

CHAPTER-IV

EXECUTIVE SUMMARY

Trend of revenue	The revenue realisation in 2011-12 was 16 <i>per cent</i> more than that of the previous year.
Revenue Impact of the Audit Reports	During the last five years, through our Audit Reports we had pointed out non/short levy of tax with revenue implication of ₹ 4.78 crore in 16 paragraphs. Of these, the Government/Department had accepted audit observations involving ₹ 3.95 crore and had since recovered only ₹ 1.23 crore.
Results of audit	<p>Test check of records of 48 offices of the Transport Department, conducted during the year 2011-12, disclosed underassessment of tax and other irregularities involving ₹ 2.65 crore in 738 cases.</p> <p>During the year 2011-12, the Department accepted underassessments of tax of ₹ 2.50 crore in 632 cases and reported recovery of ₹ 0.93 crore in 47 cases.</p>
What we have highlighted in this Chapter	<p>Non/short payment of tax on construction equipment vehicles, non-levy of tax and penalty on transport vehicles and in respect of vehicles violating conditions for surrender amounted to ₹ 1.20 crore in 145 cases.</p> <p style="text-align: right;">(Paragraph 4.7.1 to 4.7.3)</p>

CHAPTER-IV: TAXES ON MOTOR VEHICLES

4.1 Tax Administration

The provisions of the Karnataka Motor Vehicle Taxation (KMVT) Act, 1957 and rules made thereunder govern the levy and collection of taxes on motor vehicles. The levy of taxes on motor vehicles is administered by the Transport Department headed by the Commissioner for Transport who is assisted by Joint Commissioners of Transport. There are 55 Regional Transport Offices (RTOs)/Assistant Regional Transport Offices (ARTOs) and 15 checkposts in the State.

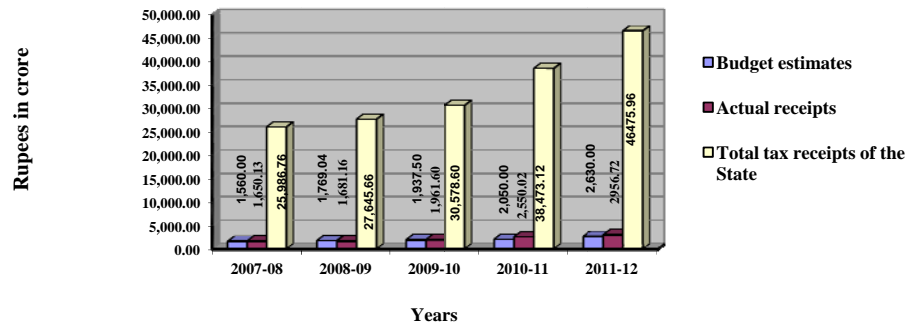
4.2 Trend of Receipts

Budget Estimates (BEs) and actual receipts from taxes on motor 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.

(₹ 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
2007-08	1,560.00	1,650.13	(+) 90.13	(+) 5.78	25,986.76	6.35
2008-09	1,769.04	1,681.16	(-) 87.88	(-) 4.97	27,645.66	6.08
2009-10	1,937.50	1,961.60	(+) 24.10	(+) 1.24	30,578.60	6.41
2010-11	2,050.00	2,550.02	(+) 500.02	(+) 24.39	38,473.12	6.63
2011-12	2,630.00	2,956.72	(+) 326.72	(+) 12.42	46,475.96	6.36

Graph 1 : Budget estimates, actual receipts and Total tax receipts



It is seen from the table that the revenue realisation in 2011-12 was 16 per cent more than that of the previous year. The Department reported (August 2012) that the increase in revenue was due to increase in registration of vehicle and continuous action of enforcement of vehicles and monitoring of revenue collection.

4.3 Cost of Collection

The gross collection of taxes on motor 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 All India average percentage of expenditure on collection to gross collection for the respective preceding years were as follows:

(₹ in crore)

Year	Gross collection	Expenditure on collection	Percentage of cost of collection to gross collection	All India average percentage for the preceding year
2009-10	1,962.62	36.35 ¹	1.85	2.93
2010-11	2,551.40	41.45	1.62	3.07
2011-12	2,958.43	47.49	1.61	3.71

As seen from the above, the percentage of cost of collection to the gross collection was lower than the All India average percentage for all the preceding three years.

