

CHAPTER IV

TAXES ON VEHICLES

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EXECUTIVE SUMMARY

Increase in tax collection In 2011-12, the collection of taxes from motor vehicles increased by 13.69 *per cent* over the previous year.

Very low recovery by the Department against the observations pointed out by us in earlier years During the period 2006-07 to 2010-11, we had pointed out non/short realisation of tax, fee etc., with revenue implication of ₹ 1036.77 crore in 1051 cases. Of these, the Department/Government accepted audit observations in 413 cases involving ₹ 175.72 crore and recovered only ₹ 11.15 crore in 277 cases. The recovery position as compared to acceptance of audit observations was very low (6.34 *per cent*).

Results of audits conducted by us in 2011-12 In 2011-12 we test checked the records of 44 offices of the Transport Department and found preliminary audit observations involving non/short levy of tax, fees, penalty, realisation etc., of ₹ 74.96 crore in 230 cases.

The Department accepted underassessments and other deficiencies of ₹ 20.94 crore in 236 cases, of which 79 cases involving ₹ 9.87 crore were pointed out during the year 2011-12 and the rest in earlier years. An amount of ₹ 70.30 lakh was realised in 39 cases.

What we have highlighted in this chapter In this chapter we present illustrative cases involving tax effect of ₹ 32.19 crore selected from observations noticed during our test check of records relating to levy and collection of taxes on vehicles in the offices of the Transport Commissioner, Joint Transport Commissioner, Regional Transport Officers, where we found that the provisions of the Acts/Rules were not observed.

It is a matter of concern that similar omissions have seen pointed out by us repeatedly in the Audit Reports for the past several years, but the Department had not been taking adequate corrective action. We are also concerned that though these omissions were apparent from the data which were made available to us, Deputy

Transport Commissioners (DTCs) and Regional Transport Officers (RTOs) were unable to detect them.

Our conclusion

The Department needs to improve its internal control system so that weaknesses in the system are addressed and omissions of the nature detected by us are avoided in future.

Further, action to expedite recovery in cases of non-realisation, non levy/short levy of quarterly taxes and penalties brought out through audit observations may also be taken.

With regard to payment of life tax on non transport vehicles, we recommend that the Government may take necessary steps to update the Citizen Friendly Services in Transport department (CFST) package so as to ensure levy of Life tax on second/subsequent non transport vehicles as well as those owned by companies, institutions, societies and organisations at applicable rates and minimize scope for non/short levy of tax.

With regard to audit observation on 'non-levy of green tax', we recommend that Government may consider putting in place a proper monitoring mechanism as part of CFST package to raise alerts for demanding green tax on completion of 14 years 10 months in accordance with provisions of Central Motor Vehicles Rules, 1989. Further, they may also introduce necessary mechanism to update the demand of green tax when payments are made at places other than office counters like APonline, e-seva etc.

4.1 Tax administration

The Transport Department of the Government of Andhra Pradesh is governed by the Motor Vehicles (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 driving licences, certificates of fitness to transport vehicles, registration of motor vehicles and granting regular and temporary permits to 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 the apex level. At the district level, there are Deputy Transport Commissioners (DTCs) and Regional Transport Officers (RTOs) who are in turn assisted by Motor Vehicles Inspectors (MVIs) and other staff.

