

## EXECUTIVE SUMMARY – CHAPTER - V

<b>Tax collection and budget estimates</b>	The Department collected ₹ 1,587.13 crore during the year which registered a 19.21 <i>per cent</i> increase over the previous year.
<b>Very low recovery by the Department</b>	During the last four years, short/non-levy of tax, incorrect classification, irregular exemption etc. with revenue implication of ₹ 384.51 crore were pointed out in 1,419 paragraphs. Of these, the Department/Government accepted audit observations involving ₹ 15.58 crore and recovered ₹ 2.63 crore.
<b>Results of audit</b>	<p>In 2011-12 the records of 65 units relating to Motor Vehicles Department were test checked and irregularities involving ₹ 14.29 crore were detected in 409 cases.</p> <p>The Department accepted underassessment and other deficiencies of ₹ 6.53 crore in 267 cases, of which 110 cases involving ₹ 4.52 crore were pointed out in audit during the year 2011-12 and the rest in earlier years.</p>
<b>What is highlighted in this Chapter</b>	<p>A few illustrative cases involving ₹ 1.78 crore selected from observations noticed during the test check of records relating to levy and collection of motor vehicle tax in RTOs/SRTOs where Audit found that the provisions of the Act/Rules were not complied with.</p> <p>It is a matter of concern that similar omissions have been pointed out repeatedly in the Audit Reports for the past several years, but the irregularities persist, and remain undetected till it is pointed out in next audit.</p>
<b>Conclusion</b>	The Department needs to improve the internal control system so that weaknesses in the system are addressed and omissions of the nature detected by Audit are avoided in future.

## CHAPTER-V: TAXES ON VEHICLES

### 5.1 Tax administration

The Transport Department is under the control of Principal Secretary (Transport) at Government level and the Transport Commissioner is the head of the Department. The levy and collection of tax in the State are governed by the Motor Vehicles (MV) Act, 1988, Central Motor Vehicles (CMV) Rules, 1989 and the Kerala Motor Vehicles Taxation (KMVT) Act, 1976. The activities of the Department include registration of motor vehicles, levy and collection of motor vehicle tax, grant of driving licence and road permits.

### 5.2 Trend of receipts

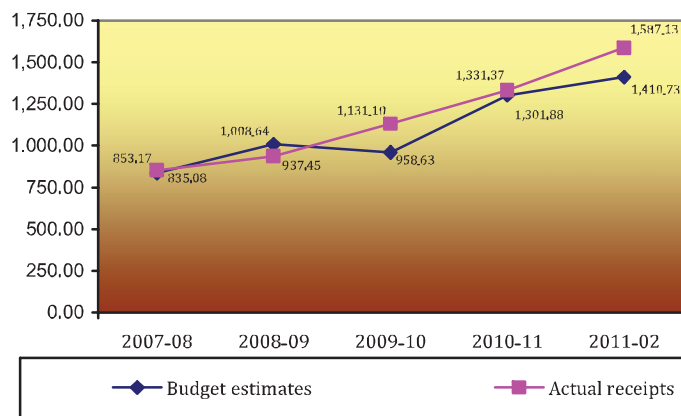
Actual receipts from taxes on motor vehicles during the years 2007-08 to 2011-12 along with the budget estimates during the same period is exhibited in the following table and graph.

(₹ in crore)

Year	Budget estimates	Actual Receipts	Variation	Percentage of variation	Total tax receipts of the State	Percentage of actual receipts vis-à-vis total tax receipts	Percentage of growth rate
2007-08	835.08	853.17	(+) 18.09	(+) 2.17	13,668.95	6.24	20.54
2008-09	1,008.64	937.45	(-) 71.19	(-) 7.06	15,990.18	5.86	9.88
2009-10	958.63	1,131.10	(+) 172.47	(+) 18.00	17,625.02	6.42	20.65
2010-11	1,301.88	1,331.37	(+) 29.49	(+) 2.26	21,721.69	6.13	17.70
2011-12	1,410.73	1,587.13	(+) 176.40	(+) 12.50	25,718.60	6.17	19.21

Source: Finance Accounts for the relevant years

**Budget estimates and actual receipts**



Except for 2008-09, the actual receipts exceeded the Budget Estimate during 2007-08 to 2011-12.

