as non-transport vehicle from the category of transport vehicle, the one time tax shall be on percentage basis depending on the age of the vehicle.

During scrutiny of records in seven RTOs²¹ and eight SRTOs²² between April 2008 and March 2009, it was noticed that in 34 cases which were either altered as non-transport vehicle or migrated from other states and registered in the State, one time tax was not levied. This resulted in non-levy of tax of Rs. 4.74 lakh.

After the cases were reported to Government in March 2009; the Government stated in June 2009, that Rs. 1.23 lakh was collected from 11 cases and efforts were being taken to collect the balance amount. Report on recovery of balance amount has not been received (September 2009).

5.3.5 Non/short realisation of revenue

5.3.5.1 Under section 3 of KMVT Act, tax shall be levied on every motor vehicle used or kept for use in the State at the rate specified for such vehicle in the Schedule. The rates were revised with effect from 1 April 2007 at different rates for various classes of vehicles.

During scrutiny of records in 12 RTOs²³ and 18 SRTOs²⁴ between April 2008 and January 2009, it was noticed that in 2,984 cases, the tax at pre-revised rate was collected from 1 April 2007. The omission to collect the tax due at revised rate resulted in short collection of tax amounting to Rs. 8.45 lakh.

After the case was pointed out, the department stated between April 2008 and January 2009 that action would be taken to realise the amount. Further report has not been received (September 2009).

The case was reported to Government in February 2009; their replies have not been received (September 2009).

5.3.5.2 Two axled goods carriage vehicles registered in other State or Union Territories in India can ply in Kerala under national permit after remitting

²¹ Alappuzha, Kasaragod, Kottayam, Kozhikode, Malappuram, Palakkad and Thrissur.

²² Karunagapally, Kanhangad, Koduvally, Mavelikkara, Perumbavoor, Thaliparamba, Thripunithura and Tirur.

²³ Alappuzha, Attingal, Ernakulam, Kannur, Kasaragod, Kottayam, Kozhikode, Malappuram, Muvattupuzha, Palakkad, Thiruvananthapuram and Thrissur.

²⁴ Alathur, Changanassery, Chengannur, Cherthala, Guruvayur, Irinjalakuda, Kanjirappally, Kodungallur, Koduvally, Kottarakkara, Mattanchery, Mavelikkara, Pala, Ponnani, Punalur, Thaliparamba, Tirur and Wadakkanchery.

composite fee of Rs. 3,000 per annum up to 16 July 2006 and Rs. 5,000 per annum thereafter.

During scrutiny of records in the office of the Transport Commissioner, Thiruvananthapuram, in February 2009 it was noticed that composite fee in respect of 329 goods carriage vehicles for the period from July 2006 to September 2007 were realised at the pre-revised rate resulting in short realisation of composite fee of Rs. 6.74 lakh.

After the case was reported to Government in April 2009, the Government stated in June 2009, that State Transport Authorities were requested to collect the arrear amount. Further development has not been reported (September 2009).

5.3.5.3 Under the KMVT Act, when any registered owner or any person who has possession or control of any motor vehicle used or kept for use in the State has not paid the tax within the prescribed period, he shall pay, in addition to the tax, an additional tax as notified by the Government, not exceeding the amount of the tax due.

During scrutiny of records in four RTOs²⁵ between April 2006 and March 2009, it was noticed that though tax was not paid within the prescribed time, additional tax amounting to Rs. 2.60 lakh was not levied in 535 cases.

After the case was pointed out, the department stated in April 2006 and March 2009 that the loss would be made good. Report on recovery has not been received (September 2009).

The matter was reported to Government in March 2009; their reply has not been received (September 2009).

5.3.6 Non-levy of penalty

Under the MV Act, no person shall drive any motor vehicle or trailer, the laden weight of which exceeds the gross weight specified in the certificate of registration. Under Section 194 of the Act, whoever drives a motor vehicle or causes or allows a motor vehicle to be driven in contravention of provisions of Section 113, 114 or 115, shall be punishable with minimum fine of Rs. 2,000 and an additional amount of Rs. 1,000 per tonne of excess load together with liability to pay charges for off loading the excess load.

During scrutiny of records in RTO, Palakkad in July 2008, it was noticed that 55 over loaded vehicles of other States/Union Territories were allowed to proceed without off loading the excess load and collecting the compounding fee. This had resulted in non-levy of minimum fine of Rs. 5.55 lakh.

After the case was pointed out in July 2008 and reported to Government in April 2009, the Government stated in June 2009 that check post authorities were directed to detect these vehicles and realise the dues. Further development has not been reported (September 2009).

²⁵ Ernakulam, Kannur, Kottayam and Palakkad

5.3.7 Irregular exemption of tax to vehicles of public sector undertakings/autonomous bodies

Under the KMVT Act, vehicles owned by Government of Kerala are exempted from payment of road tax.

During scrutiny of records in RTO, Thiruvananthapuram between August 2007 and August 2008, it was noticed that 12 vehicles owned by public sector undertakings/autonomous bodies were irregularly granted exemption from payment of tax during 2006-07 and 2007-08. This resulted in non-realisation of tax of Rs. 3.29 lakh.

After the case was pointed out, the department stated in May 2008 and April 2009 that the matter would be examined. Further reply has not been received (September 2009).

The matter was reported to Government in March 2009; their reply has not been received (September 2009).