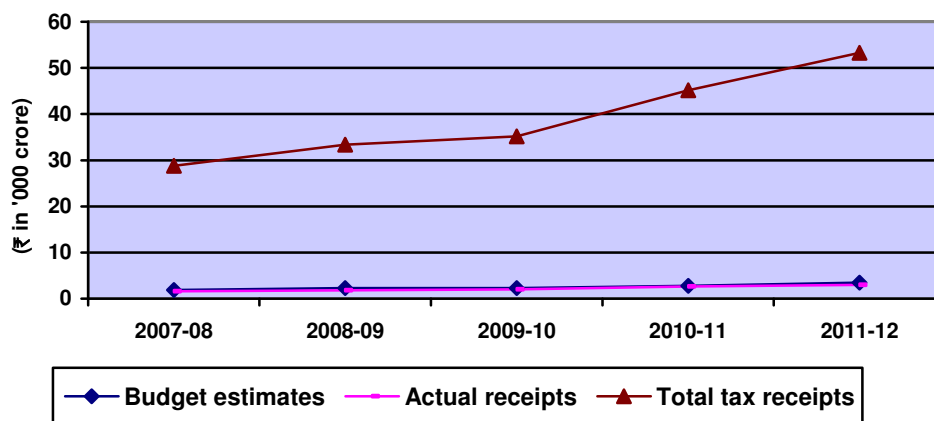
4.2 Trend of receipts

Actual receipts from taxes on vehicles during the years 2007-08 to 2011-12, along with the total tax receipts during the same period, is exhibited in the following table and graphs:

Table 4.1: Receipts from taxes on vehicles

Year	Budget estimates	Actual receipts	Variation excess (+)/shortfall (-)	Percentage of variation	₹ in crore	
					Total tax receipts of the State	Percentage of actual receipts vis-à-vis total tax receipts
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
2010-11	2,778.00	2,626.75	(-) 151.25	(-) 5.44	45,139.55	5.82
2011-12	3,433.60	2,986.41	(-) 447.19	(-) 13.02	53,283.41	5.60

Graph 4.1: Budget estimates, actual receipts and Total tax receipts



It has been observed that there was an increasing trend in the receipts from taxes on motor vehicles, matching the trend in the total tax receipts of the state. It has also been noticed that the budget estimates viz-a-viz. actual receipts varied between (-)5 per cent and (-)21 per cent.

4.3 Cost of collection

The figures of gross collection in respect of taxes on vehicles, expenditure incurred on collection and the percentage of such expenditure to gross collection during the years 2009-10, 2010-11 and 2011-12 along with the relevant all India average percentage of expenditure on collection to gross collection are mentioned below:

Table 4.2: Cost of collection of taxes on vehicles

(₹ 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	2009-10	1,995.30	64.99	3.26	2.93
	2010-11	2,626.75	85.17	3.24	3.07
	2011-12	2986.41	100.38	3.36	3.71

Cost of collection in respect of taxes on motor vehicles has constantly been stable at less than 3.5 per cent during the last three years; efforts need to be continued to maintain the status quo.

4.4 Impact of Local Audit

During the last five years, we had, pointed out non/short levy, non/short realisation, loss of revenue with revenue implication of ₹ 1036.77 crore in 1051 cases. Of these, the Department/Government had accepted audit observations in 413 cases involving ₹ 175.72 crore and had since recovered ₹ 11.15 crore. The details are shown in the following table:

Table 4.3: Impact of Local audit on Taxes on Vehicles

(₹ 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
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
2009-10	44	277	69.18	50	2.31	50	2.34
2010-11	44	259	115.09	139	9.39	88	0.92
Total	210	1051	1036.77	413	175.72	277	11.15

Recovery of only ₹ 11.15 crore (6.34 per cent) against the money value of ₹ 175.72 crore relating to accepted cases during the period 2006-07 to 2010-11 highlights the failure of the Government/Departmental machinery to act promptly to recover 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 the internal control framework. There was no system of internal audit in the Department to ascertain the compliance with Rules/Government orders by the Department. When this was pointed out in the Audit Report for 2008-09, the Department assured that internal audits would be conducted in future. However, the Department did not furnish any information regarding implementation of internal audit (January 2013).

