

CHAPTER IV TAXES ON VEHICLES

4.1 Tax administration

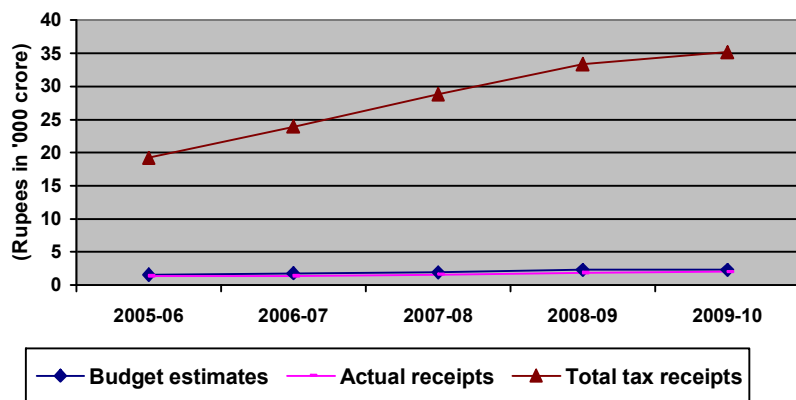
The Transport Department of the Government of Andhra Pradesh is governed by the Motor Vehicle (MV) Act, 1988, the Central Motor Vehicle (CMV) Rules, 1989, the Andhra Pradesh Motor Vehicles Taxation (APMVT) Act, 1963 and the Andhra Pradesh Motor Vehicle (APMV) Rules, 1989. The Transport Department is primarily responsible for enforcement of the provisions of the Acts and the rules framed thereunder which, *inter alia*, includes the collection of taxes and fees, issuance of the driving licences, certificates of fitness to transport vehicles, registration of the motor vehicles and granting regular and temporary permits to the vehicles. At the Government level, the Principal Secretary (Transport, Roads and Buildings Department) heads the Transport Department. Transport Commissioner (TC) is in charge of the Department at apex level. At the district level, there are the Deputy Transport Commissioners (DTCs) and the Regional Transport Officers (RTOs) who are in turn assisted by the Motor Vehicles Inspectors (MVIs) and other staff.

4.2 Trend of receipts

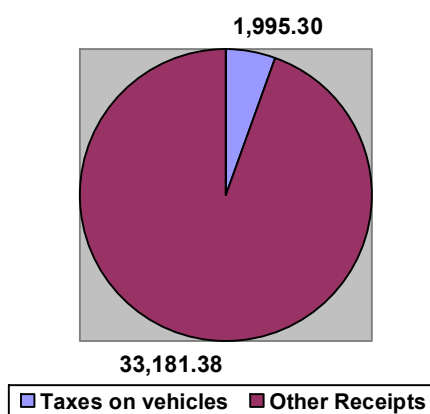
Actual receipts from taxes on vehicles during the years 2005-06 to 2009-10 along with the total tax receipts during the same period is exhibited in the following table and graph.

(₹ in crore)

Year	Budget estimates	Actual receipts	Variation excess (+)/ shortfall (-)	Percentage of variation	Total tax receipts of the State	Percentage of actual receipts vis-à-vis total tax receipts
2005-06	1,562.17	1,355.74	(-) 206.43	(-) 13.21	19,207.41	7.06
2006-07	1,777.00	1,364.74	(-) 412.26	(-) 23.20	23,926.20	5.70
2007-08	1,892.40	1,603.80	(-) 288.60	(-) 15.25	28,794.05	5.57
2008-09	2,289.80	1,800.62	(-) 489.18	(-) 21.36	33,358.29	5.40
2009-10	2,315.00	1,995.30	(-) 319.70	(-) 13.81	35,176.68	5.67



(₹ in crore)



The variation in the budget estimates and actual revenue persisted in all the years during 2005-06 to 2009-10 failing to give an assurance that the budget estimates prepared are realistic. The Department did not furnish (January 2011) the reasons for shortfall despite being requested in May 2010.

4.3 Cost of collection

The figures of gross collection in respect of the Taxes on vehicles, expenditure incurred on collection and the percentage of such expenditure to gross collection during the years 2007-08, 2008-09 and 2009-10 along with the relevant all India average percentage of expenditure on collection to gross collection for 2008-09 are mentioned below:

(₹ in crore)					
Head of revenue	Year	Gross collection	Expenditure on collection of revenue	Percentage of cost of collection to gross collection	All India average percentage for the previous year
Taxes on vehicles	2007-08	1,603.80	62.46	3.89	2.47
	2008-09	1,800.62	57.89	3.22	2.58
	2009-10	1,995.30	64.99	3.26	2.93

The expenditure on collection of taxes on vehicles was higher than the all India average consecutively and the Government need to look into this aspect.