### 5.3 Cost of collection

The gross collection of revenue receipts under the head Taxes on vehicles, expenditure incurred on collection and the percentage of expenditure to gross collection during 2007-08 to 2011-12 alongwith the All India average percentage of expenditure on collection to gross collection for relevant preceding years are mentioned below:

Year	Collection*	Expenditure on collection of revenue*	Percentage of expenditure to gross collection	All India average percentage of the preceding year
	₹ in crore)			
2007-08	853.17	26.00	3.05	2.47
2008-09	937.45	30.05	3.21	2.58
2009-10	1,131.10	33.96	3.00	2.93
2010-11	1,331.37	35.55	2.67	3.07
2011-12	1,587.13	53.26	3.36	3.71

\*Source: Finance Accounts for the relevant years

From the table above it is seen that revenue collection showed an increasing trend consistently from 2007-08 onwards. Percentage of cost of collection was lower than All India average percentage during the years 2010-11 and 2011-12.

### 5.4 Impact of audit

#### Revenue impact

During the last four years, non/short levy of tax, incorrect classification, irregular exemption etc. with revenue implication of ₹ 384.51 crore were pointed out in 1,419 paragraphs. Of these, the Department/Government accepted 767 audit observations involving ₹ 15.58 crore and had since recovered ₹ 2.63 crore. The details are shown in the following table:

Year	₹ in lakh)					
	Paragraphs included in the LAR		Paragraphs accepted during the year		Amount recovered during the year	
	No.	Amount	No.	Amount	No.	Amount
2007-08	148	206.00	162	271.43	25	13.07
2008-09	404	398.00	138	604.64	131	77.66
2009-10	453	37,149.00	369	454.78	432	113.00
2010-11	414	698.00	98	227.20	125	59.04
<b>Total</b>	<b>1,419</b>	<b>38,451.00</b>	<b>767</b>	<b>1,558.05</b>	<b>713</b>	<b>262.77</b>

Though the Department accepted 767 cases involving ₹ 15.58 crore against 1,419 cases featured in the IRs it could recover only ₹ 2.63 crore which was 16.88 per cent of the accepted amount.

### 5.5 Working of Internal Audit Wing

Finance Officer attached to the office of the Transport Commissioner conducts annual audit of offices of the Deputy Transport Commissioners and RTOs. The Senior Superintendents attached to the office of the Deputy TC conduct internal audit of Sub RTOs. One Accounts Officer, one Senior Superintendent and three Clerks comprise the Internal Audit team in the office of the Transport Commissioner while a Senior Superintendent looks after the internal audit function at each of the four Deputy TC's offices. No special training has been imparted to the personnel of the Internal Audit Wing (IAW). The periodicity of audit of all offices is 'annual' but the Department could not achieve the target due to shortage of staff. Against the target of 66 units, 39 units were audited during 2011-12. The Department has not prepared a separate Internal Audit Manual. 1,299 paragraphs involving ₹ 99.38 lakh relating to 259 IRs remained outstanding at the end of March 2012.

**It is recommended that the IAW may be strengthened so that the planned audit target is achieved. Besides, a mechanism needs to be installed for timely settlement of the audit observations raised by the IAW.**

### 5.6 Results of audit

In 2011-12 the records of 65 units relating to Motor Vehicles Department were test checked. Non/short levy of tax and other irregularities involving ₹ 14.29 crore were detected in 409 cases which fall under the following categories :

(₹ in crore)			
Sl. No.	Categories	No. of cases	Amount
1	Short/non-levy of tax	164	2.50
2	Incorrect classification	3	0.03
3	Irregular exemption	11	0.18
4	Other lapses	231	11.58
<b>Total</b>		<b>409</b>	<b>14.29</b>

The Department accepted underassessment and other deficiencies of ₹ 6.53 crore in 267 cases, of which 110 cases involving ₹ 4.52 crore were pointed out in audit during the year 2011-12 and the rest in earlier years. An amount of ₹ 0.91 crore was realised in 118 cases during the year 2011-12.

A few illustrative observations involving ₹ 1.78 crore are mentioned in the following paragraphs.

### **5.7 Other audit observations**

*The records of various\* Transport Offices were scrutinised which revealed several cases of non-compliance of the provisions of the Motor Vehicles Act, 1988 (MV Act) and the Kerala Motor Vehicles Taxation Act (KMVT Act), 1976 and Government notifications as mentioned in the succeeding paragraphs in this chapter. These cases are illustrative and are based on a test check. Such omissions on the part of the Regional Transport Officers (RTOs) are pointed out by audit each year but not only do the irregularities persist but also these remain undetected till an audit is conducted. There is need for the Government to improve the internal control system so that occurrence of such cases can be minimised.*

### **5.8 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 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/fine of ₹ 1.78 crore as mentioned in paragraphs 5.8.1 to 5.8.5.*

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\* Regional Transport Offices, Joint Regional Transport Offices and Sub Regional Transport Offices

### 5.8.1 Non/short levy of one time tax on value on percentage basis

(11<sup>1</sup> RTOs and 29<sup>2</sup> SRTOs)