4.6 Results of Audit

Test check of the records of 44 offices of the Transport Department revealed preliminary audit observations involving underassessment of tax and other irregularities of ₹ 74.96 crore in 230 cases, which fall under the following categories:

(₹ in crore)			
Sl. No.	Category	No. of cases	Amount
1.	Non-realisation of quarterly tax and penalty	42	11.07
2.	Non-realisation of fee due to non-renewal of fitness certificate	43	5.44
3.	Non/short levy of life tax	63	1.47
4.	Non-levy and collection of green tax	42	1.76
5.	Non-levy and collection of compounding fee	32	0.53
6.	Non-levy of stamp duty on vehicles registered with hypothecation ¹	1	50.37
7.	Other irregularities	7	4.32
Total		230	74.96

During 2011-12, the Department accepted underassessments and other deficiencies of ₹ 20.94 crore in 236 cases of which 79 cases involving ₹ 9.87 crore were pointed out during 2011-12 and the rest in earlier years. An amount of ₹ 52.82 lakh was realised in 36 cases.

In response to audit observations relating to application of different rates for issue of driving licenses that had featured in Audit Reports for the years ended 31 March 2005 to 2008 and 2011, the Department revised the system and started charging a uniform rate for issue of driving licenses with effect from 12 January 2012.

After issue of two draft paragraphs, the Department reported (October 2012) recovery of ₹ 17.48 lakh in 3 cases.

¹ Para on the subject has been included in 'Chapter V - Stamp duty and Registration fees'.

A few illustrative cases involving ₹ 32.19 crore are mentioned in the succeeding paragraphs. These include cases which came to notice during audit of records during the year 2011-12 as well as those which came to notice in earlier years, but which could not be included in the previous years' reports.

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 point 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 tax at the rates specified by the Government from time to time. Section 4 of the 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. Under Section 6 of the Act read with rule 13(1) of the APMVT Rules 1963, penalty for belated payment shall be leviable.

- at the rate equivalent to the quarterly tax demanded, if the tax is paid within two months from the beginning of the quarter, and
- at twice the rate of the quarterly tax if the tax is paid beyond two months from the beginning of the quarter on the cases detected.

In case of voluntary payment by the registered owner, the penalty is leviable

- at the rate of 25 *per cent* of the quarterly tax, if tax is paid within two months from the beginning of the quarter and
- at 50 *per cent* if the tax is paid beyond two months from the beginning of the quarter.

In terms of section 53 of the Motor Vehicles Act read with Rule 102 of AP Motor Vehicle Rules 1989, any registering authority or other prescribed authority may suspend the registration of a motor vehicle by sending a notice if the provisions of the Act are not complied with.

We noticed (between August 2010 and February 2012) during test check of the records and analysis of data of the offices of the Joint Transport Commissioner (JTC), Hyderabad, 16 Deputy Transport Commissioners

(DTCs)² and 25 Regional Transport Officers (RTOs)³ that quarterly tax of ₹ 5.98 crore for the years 2009-10 and 2010-11 was neither paid by the owners of 10,023 transport vehicles nor demanded by the Department. Besides, penalty of ₹ 11.96 crore, leviable at twice the rate of quarterly tax for delay over two months in respect of all the cases, was not levied. This resulted in non-realisation of tax and penalty amounting to ₹ 17.94 crore.

After we pointed out the cases,

- 24 DTCs/RTOs⁴ replied (between October 2010 and December 2011) that show cause notices would be issued/action taken to collect tax and penalty (in respect of 5,370 vehicles);
- 16 DTCs/RTO⁵ replied (between December 2010 and September 2012) that show cause notices were issued to registered owners of 1663 vehicles and an amount of ₹ 16.29 lakh had been recovered in 422 cases.
- In respect of 1564 vehicles, it was replied (between August 2010 and February 2012) that the matter would be examined/details verified and necessary action taken.
- JTC, Hyderabad and RTO, Narasaraopet contended (December 2011 and February 2012 in respect of 256 vehicles) that only in case of detection of vehicles by enforcement wing, was penalty to be levied at 200 *per cent* for vehicles found plying without payment of taxes, whereas 50 *per cent* penalty was to be levied in respect of vehicles pointed out by audit. The replies are not tenable as non-payment of quarterly tax pointed out by audit is also tantamount to detection and 200 *per cent* penalty is leviable, since there has been no voluntary compliance by the vehicle owners (where the penalty of fifty *per cent* would be applicable).
- In respect of the remaining 748 vehicles, final reply is awaited.