4.4 Revenue impact

During the last five years, audit through its audit reports had pointed out non/short levy, non/short realisation, loss of revenue, with revenue implication of ₹ 1,531.88 crore in 862 cases. Of these, the Department/Government had accepted audit observations in 472 cases involving ₹ 168.69 crore and had since recovered ₹ 8.90 crore. The details are shown in the following table:

(₹ in crore)

Year	No. of units audited	Amount objected		Amount accepted		Amount recovered	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
2004-05	39	183	226.71	137	2.02	123	0.41
2005-06	39	164	452.67	111	2.65	102	0.60
2006-07	39	43	697.53	28	135.48	22	2.66
2007-08	39	230	74.16	128	13.92	90	3.43
2008-09	44	242	80.81	68	14.62	27	1.80
Total	200	862	1,531.88	472	168.69	364	8.90

Recovery of ₹ 8.90 crore only against the money value of ₹ 168.69 crore relating to accepted cases during the period 2004-05 to 2008-09 highlights the failure of the Government/Department machinery to act promptly to recover the Government dues even in respect of the cases accepted by them.

4.5 Working of internal audit wing

Internal audit provides a reasonable assurance of proper enforcement of laws, rules and departmental instructions, and this is a vital component of internal control frame work. There was no system of internal audit in the Department to ascertain the compliance of Rules/Government orders by the Department. In the absence of this proper and effective functioning of the transport offices could not be ensured. Though most of the functioning of the Department has been computerised, internal audit was not conducted to get an assurance on the working of the computerised system. When this was pointed out in Audit Report 2008-09, the Department assured that the internal audits would be conducted in future but no action had been taken even in 2009-10.

The Government needs to introduce a mechanism for conducting effective internal audit by the Department to ensure the compliance of Rules/Government orders.

4.6 Results of audit

Test check of the records of 44 offices relating to Transport Department revealed under assessment of tax and other irregularities involving ₹ 69.18 crore in 277 cases which fall under the following categories:

(₹ in crore)			
Sl. No.	Category	No. of cases	Amount
1.	Non-realisation of fee due to non-renewal of fitness certificate	41	40.80
2.	Non-levy of quarterly tax and penalty	43	16.78
3.	Non-implementation of card fee	1	4.08
4.	Non-collection of minimum bid amounts for special numbers	13	1.71
5.	Short levy of life tax	62	1.61
6.	Non-finalisation of action on VCR under Section 200	22	0.62
7.	Non-levy and collection of green tax	33	0.46
8.	Non-levy/collection of compounding fee	15	0.09
9.	Other irregularities	47	3.03
Total		277	69.18

During the course of the year 2009-10, the Department accepted underassessments and other deficiencies of ₹ 2.31 crore in 50 cases of which, 36 cases involving ₹ 1.87 crore were pointed out during the year 2009-10 and the rest in the earlier years. An amount of ₹ 2.31 crore was realised in 50 cases.

A few illustrative cases involving ₹ 39.79 crore are mentioned in the succeeding paragraphs.

4.7 Audit observations

During scrutiny of the records in the offices of the Transport Department relating to revenue received from quarterly tax, green tax, life tax etc., on the vehicles, we observed several cases of non-observance of the provisions of the Acts/Rules resulting in non/short levy of tax/penalty 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 by us. We pointed out such omissions 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 the internal audit so that such omissions are detected and rectified.

4.8 Non-realisation of quarterly tax and penalty

Section 3 of the Andhra Pradesh Motor Vehicles Taxation (APMVT) Act, 1963 stipulates that every owner of a motor vehicle is liable to pay the tax at the rates specified by the Government from time to time. Section 4 of the APMVT Act specifies that the tax shall be paid in advance either quarterly, half yearly or annually within one month from the commencement of the quarter. Further, as per Section 6 of the Act, in case of failure to pay the tax within the stipulated time, penalty shall be imposed under the Act.

We noticed in test check of the records of the offices of Joint Transport Commissioner (JTC), Khairatabad, nine DTCs¹ and 18 RTOs² (between October 2008 and September 2009) that the quarterly tax of ₹ 3.50 crore for the years 2007-08 and 2008-09 was neither paid by the owners of 3,991 transport vehicles nor demanded by the Department. Besides, penalty of ₹ 7.00 crore though leviable was not

levied. This resulted in non-realisation of tax and penalty amounting to ₹ 10.50 crore.

After we pointed out the cases, the Department stated (October 2010) that tax of ₹ 41.84 lakh and ₹ 22.30 lakh towards penalty was collected in respect of 710 vehicles. It was further replied that the executive officers of the Department are checking the vehicles on road and seized the vehicles whenever the vehicles were plying without payment of tax. It was also stated that the Department was taking steps to collect the quarterly tax and penalty by way of issuing show cause notices and demand notices to the defaulters by the concerned licensing officers. Final reply in respect of the remaining vehicles has not been received.