Section 3(1) of the Kerala Motor Vehicles Taxation Act, 1976 as amended by the Finance Act 2007 and Finance Act 2010 stipulates that one time tax is leviable on the purchase value of certain categories of vehicles at percentage basis depending on the age of vehicle from the month of original registration. The one time tax is leviable in the case of vehicles such as motor cycles, three wheelers, PSVs (non-transport), construction equipment vehicles and motor cars which are originally registered in other States on or after 1 April 2007 and migrated to Kerala State and vehicles registered on or after 1 April 2007 and reclassified from the category of transport vehicles. The revised rate of one time tax leviable in respect of vehicles having engine capacity above 1,500 cc is eight *per cent* of the purchase value of the vehicle and six *per cent* of purchase value in respect of vehicles having engine capacity below 1,500 cc.

The registration table and tax table in the database were analysed (October to December 2011) and noticed that the Department at the time of reclassification and assigning new registration of vehicles did not levy one time tax in respect of 432 vehicles though these vehicles were liable to tax. This resulted in short levy of tax of ₹ 77.71 lakh.

After the matter was pointed out between October 2010 and December 2011, the Registering Authorities stated that action would be taken to realise the

short collections. Further, developments from the Department have not been received (December 2012).

<sup>1</sup> RTOs: Ernakulam, Idukki, Kannur, Kasargode, Kollam, Kottayam, Muvattupuzha, Palakkad, Pathanamthitta, Thrissur and Wayanad.

<sup>2</sup> SRTOs: Alathur, Aluva, Changanassery, Cherthala, Irinjalakuda, Guruvayoor, Kanhangad, Kanjirappally, Karunagappally, Kodungallur, Kottarakkara, Mallappally, Mannarkkad, Mattancherry, North Paravur, Nedumangad, Ottapalam, Pala, Pattambi, Perumbavoor, Punalur, Thalassery, Thaliparamba, Thiruvalla, Thirupunithura, Tirur, Vandiperiyar, Vaikom and Wadakkancherry.

- (10 RTOs<sup>3</sup> and 27 SRTOs<sup>4</sup>; between October 2010 and November 2011).

The database was analysed and it was noticed that the registering authorities realised one time tax at less than the prescribed rate in 37 RTOs/SRTOs. The total short levy worked out to ₹ 46.73 lakh in 1,152 cases.

After the cases were pointed out between October 2010 and November 2011, the Registering authority stated that action would be taken to realise the short collection. The matter was reported to the Government (March 2012). They stated (July 2012) that ₹ 3.10 lakh was collected in 67 cases and that the remittance particulars in the remaining cases would be intimated. Further report has not been received (December 2012).

### **5.8.2 Non-imposition of fine**

(9 RTOs<sup>5</sup> and 19 SRTOs<sup>6</sup>)

Under Section 113 of the MV Act 1988, 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 the above provisions shall be punishable with minimum fine of ₹ 2,000 and an additional amount of ₹ 1,000 per tonne of excess load together with liability to pay charges for off loading the excess load.

It was noticed (October 2010 to November 2011) from the check report table of the database and the pending check reports<sup>7</sup> relating to the period upto 2010-11 that 28 RTOs/SRTOs did not collect fine in respect of 503 over loaded vehicles. This resulted in non-imposition of ₹ 24.86 lakh.

After the cases were pointed out between October 2010 and November 2011, the Registering authority stated that action would be taken to

realise the non-collection. Further developments from the Department have not been received (December 2012).

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<sup>3</sup> RTOs: Alappuzha, Attingal, Kollam, Kottayam, Muvattupuzha, Palakkad, Pathanamthitta, Thrissur, Thiruvananthapuram and Wayanad.

<sup>4</sup> SRTOs : Alathur, Aluva, Chengannur, Cherthala, Guruvayoor, Irinjalakuda, Kanjirappally, Karunagapally, Kayamkulam, Kazhakuttam, Kottarakara, Mallappally, Mannarkkad, Mavelikkara, Nedumangad, Neyyattinkara, Ottapalam, Pala, Parassala, Pattambi, Perumbavoor, Punalur, Thalassery, Thaliparamba, Thiruvalla, Thodupuzha and Vaikom.

<sup>5</sup> RTOs: Ernakulam, Idukki, Kannur, Kasargode, Malappuram, Muvattupuzha, Palakkad, Pathanamthitta and Thrissur

<sup>6</sup> SRTOs : Adoor, Alathur, Changanassery, Guruvayoor, Irinjalakuda, Kodungallur, Mallappally, Mannarkkad, Ottapalam, Pattambi, Perinthalmanna, Perumbavoor, Ponnani, Thalassery, Thaliparamba, Thodupuzha, Vaikom, Vandiperiyar and Wadakkanchery.