We referred the matter to the Department in August 2011 and April 2012 and to the Government in June 2012; their reply has not been received (January 2013).

² Adilabad, Anantapur, Chittoor, Eluru, Kadapa, Kakinada, Karimnagar, Kurnool, Medak, Nellore, Nizamabad, Ranga Reddy, Srikakulam, Vijayawada, Visakhapatnam and Warangal.

³ Amalapuram, Anakapalle, Bheemavaram, Gudivada, Hindupur, Hyderabad (East, North, South and West), Ibrahimpatnam, Khammam, Mahabubnagar, Mancherial, Medchal, Nalgonda, Nandigama, Nandyal, Narasaraopet, Ongole, Proddatur, Rajahmundry, Ranga Reddy (East), Siddipet, Tirupati and Vizianagaram.

⁴ DTCs – Anantapur, Eluru, Kadapa, Karimnagar, Medak, Nellore, Nizamabad, Rangareddy, Srikakulam, Vijayawada and Warangal.
RTOs – Amalapuram, Anakapalle, Hindupur, Hyderabad (East, North and South), Ibrahimpatnam, Khammam, Mahabubnagar, Medchal, Nalgonda, Ongole and Siddipet.

⁵ DTCs - Adilabad, Chittoor, Kurnool and Warangal.
RTOs – Bheemavaram, Gudivada, Hyderabad (West), Medchal, Nalgonda, Nandigama, Nandyal, Ongole, Rajahmundry, Siddipet, Tirupathi and Vizianagaram.

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.

We noticed (between August 2010 and February 2012) during the test check of the records and an analysis of the data of offices of JTC, Hyderabad, 12 DTCs⁶ and 21 RTOs⁷ that fitness certificates in respect of 3,23,878 transport

vehicles, whose status was ‘active’ as per the Citizen’s Friendly Services in Transport Department (CFST) system database and that had completed two years of life during 2009-10 and 2010-11, had not been renewed. This jeopardised public safety, besides non-realisation of fitness certificate fee of ₹ 9.94 crore.

After we pointed out the cases

- 30 DTCs/RTOs⁸ stated (between August 2010 and July 2012 in respect of 2,18,622 vehicles) that the fitness fee cannot be collected until and unless the owners of the vehicles approach the office for the purpose of renewal of fitness certificate.
- Five DTCs/RTO⁹ replied (between October 2010 and January 2012 in respect of 88,272 vehicles) that the individual cases would be examined and reply furnished to audit.
- JTC, Hyderabad contended (February 2012 in respect of 7,478 vehicles) that where the fitness certificate is not renewed, it meant that the vehicle was not on road and hence not detected by enforcement authorities; provisions of Motor Vehicles Act do not provide for collection of arrears of fitness fee for the period not renewed as vehicles were not plying on roads.
- RTO, Proddatur replied (January 2012 in respect of 466 vehicles) that if the vehicle did not have a valid fitness certificate and was caught by

⁶ Adilabad, Anantapur, Eluru, Kadapa, Kakinada, Karimnagar, Medak, Nellore, Nizamabad, Vijayawada, Visakhapatnam and Warangal.

⁷ Amalapuram, Anakapalle, Bheemavaram, Hyderabad (East, North, South and West), Ibrahimpatnam, Khammam, Mahabubnagar, Mancherial, Medchal, Nalgonda, Nandigama, Nandyal, Ongole, Proddatur, Rajahmundry, Siddipet, Tirupathi and Vizianagaram.

⁸ DTCs – Adilabad, Anantapur, Eluru, Kakinada, Karimnagar, Medak, Nellore, Nizamabad, Vijayawada, and Warangal.

RTOs – Amalapuram, Anakapalle, Bhimavaram, Hyderabad (East, North, South and West), Ibrahimpatnam, Khammam, Mahabubnagar, Mancherial, Nalgonda, Nandigama, Nandyal, Ongole, Proddatur, Rajahmundry, Siddipet, Tirupati and Vizianagaram.