¹ Adilabad, Chittoor, Eluru, Kurnool, Medak, Nizamabad, Ranga Reddy, Vijayawada and Visakhapatnam.

² Amalapuram, Anantapur, Bhimavaram, Gudivada, Hindupur, Hyderabad (West), Ibrahimpatnam, Khammam, Mahabubnagar, Mancherial, Medchal, Nandigama, Nalgonda, Narasaraopet, Proddatur, Rajahmundry, Ranga Reddy East and Tirupati.

We referred the matter to the Government in July 2010; their reply has not been received (January 2011).

4.9 Non-renewal of fitness certificates

As per Section 56 of the Motor Vehicle (MV) Act, 1988 a transport vehicle shall not be deemed to be validly registered, unless it carries a certificate of fitness issued by the prescribed authority. As per Rule 62 of the Central Motor Vehicle (CMV) Rules, 1989, the certificate of fitness in respect of the transport vehicles shall be renewed every year. Rule 81 of CMV Rules, prescribes the fee for conducting test of a vehicle for grant and renewal of the certificate of fitness. Plying of a vehicle without the fitness certificate is an offence and attracts a minimum compounding fee of ₹ 1,000.

We noticed in test check of the records of the JTC, Khairatabad, eight DTCs³ and 15 RTOs⁴ (between October 2008 and September 2009) that fitness certificates of 1,99,613 transport vehicles that completed two years of life during 2007-08 and 2008-09, were not renewed. This jeopardised public safety besides non-realisation of fitness certificate fee of

₹ 6.94 crore and a minimum compounding fee of ₹ 19.96 crore.

After we pointed out the cases, the Department stated (October 2010) that fitness certificate fee of ₹ 1.22 crore was collected relating to 43,514 vehicles. The reply was, however, silent about the collection of compounding fee. They further stated that whenever any vehicle is detected for plying without fitness certificate a case was booked against the vehicle and it would be seized. Final reply in respect of the remaining vehicles has not been received.

We referred the matter to the Government in July 2010; their reply has not been received (January 2011).

³ Adilabad, Chittoor, Eluru, Guntur, Kurnool, Ranga Reddy, Vijayawada and Visakhapatnam.

⁴ Amalapuram, Anantapur, Bhimavaram, Gudivada, Hindupur, Hyderabad (West), Ibrahimpatnam, Khammam, Mancherla, Nandigama, Narasaraopet, Proddatur, Rajahmundry, Ranga Reddy (East) and Tirupati.

4.10 Short levy of life tax

The Government of Andhra Pradesh amended section 3 (2) of APMVT Act vide Ordinance No. 1/2008 dated 2 January 2008 enhancing life tax from nine *per cent* to 12 *per cent* at the time of registration of non-transport vehicles owned by institutions, organisations, companies or societies and on second or more non-transport vehicles owned by the individuals. The enhanced tax has to be collected from the new vehicles sold and registered on or after 2.1.2008. Further, the TC issued a circular memo No.1/7831/S/2005 dated 4 January 2008 instructing all the registering authorities to collect the enhanced life tax.

4.10.1 We noticed in test check of the records of the JTC, Khairatabad and six DTCs⁵ and six RTOs⁶ (November 2008 and September 2009) that life tax in respect of 634 second or more non-transport vehicles owned by individuals was collected at pre-revised rate, instead of enhanced rate resulting in short levy of life tax amounting to ₹ 62.57 lakh.

After we pointed out the above cases, the Department stated (October 2010) that an amount of ₹ 5.32 lakh was collected in respect of 72 vehicles and show cause notices were issued to the registered owners of 253 vehicles. Final reply in respect of remaining vehicles has not been received.

We referred the matter to the Government in July 2010; their reply has not been received (January 2011).

4.10.2 We noticed in test check of the records of offices of two DTCs⁷ and two RTOs⁸ (January and September 2009) that life tax on 65 non-transport vehicles owned by companies, institutions, societies, organisations registered after 2.1.2008 was collected at pre-revised rate/lesser rates instead of enhanced rate. This resulted in short levy of life tax of ₹ 18.08 lakh.

After we pointed out the above cases, the Department stated (October 2010) that the differential life tax of ₹ 5.63 lakh was collected in respect of 19 vehicles and ₹ 2.92 lakh was not collectable from 14 vehicles since they were sold away. Final reply in respect of the remaining vehicles has not been received.

We referred the matter to the Government in March 2010; their reply has not been received (January 2011).

⁵ Chittoor, Eluru, Guntur, Ranga Reddy, Vijayawada and Visakhapatnam.