<sup>7</sup> Check reports, not defined in Motor Vehicles Act/Rule, are prepared by enforcement officer of Motor Vehicles Department at the time of detecting the offence, recording the nature of offence and the details of fine imposed.

### 5.8.3 Short collection of permit fee for educational institution buses

(2 RTOs<sup>8</sup> and 7 SRTOs<sup>9</sup>)

The Motor Vehicles Act, 1988 as amended by Motor Vehicles (Amendment) Act, 2000 prescribes contract carriage permit for educational institution buses (EIBs). Government of India, Ministry of Road Transport and Highways in their letter<sup>10</sup> reiterated and clarified that EIBs are contract carriages. Accordingly, the State Government in August 2008 directed the Transport Commissioner to issue contract carriage permit for all newly registered educational institution buses and for all the existing EIBs on the expiry of Private Service Vehicle permits issued to them. However, the Transport Commissioner complied with the direction only in June 2009. The fee prescribed for contract carriage permits are ₹ 2,000, ₹ 2,500 and ₹ 3,000 for vehicles having seats below 13, 13 to 20 and above 20, respectively.

The database was analysed (October 2010 and November 2011) and noticed that 9 RTOs/SRTOs issued/renewed private service vehicle permits to 586 EIBs @ ₹ 500 from August 2008 instead of issuing contract carriage permits. Issue (August 2008 to March 2010) of Private Service Vehicle permits instead of contract carriage permits resulted in short collection of permit fee of ₹ 13.77 lakh in 586 cases.

After the cases were pointed out between December 2010 and March

2011, the registering authorities stated that action would be taken to make good the short levy. Further developments from the Department have not been received (December 2012).

<sup>8</sup> RTOs : Idukki and Malappuram.

<sup>9</sup> SRTO: Alathur, Perinthalmanna, Ponnanni, Thalassery, Thaliparamba, Tirur and Vandiperiyar.

<sup>10</sup> Letter No. RT-11012/32/008 MVT dt: 28 August 2006



#### **5.8.4 Incorrect exemption of one time tax**

(RTO Thiruvananthapuram and Kollam)

Section 3(1) of the Kerala Motor Vehicles Taxation Act, 1976 stipulates levy of tax on every motor vehicle used or kept for use in the State at the rate specified for such vehicle in the Schedule. The second proviso to the above Section as amended by the Kerala Finance Act 2010 envisages levy of one time tax in respect of motor cycle, three wheelers, private service vehicle for personal use, construction equipment vehicles and motor cars at the rates prescribed. Government by notification exempted certain classes of motor vehicles from the payment of tax which includes motor vehicles owned by or on behalf of Government of Kerala, Road Rollers, Fire Engines, Ambulances etc.

The database was analysed (July and October 2011) and noticed that the Department granted exemption from payment of tax to 43 vehicles belonging to Central Government/autonomous bodies treating these vehicles at par with vehicles owned by the State Government. The incorrect exemption from levy of tax resulted in non-realisation of one time tax of ₹ 9.26 lakh.

The matter was pointed out to the registering authorities concerned in July and October 2011. While the RTO, Kollam stated that action has been taken to make good the short levy, RTO, Thiruvananthapuram stated (July 2011) that exemption was granted as per order of the High Court. The reply of RTO, Thiruvananthapuram is not acceptable as the order mentioned was only an interim order staying the levy of tax. Further, the interim stay order was decided (May 2011) by which the writ appeals were dismissed in favour of revenue. Further developments from the Department have not been received (December 2012).

### 5.8.5 Short levy of tax on stage carriages with mofussil permits

(2 RTOs<sup>11</sup> and SRTO<sup>12</sup>)

Rule 269 of the Kerala Motor Vehicles Rules, 1989 stipulates that the minimum seating capacity of a stage carriage shall be directly proportionate to the wheel base of the vehicle. The seating capacity determines the tax due on stage carriage. 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 mofussil permit only on enhancement of seating capacity to the minimum prescribed in the Rule.

The database relating to stage carriages was analysed (Between January and October 2011) and noticed that RTOs/SRTOs transferred vehicles to other jurisdictions by granting mofussil permits to 14 vehicles. They collected tax based on reduced seating capacity of the vehicles instead of collecting tax on the minimum seating capacity. This resulted in short collection of tax of

₹ 5.88 lakh.

After the cases were pointed out between January and October 2011, the registering authorities stated that the matter would be examined and action taken to make good the short levy. Further developments from the Department have not been received (December 2012).

<sup>11</sup> RTOs : Kottayam and Palakkad

<sup>12</sup> SRTO : Thalassery