⁹ DTCs – Kadapa, Karimnagar, Nizamabad and Visakhapatnam. RTO – Vizianagaram.

the enforcement authorities, every penal action was being taken as per Rules. Hence, there was no fault on the Department's front.

- RTO, Nandyal replied (December 2010 in respect of 8,184 vehicles) that as per Rule 12(A) of AP Motor Vehicle Taxation Rules, 1963, even though the vehicle had no valid fitness certificate, the liability to pay rested with the registered owner till stoppage report was filed. It was added that the registered owner voluntarily paid the tax and penalties for the vehicles, which had no valid fitness certificates, hence the payment of tax was not sufficient to prove that vehicles were plying on roads.
- Relevant reply has not been furnished by RTO Medchal (856 vehicles).

The Department's contentions are not tenable as under section 56 of the MV Act, it is mandatory to renew the FC. Further, Rule 62 of the CMV Rules prescribes that FC in respect of transport vehicles shall be renewed every year. Further, audit observed that the status of these vehicles was 'active' on the CFST system and the owners were paying taxes regularly. The presumption that vehicles without fitness certificates would be invariably caught by enforcement authorities and vehicles not so detected were not plying on the road is invalid. Thus, the failure of the Department to ensure checking of fitness of these 'active' vehicles led to non-realisation of fitness fee. Absence of an inbuilt mechanism in the CFST package for compliance viz., to give alerts every time the vehicle owner approaches the office/e-seva etc., for any transaction, namely issue/renewal of permits, payment of quarterly tax etc., led to non-renewal of fitness of the vehicle, resulting in loss of fitness fee.

The matter was referred to the Department in July 2011 and to the Government in June 2012; their reply has not been received (January 2013).

4.10 Non/short levy of life tax on non transport vehicles

As per Section 4 (aa) of Andhra Pradesh Motor Vehicles Taxation Act 1963, the tax levied under the second proviso to sub Section (2) of Section 3 shall be for the life time of the motor vehicle and shall be paid in advance in lump sum by the registered owner of the motor vehicle or any other person having possession or contract thereof.

The Government of Andhra Pradesh amended Section 3(2) of APMVT Act through an Ordinance (No.1/2008) dated 2 January 2008, enhancing life tax from nine *per cent* to 12 *per cent* and the same was enhanced to 14 *per cent* as per Ordinance (No.2/2010) dated 2 February 2010* at the time of registration of second or subsequent non-transport vehicles owned by individuals and on all non-transport vehicles owned by institutions, organisations, companies or societies.

* This Ordinance was extended vide Ordinance No.5/2010 dated 20 April 2010 and replaced by Act No.11/2010 dated 31 July 2010.

The enhanced tax was to be collected from the new vehicles sold and registered on or after 2 January 2008. Further, the Transport Commissioner (TC) issued a Circular memo (No. 17831/S/2005) dated 4 January 2008 instructing all the registering authorities to collect the enhanced life tax.

4.10.1 We noticed (between August 2010 and February 2012) during the audit of offices of 13 DTCs¹⁰ and 18 RTOs¹¹ that life tax in respect of 1,749 second or subsequent non-transport vehicles owned by individuals was collected

during 2009-10 and 2010-11 at pre-revised rate, instead of enhanced rate, resulting in short levy of life tax amounting to ₹ 1.20 crore.

After we pointed out the cases,

- Seven DTCs/RTO¹² replied (between March 2011 and September 2012) that an amount of ₹ 5.02 lakh was collected in respect of 91 vehicles and show cause notices were issued to registered owners of 414 vehicles.
- 14 DTCs/RTOs¹³ replied (between October 2010 and February 2012) that action would be taken to collect life tax in respect of 562 vehicles.
- With regard to the balance 682 vehicles, final reply has not been received.

We referred the matter to the Department between July 2011 and March 2012 and to the Government in June 2012; their reply has not been received (January 2013).

