

## CHAPTER-IV

### EXECUTIVE SUMMARY

<b>Trend of revenue</b>	The revenue realisation in 2012-13 is 3,829.52 crore which is 29.52 <i>per cent</i> more than that of the previous year.
<b>Revenue Impact of the Audit Reports</b>	During the last five years, through our Audit Reports we had pointed out non/short levy of tax with revenue implication of ₹ 6.76 crore in 15 paragraphs. Of these, the Government/Department had accepted audit observations involving ₹ 5.68 crore and had since recovered ₹ 3.71 crore.
<b>Results of audit</b>	<p>Test check of records of 55 offices of the Transport Department, conducted during the year 2012-13, disclosed underassessment of tax and other irregularities involving ₹ 7.83 crore in 2,158 cases.</p> <p>During the year 2012-13, the Department accepted underassessments of tax of ₹ 7.14 crore in 2008 cases and reported recovery of ₹ 1.38 crore in 80 cases.</p>
<b>What we have highlighted in this Chapter</b>	<p>Non/short payment of tax on construction equipment vehicles, non-levy of tax on non-transport vehicles and non-payment of quarterly tax amounted to ₹ 3.38 crore in 592 cases.</p> <p style="text-align: right;"><b>(Parargraph 4.7.1 to 4.7.3)</b></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 58 Regional Transport Offices (RTOs)/Assistant Regional Transport Offices (ARTOs) and 15 checkposts in the State.

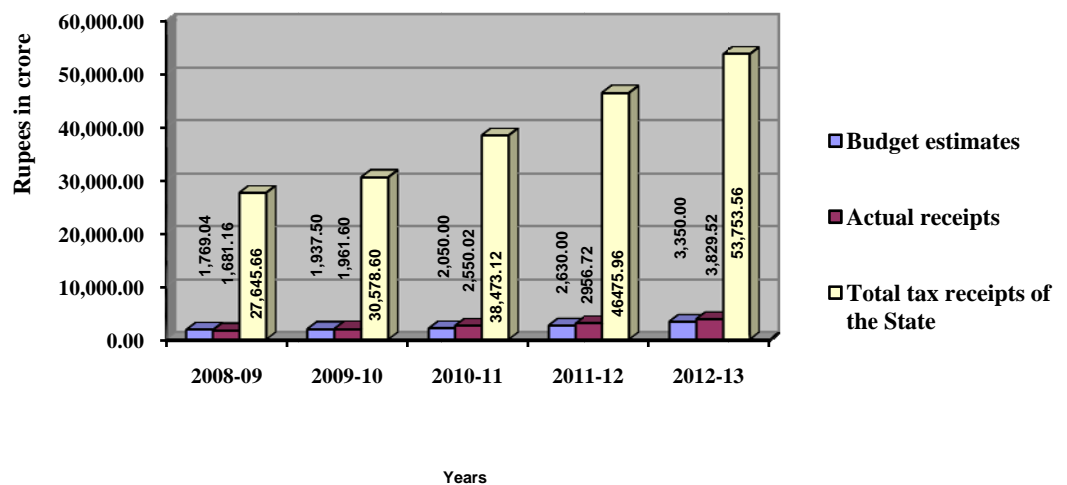
### 4.2 Trend of receipts

Budget Estimates (BEs) and actual receipts from taxes on motor vehicles during the years 2008-09 to 2012-13 along with the total tax receipts during the same period is exhibited in the following table and graphs.

Table 4.1: Trend of receipts

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
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
2012-13	3,350.00	3,829.52	(+) 479.52	(+) 14.31	53,753.56	7.12

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



It is seen from the table that the revenue realisation in 2012-13 was 29.5 *per cent* more than that of the previous year. The Department reported that the increase in revenue was due to increase in registration of new vehicles.

### 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 2010-11 2011-12 and 2012-13 along with All India average percentage of expenditure on collection to gross collection for the respective preceding years were as follows:

**Table 4.2: Cost of collection**

Year	Gross collection	Expenditure on collection	Percentage of cost of collection to gross collection	All India average percentage for the preceding year
	(₹ in crore)			
2010-11	2,551.40	48.44	1.90	3.07
2011-12	2958.43	57.64	1.95	3.71
2012-13	3832.78	98.48	2.57	2.96

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 ₹ 6.76 crore in 15 paragraphs. Of these, the Government/Department had accepted audit observations involving ₹ 5.68 crore in 14 paragraphs and had since recovered ₹ 3.71 crore. The details are shown in the following table:

**Table 4.3: Compliance with earlier Audit Reports**

Year of Audit Report	(₹ in crore)					
	Paragraphs included		paragraphs accepted		Amount recovered	
	Number	Amount	Number	Amount <sup>1</sup>	Number	Amount <sup>1</sup>
2008-09	04	1.35	04	1.36	04	0.61
2009-10	02	0.19	02	0.17	02	0.16
2010-11	03	0.64	02	0.30	02	0.20
2011-12	03	1.20	03	0.81	02	0.18
2012-13	03	3.38	03	3.04	03	2.56
<b>Total</b>	<b>15</b>	<b>6.76</b>	<b>14</b>	<b>5.68</b>	<b>13</b>	<b>3.71</b>

As seen from the table above, the recovery made by the Department is 65.32 *per cent* of the amount involved in the total accepted cases.