4.4 Impact of Audit Reports

During the last five years, through our audit reports, we had pointed out non/short levy of tax with revenue implication of ₹ 4.78 crore in 16 paragraphs. Of these, the Government/Department had accepted audit observations involving ₹ 3.95 crore in 15 paragraphs and had since recovered ₹ 1.23 crore. The details are shown in the following table:

(₹ in crore)

Year of Audit Report	Paragraphs included		Paragraphs accepted		Amount recovered	
	Number	Amount	Number	Amount ²	Number	Amount ²
2007-08	04	1.40	04	1.39	02	0.17
2008-09	04	1.35	04	1.35	04	0.60
2009-10	02	0.19	02	0.13	02	0.12
2010-11	03	0.64	02	0.27	02	0.16
2011-12	03	1.20	03	0.81	02	0.18
Total	16	4.78	15	3.95	12	1.23

As seen from the table above, the recovery made by the Department is only 31 per cent of the amount involved in the total accepted cases.

We recommend that the Government may take measures to ensure expeditious recovery of revenue in respect of the accepted cases.

4.5 Working of Internal Audit Wing

The Internal Audit Wing (IAW) is functioning in the Transport Department since 1960. As against the sanctioned post of eight First Division Assistants and one Accounts Superintendent for Internal Audit, three posts of First Division Assistants were vacant.

¹ Indicates non-plan expenditure only. Plan expenditure for 2009-10 was ₹ 0.46 crore.

² Indicates the amount of acceptance and recovery in respect of individual cases included in the respective paragraphs.

As per the information furnished by the Department, the IAW had audited 67 out of 71 offices due for audit during 2011-12. Year-wise details of the number of objections raised, settled and pending along with tax effect, as furnished by the Department are as under:

(₹ in lakh)

Year	Observations raised		Observations settled		Objections pending	
	Number of cases	Amount	Number of cases	Amount	Number of cases	Amount
Upto 2007-08	352	154.85	564	108.51	-	46.34
2008-09	09	7.17	02	576.00	07	7.16
2009-10	15	9.18	-	-	15	9.18
2010-11	75	29.45	75	13.64	1,217	256.96
2011-12	73	16.95	1,217	256.96	73	16.95

As seen from the above, the number of paragraphs and amount do not tally. We had recommended earlier in 2009-10 that remedial action may be taken for reconciliation of figures and for speedy clearance of old objections. However, the discrepancy in figures continued during 2011-12 also.

We recommend that the Department accord due importance for follow up on internal audit.

4.6 Results of audit

Test check of records of 48 offices of the Transport Department, conducted during the year 2011-12, disclosed underassessment of tax and other irregularities amounting to ₹ 2.65 crore in 738 cases, which fall under the following categories:

SL. No.	Category	No. of cases	Amount (₹ in crore)
1.	Unauthorised removal of motor vehicle from declared place of garage	3	0.04
2.	Non/short levy of life time tax	28	0.11
3.	Non/short levy of quarterly tax	126	0.45
4.	Non/short levy of tax in respect of construction equipment vehicles	92	1.13
5.	Delay in realisation of DDs	135	0.10
6.	Non levy of second instalment of LTT on JCBs	73	0.52
7.	Non/short levy of tax	56	0.15
8.	Battery operated vehicles	23	0.09
9.	Non-levy of LTT in respect of Central/PSUs/Bank employees	22	0.01
10.	Non-levy of LTT on goods vehicle	4	0.01
11.	Other Irregularities	176	0.04
	TOTAL	738	2.65

During the year, the Department accepted under assessment of tax of ₹ 2.50 crore in 632 cases and reported recoveries of ₹ 0.93 crore in 47 cases.

A few illustrative audit observations involving ₹ 1.20 crore are mentioned in the succeeding paragraphs.

4.7 Non-observance of provisions of the Act/Rules

The KMVT Act, 1957 and the KMVT Rules, 1957 provide as under:

- Sections 3 and 3A for levy of tax and cess on tax in respect of all vehicles suitable for use on road at the rates specified in the Schedule to the Act.
- Section 4 for payment of tax in advance by the registered owners for a quarter or half year at his choice, within fifteen days from the commencement of such period.
- Section 12 for composition of offence for non-payment of tax in accordance with the provisions of the Act. Rule 29 of the KMVT Rules provides for composition for the offence on payment of a sum of 20 per cent of the arrears of tax due and at one per cent of the arrears of tax due for every defaulting month for transport and non-transport vehicles.
- As per Notification No TD/ 270/SEP/2010 dated 24.03.2011 life time tax was payable on Construction Equipment Vehicles without penalty from 1 April 2010 to 4 August 2010.
- Section 16 of KMVT Act, 1957 provides issue of notification for exemption of tax if it is necessary in public interest. Notification No TRD 45 SAEPA 2007, Bangalore, dated 6 September 2007 provides for exemption from payment of tax on motor vehicles registered in the State of Karnataka and not used on roads subject to certain conditions stated therein.
- We noticed in 12 RTOs that the above provisions were not fully followed by the concerned taxation authorities. This resulted in a number of discrepancies with short realisation of Government revenue amounting to ₹ 1.20 crore. Of these, the Department accepted audit observations of ₹ 80.75 lakh and recovered ₹ 17.61 lakh out of the accepted amount.