4.10.2 We noticed (between November 2010 and February 2012) during the test check of records of offices of four DTCs¹⁴ and two RTOs¹⁵ that life tax on 62 non-transport vehicles owned by companies, institutions, societies and organisations was collected at pre-revised rate instead of enhanced rate. This resulted in short levy of life tax of ₹ 21.97 lakh.

After we pointed out the cases,

- DTC, Vijayawada and RTO, Hyderabad (North) stated (between November 2010 and February 2012) that action would be taken to collect the differential tax in respect of 36 vehicles.
- DTC, Guntur stated (December 2011) that notices were issued to owners of four vehicles.

¹⁰ Adilabad, Anantapur, Chittoor, Eluru, Kadapa, Karimnagar, Medak, Nellore, Nizamabad, Rangareddy, Srikakulam, Vijayawada and Warangal.

¹¹ Amalapuram, Anakapalle, Bheemavaram, Gudivada, Hyderabad (East, North, South, West) Mahabubnagar, Mancherial, Medchal, Nandyal, Nalgonda, Ongole, Rajahmundry, Siddipet, Tirupati and Vizianagaram.

¹² DTCs Adilabad, Eluru, RTOs – Bheemavaram, Gudivada, Rajamundry, Tirupathi and Vizianagaram.

¹³ DTCs Adilabad, Anantapur, Chittoor, Karimnagar, Nellore and Nizamabad. RTOs Amalapuram, Hyderabad (East, North and South), Mahabubnagar, Nalgonda, Ongole and Siddipet.

¹⁴ Anantapur, Guntur, Karimnagar and Vijayawada.

¹⁵ Hyderabad (North) and Medchal.

- The remaining authorities replied (between November 2010 and January 2012) that the matter would be examined and report submitted in due course.

Government may take necessary steps to update the Citizen Friendly Services in Transport department (CFST) package so as to ensure levy of Life tax on second/subsequent non transport vehicles as well as those owned by companies, institutions, societies and organisations at applicable rates and minimize scope for non/short levy of tax.

We referred the matter to the Department in June 2011 and March 2012 and to the Government in June 2012; their reply has not been received (January 2013).

As per the amended provisions of Section 3(2) of APMVT Act through an Ordinance (No. 2/2010) dated 2 February 2010*, the rate of life tax on construction equipment vehicles was 6.5 *per cent* of the cost of the vehicle if it was already registered and its age from the month of the registration was less than three years.

Rule 13 of AP MV Rules read with section 6 of AP MV Act specifies levy of penalty at the rate of one *per cent* of the life time or lumpsum tax for each calendar month or part thereof.

4.10.3 We noticed (January and February 2012) during the test check of the records of offices of the DTC, Adilabad and RTO, Siddipet that life tax on seven construction equipment vehicles was not levied/short levied. Besides, penalty leviable was also not levied. This resulted in non levy/short levy of life tax of ₹ 8.27 lakh and penalty of ₹ 2.79 lakh.

** This Ordinance was extended vide Ordinance No.5/2010 dated 20 April 2010 and replaced by Act No.11/2010 dated 31 July 2010.*

After we pointed out the cases,

- DTC, Adilabad replied (July 2012) that life tax of ₹ 1.33 lakh and entire penalty of ₹ 0.31 lakh was collected in one case and show cause notice was issued to the registered owner of another vehicle.
- RTO, Siddipet replied (February 2012) that steps would be taken to realise the pending amount.

We referred the matter to the Department in March 2012 and to the Government in June 2012; their reply has not been received (January 2013).

4.11 Non-levy of green tax

Government by an order (G.O.Ms.No.238, Transport, Roads and Buildings (TR.I)) dated 23 November 2006, levied “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 was ₹ 200 per annum for transport vehicles. In respect of non-transport vehicles, it was ₹ 250 for every five years in the case of motorcycles and for other vehicles, it was ₹ 500 for every five years.