⁶ Amalapuram, Bhimavaram, Hyderabad (West), Khammam, Ranga Reddy (East) and Tirupati.

⁷ Nizamabad and Ranga Reddy.

⁸ Hindupur and Ranga Reddy (East).

4.11 Non-levy of green tax

The Government ordered, vide G.O.Ms.No. 238, Transport, Roads & Buildings (TR.I) dated 23 November 2006, levy of a tax called the “green tax” on the transport vehicles and non-transport vehicles that have completed seven years and 15 years of age respectively from the date of registration. The rate of tax is ₹ 200 per annum for the transport vehicles. In respect of the non-transport vehicles, it is ₹ 250 for every five years in the case of motorcycles and other than motorcycles, it is ₹ 500 for every five years.

We noticed in test check of the records of the five DTCs⁹ and seven RTOs¹⁰ (between November 2008 and September 2009) that green tax aggregating to ₹ 70.23 lakh in respect of 7,331 transport vehicles and 18,759 non-transport vehicles that had completed seven years and 15 years of age respectively was not

levied and collected during the period from April 2007 to March 2009.

After we pointed out the above cases, the Department stated (October 2010) that green tax of ₹ 21.24 lakh in respect of 7,340 vehicles was collected. It was further replied in respect of 18,750 vehicles that green tax was being collected whenever the vehicle owners approach their office for any transaction. The reply is not acceptable as the green tax was not collected even after the owners of these vehicles already approached the offices for transactions during the period April 2007 to March 2009.

We referred the matter to the Government in July 2010; their reply has not been received (January 2011).

4.12 Non-realisation of revenue due to non-cancellation and re-notification of special numbers

As per Rule 81(3) of the APMV Rules, 1989 the registering authority may reserve special numbers on payment of the prescribed fee by the owner of the vehicle. Further, as per Rule 81(6) of the APMV Rules, the reservation shall be cancelled if the vehicle is not produced within 15 days from the date of reserving and the number reserved shall be re-notified immediately.

We noticed in test check of the records of the JTC, Khairatabad, two DTCs¹¹ and three RTOs¹² (between September 2008 and September 2009) that in 1,040 cases, the reservation of the special numbers was not cancelled and the numbers re-notified

⁹ Adilabad, Eluru, Medak, Nizamabad and Ranga Reddy.

¹⁰ Anantapur, Hyderabad (West), Mahabubnagar, Mancherial, Nalgonda, Ranga Reddy (East) and Siddipet.

¹¹ Eluru and Visakhapatnam.

¹² Anantapur, Rajahmundry and Ranga Reddy (East).

though the registration of the vehicle was not done within 15 days from the date of reserving the number. This resulted in non-realisation of revenue of ₹ 63.36 lakh.

After we pointed out the above cases, the Department stated (October 2010) that an amount of ₹ 4.94 lakh had been collected in respect of 81 vehicles and the Departmental software is modified to cancel the reservation after lapse of 15 days from the date of reservation of the number. It was further replied that the Department was also taking steps to evolve a procedure for re-notification of the special numbers. Final reply in respect of the remaining vehicles has not been received.

We referred the matter to the Government between May and July 2010; their reply has not been received (January 2011).

4.13 Non-levy/collection of compounding fee

Under the provisions of the MV Act, the AA may compound certain offences punishable under the Act by collecting compounding fee in lieu of the penal action as prescribed by the Government. The Government vide G.O.Ms.No.332, Transport, Roads & Buildings (TR.I) Department dated 13 November 2008 prescribed minimum rates of compounding fee for various offences. The checking officers of the Transport Department prepare vehicle check reports (VCRs) on the motor vehicles checked by them and forward these to the regional transport officer for taking Departmental action against the defaulting permit holders/owners of the concerned vehicles. These reports are to be noted in the register of VCR to take necessary action to suspend/cancel the licence/permit or to levy the compounding fee.

We noticed in test check of the VCR registers for the years 2007-08 and 2008-09 of JTC, Khairatabad, four DTCs¹³ and seven RTOs¹⁴ (between October 2008 and September 2009) that 615 vehicles were involved in compoundable offences viz., carrying overload, excess passengers etc. In all these cases, neither was any penal action taken nor was compounding fee levied. This resulted in non-realisation of compounding fee of ₹ 24.60 lakh.

After we pointed out the above cases, the Department stated (October 2010) that compounding fee of ₹ 7.72 lakh was collected in respect of 204 vehicles. They further replied that efforts were being made by the district officers to realise the remaining amount.

We referred the matter to the Government in July 2010; their reply has not been received (January 2011).

¹³ Adilabad, Kurnool, Ranga Reddy and Vijayawada.

¹⁴ Anantapur, Ibrahimpatnam, Mancherial, Nalgonda, Nandigama, Rajahmundry and Ranga Reddy (East).