4.7.1 Non/ short payment of tax on Construction Equipment Vehicles

Construction Equipment Vehicles were taxable periodically up to March 2010 and life time tax from 1 April 2010 at the rate of 6.6 per cent (inclusive of cess at the rate of 10 per cent on the tax) based on their age. The life time tax was permitted to be paid in two instalments, the second instalment being payable within six months from the date of payment of first instalment. The cost of the vehicle is the cost as per the purchase invoice including excise duty and other taxes. Non/short payment of tax constitutes an offence and the KMVT Rules provide for composition of the offence on payment of 20 per cent of the arrears of tax due in case of taxes payable periodically/at one per cent for each month of default in respect of life time tax payable. Penalty was however, leviable from 5 August 2010 in case of life time tax.

We noticed (between July 2011 and March 2012) from test check of 'B' Registers³ and other connected records in nine RTOs⁴ non/short payment of

³ Registers maintained in the RTOs in which tax payments are recorded.

⁴ Gadag, Mysore west, Mandya, Tumkur, Hospet, Chitradurga, Ramanagaram, Chikkaballapur and Chikkamagaluru.

tax (periodical/life time tax) of ₹ 96.15 lakh in respect of 96 Construction Equipment Vehicles for different periods between April 2010 and March 2011. For default in payment, the registered owners also had to pay penalty by way of composition for the offence. The composition amount on the tax due worked out to ₹ 6.74 lakh. The concerned RTOs did not demand the tax amount of ₹ 96.15 lakh and consequently did not levy penalty. This resulted in non-realisation of revenue of ₹ 1.03 crore in respect of 96 vehicles.

After we reported the cases to the Government/Department in May and October 2012, the Government reported acceptance of ₹ 64.05 lakh in respect of 59 vehicles and out of these recovered ₹16.94 lakh in 11 cases and issued demand notices in the remaining 37 cases (December 2012).

4.7.2 Non-payment of tax and penalty on Transport Vehicles

Tax in respect of transport vehicles is payable quarterly, half yearly or annually at the discretion of the vehicle owner under the KMVT Act. Tax should be paid by the registered owner or person having possession or control of the vehicle in advance within fifteen days from the commencement of such quarter, half year or year. Non-payment/short payment of tax constitutes an offence and the KMVT Rules provide for composition of the offence on payment of 20 *per cent* of the arrears of tax due. This shall be recovered along with arrears of tax by the taxation authority concerned.

We noticed (between April 2011 and February 2012) from test check of 'B' Registers in three RTOs⁵ non/short payment of tax of ₹ 9.49 lakh for different periods between January 2007 and March 2011 in respect of 45 transport vehicles. A sum of

₹ 1.81 lakh could have

been realised by way of composition. The concerned RTOs did not demand the unpaid tax of ₹ 9.49 lakh. This resulted in short recovery of tax of ₹ 11.30 lakh including composition amount of ₹ 1.81 lakh.

After we reported the cases to the Government in May 2012, the Government reported acceptance of ₹ 11.30 lakh in respect of all the 45 vehicles, recovery of ₹ 0.67 lakh in four cases and issue of demand notices in the remaining 41 cases (December 2012).

⁵ Tumkur, Kolar and Mangalore.

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

KMVT Act provides for exemption of tax for registered owners who declare non-use of their vehicles. However, if the vehicle is not found during physical verification, tax is payable from the date of its non-use.

We noticed from test check of records in two RTOs⁶ that declarations of non-use of four motor vehicles were accepted between February 2008 and April 2009 by the Department. However, as per the report of inspection conducted between February 2009 and March 2011, the motor vehicles

were not found at the declared place. Consequently, exemption from payment of tax was not available and tax leviable from the date of surrender to March 2011 worked out to ₹ 5.40 lakh. But no action was taken to raise demand/recover the same.

After we reported the cases to the Government in May 2012, the Government reported acceptance and issued demand notices in all the cases (December 2012).

⁶ Ramanagaram and Shimoga.