We noticed (between September 2010 and February 2012) during test check of the records and analysis of data of 10 DTCs¹⁶ and 14 RTOs¹⁷ that green tax aggregating ₹ 1.30 crore in respect of 42,575 transport vehicles and 15,303 non-transport vehicles that had completed seven years and 15 years of age respectively was not

levied and collected for the period from April 2009 to March 2011.

After we pointed out the cases,

- RTO (Hyderabad-West) reported (May 2012) recovery of ₹ 9.95 lakh in respect of 2110 vehicles; further report in respect of 4583 vehicles is awaited.
- 17 DTCs/RTOs¹⁸ replied (between September 2010 and May 2012 in respect of 39,551 vehicles) that the system has the provision in such a way to collect green tax as and when the owners approached the office, for any transaction if the vehicle had completed 7/15 years of age. Therefore green tax could not be collected unless the owners approached for further transactions.

The reply is not tenable as green tax was not collected for the period covered by audit even though the owners of these vehicles had approached the Department’s office for transactions and had valid registration as on date.

- DTC, Nellore stated (December 2011 in respect of 7,566 vehicles) that action would be taken to collect green tax under intimation to audit.
- DTCs, Kadapa and Proddatur replied (January 2012 in respect of 964 vehicles) that transport vehicles paying taxes at e-seva and AP online were escaping payment of green tax. However, the same would be intimated to higher authorities.

¹⁶ Guntur, Kadapa, Karimnagar, Nellore, Nizamabad, Proddatur, Rangareddy, Vijayawada, Visakhapatnam and Warangal.

¹⁷ Gudivada, Hindupur, Hyderabad (East, North, South and West), Mahabubnagar, Medchal, Nalgonda, Nandyal, Ongole, Ranga Reddy (East), Siddipet and Tirupati.

¹⁸ DTCs Guntur, Karimnagar, Nizamabad, Rangareddy, Vijayawada and Warangal. RTOs Gudivada, Hindupur, Hyderabad (East, North and South), Mahabubnagar, Nalgonda, Nandyal, Ongole, Siddipet and Tirupati.

- DTC, Visakhapatnam and RTO, Rangareddy (East) replied (September and November 2011 in respect of 2,678 vehicles) that the matter would be examined and replies submitted to audit in due course.
- RTO Medchal replied (October 2010 in respect of 426 vehicles) that demand for green tax would be shown by the system only after completion of 15 years; hence there was no fault in collection of green tax.

Government may consider putting in place a proper monitoring mechanism as part of CFST package to raise alerts for demanding green tax on completion of 14 years 10 months in accordance with provisions of the Central Motor Vehicles Rules, 1989. Further, they may also introduce necessary mechanism to update the demand of green tax when payments are made at places other than office counters like APonline, e-seva etc.

We referred the matter to the Department in April 2012 and to the Government in June 2012; their reply has not been received (January 2013).

4.12 Non-levy of compounding fee

Under Section 200 of the Motor Vehicles (MV) Act, 1988, the Assessing Authority 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, in its order (G.O.Ms.No.332 Transport, Roads and Buildings (TR1) 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 for taking necessary action to suspend/cancel the licence/permit or to levy the compounding fee.

We noticed (between September 2010 and February 2012) during the test check of the VCR registers for the years 2009-10 and 2010-11 of JTC Hyderabad, 12 DTCs¹⁹ and 11 RTOs²⁰ that 2,038 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 ₹ 68.33 lakh.

¹⁹ Anantapur, Eluru, Kadapa, Kakinada, Karimnagar, Kurnool, Nellore, Nizamabad, Rangareddy, Srikakulam, Vijayawada and Visakhapatnam.

²⁰ Anakapalle, Hindupur, Hyderabad (East, North and South), Mahaboobnagar, Nalgonda, Nandyal, Proddatur, Siddipet and Vizianagaram.

After we pointed out the cases,

- 3 DTCs/RTO²¹ reported (April/June 2012) recovery of ₹ 0.75 lakh in 30 cases and issue of show cause notices in 15 cases.
- 16 DTCs/RTOs²² stated (between September 2010 and February 2012) that action would be taken to collect the fee in respect of 876 vehicles.
- DTCs Eluru and Kadapa stated (October and November 2010) that VCRs would be verified for 196 vehicles.
- RTO Vizianagaram replied (December 2010) that notices were issued to 50 vehicle owners.
- Three DTCs²³ replied (between October 2010 and November 2011) that payment particulars would be verified for 509 vehicles.
- RTO, Hindupur stated (October 2011) that action would be taken to dispose off VCRs in respect of 118 vehicles.
- Final reply had not been received in respect of remaining 244 vehicles.

We referred the matter to the Department between July 2011 and March 2012 and to the Government in June 2012; their reply has not been received (January 2013).

²¹ DTCs Kurnool and Visakhapatnam RTO Nandyal.

²² DTCs Anantapur, Eluru, Kadapa, Karimnagar, Nellore, Nizamabad, Rangareddy, Srikakulam and Vijayawada. RTOs – Anakapalle, Hyderabad (East, North and South), Mahabubnagar, Nalgonda, and Siddipet.

²³ DTCs – Kadapa, Kakinada and Srikakulam.

4.13 Non-realisation of bilateral tax and penalty

Interstate vehicular traffic of goods between one State and other States is regulated by bilateral agreement under the provisions of Motor Vehicles Act, 1988 and Rules made thereunder. In terms of Section 88 of the Motor Vehicles Act, a permit granted by State Transport Authority (STA)/Regional Transport Authority (RTA) of any one State/Region shall not be valid in any other State/Region, unless the permit has been countersigned by the STA of that state or by the RTA concerned.

As per the Government Order (G.O.Ms.No.38, Transport, Roads and Buildings (Tr. II) Department) dated 22 February 2000, tax of ₹ 3,000 per annum per State is to be levied under the APMVT Act, irrespective of the laden weight, on every goods carriage which is registered and normally kept in the states of Tamil Nadu, Karnataka, Maharashtra and Odisha covered by countersignature of permits and operating on the routes lying partly in the State of Tamil Nadu/Karnataka/Maharashtra/Odisha and partly in the State of Andhra Pradesh, in pursuance of the bilateral agreement entered into with the States of Tamilnadu, Karnataka, Maharashtra and Odisha. The tax shall be paid in advance in lumpsum before the 15th of April every year, failing which an additional sum of ₹ 100 for each calendar month of default shall be paid as penalty in addition to the tax.

Government enhanced the bilateral tax to ₹ 5,000 per annum through order No. 362 dated 16 December 2008. It was directed that in respect of the goods carriages covered by counter signature of permits granted earlier based on G.O. dated 22 February 2000 for which bilateral tax for the year ended 31 March 2008 was paid, the difference for the balance of the year was to be paid within 30 days from notification of the G.O.

We noticed (December 2010 and October 2011) during the test check of the office of the DTC, Srikakulam that bilateral tax was not collected in respect of 1,270 Odisha State vehicles, which were granted countersignature permits of Andhra Pradesh. A scrutiny of the countersignature permit registers in respect of Odisha State vehicles revealed that bilateral tax amounting to ₹ 64.20 lakh and penalty of ₹ 15.48 lakh for the years 2008-09 to 2010-11 was not collected. This resulted in non-realisation of bilateral tax and penalty of ₹ 79.68 lakh.

After we pointed the cases,

- DTC, Srikakulam replied (December 2010) that in respect of 52 vehicles pertaining to the period 2008-09 and 2009-10, the vehicles were Odisha based and as the vehicles were not plying in Andhra

Pradesh, the amount was not realised. However, action would be taken to realise the tax.

- In respect of 1,218 vehicles for the tax period 2010-11 it was stated (November 2011) that the checking officers would seize the vehicles and collect composite tax. Further, as the primary permits were issued by the Odisha State, the permits would be surrendered at respective RTA offices. Therefore, the details would be verified and compliance intimated to audit.

We referred the matter to the Department in March 2012 and to the Government in June 2012; their reply has not been received (January 2013).