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

### 4.5 Working of Internal Audit Wing

The Internal Audit Wing (IAW) is functioning in the Transport Department since 1960.

<sup>1</sup> 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, out of 73 offices due for audit during 2012-13, 53 (72.6 per cent) were audited. Year-wise details of the number of objections raised, settled and pending along with tax effect, as furnished by the Department are as under:

**Table 4.4: Inspection by IAW**

(₹ in lakh)

Year	Observations raised		Observations settled		Objections pending	
	Number of cases	Amount	Number of cases	Amount	Number of cases	Amount
Upto 2008-09	503	120.86	105	15.32	398	105.54
2009-10	51	17.71	12	2.25	39	15.46
2010-11	74	14.54	23	3.13	51	11.41
2011-12	107	53.42	27	6.50	80	46.92
2012-13	79	116.82	16	17.63	63	99.19
<b>Total</b>	<b>814</b>	<b>323.35</b>	<b>183</b>	<b>44.83</b>	<b>631</b>	<b>278.52</b>

We recommend that effective action may be taken by the Department to settle the pending paragraphs.

#### 4.6 Results of Audit

Test check of records of 55 offices of the Transport Department, conducted during the year 2012-13, disclosed underassessment of tax and other irregularities amounting to ₹ 7.83 crore in 2,158 cases, which fall under the following categories:

**Table 4.5: Results of audit**

(₹ in crore)

Sl. No.	Category	No. of paragraphs	No. of cases	Amount
1	Non-realisation of DDs and delay in realisation of DDs	09	334	0.23
2	Short/non-levy of Life Time Tax in respect of construction equipment vehicles	32	431	3.72
3	Non/shot levy of Life Time Tax on non-transport vehicles	39	723	3.77
4	Non-demand/collection of Quarterly Tax	07	65	0.10
5	Other irregularities	07	605	0.01
	<b>Total</b>	<b>94</b>	<b>2,158</b>	<b>7.83</b>

During the year 2012-13, the Department accepted under assessments of tax of ₹ 7.14 crore in 2,008 cases and reported recoveries of ₹ 1.38 crore in 80 cases.

A few illustrative audit observations involving ₹ 3.38 crore are mentioned in the succeeding paragraphs.

#### 4.7 Non-observance of provisions of the Acts/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 for payment of a sum at 20 per cent of the arrears of tax due and at one percent of the arrears of tax due for every defaulting month.*
- *As per Notification No TD/ 270/SEP/2010 dt 24.03.2011 life time tax (LTT) was payable on Construction Equipment vehicles without penalty from 1April 2010 to 4<sup>th</sup> August 2010.*
- *As per the Karnataka Motor Vehicles Taxation (Second Amendment) Act, 2011, LTT is to be levied on vehicles owned by Central Government employees, defence personnel, employees of public sector undertakings owned by Government of India including Nationalised banks, other than those 'which were brought with them to the State of Karnataka on transfer, for which lifetime tax or periodical tax had already been paid in other States or Union Territories'.*
- *We noticed in 27 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 ₹ 3.38 crore. The Department accepted audit observations in respect of 3 paragraphs relating to 526 vehicles involving ₹ 3.04 crore and recovered ₹ 2.56 crore relating to 443 vehicles.*

#### 4.7.1 Non-raising of demand of LTT on non-transport vehicles

Under the KMVT Act 1957, motor cars and jeeps owned by Central Government employees, defence personnel, employees of public sector undertakings owned by Government of India including Nationalised banks, were taxed periodically as per part A of schedule of motor vehicle taxes.

The Act was amended in December 2011 and all employees of Central Government/defence/ public sector undertaking were liable to pay Life Time Tax except those who came on transfer and had paid tax in that state.

The LTT in respect of new registration was leviable from 29 December 2011 and from the date of expiry of periodical tax in case of registration prior to date of amendment coming into force.

concerned.

After we pointed out these cases between May 2012 and June 2013, the Department/Government, accepted our observation in all the cases and recovered ₹ 1.81 crore in 313 cases. In respect of the remaining 55 cases demand notices were issued.

We noticed in 22 RTOs<sup>2</sup> between April 2012 and November 2012, from test check of 'B' registers<sup>3</sup> that 368 non-transport vehicles belonging to employees of Central Government, Defence, Nationalised banks and Public Sector Undertakings were liable for LTT after December 2011 amounting to ₹ 2.11 crore. This was not demanded by the RTOs

<sup>2</sup> RTO – Belgaum, Shimoga, Gulbarga, Mandya, Mysore(West), Jnanabharathi, Chickmagalur, Raichur, Sakleshpur, Koramangala, Mangalore, Udupi, Bellary, Yeshwantpur, Bailhongal, Gokak, K.G.F, Indiranagar, K.R.puram, Yelahanka, Mysore (East), Bagalkot.

<sup>3</sup> Registers maintained in the RTOs in which tax payments are recorded.

### 4.7.2 Non-demand/short levy of Life Time tax on construction equipment vehicles

Under the KMVT Act, 1957, construction equipment vehicles were required to pay quarterly tax up to March 2010 at the rate of ₹ 200 for every 1,000 kgs or part thereof in unladen weight.

However, as per amendment with effect from 1.4.2010, these vehicles were required to pay LTT at the rate of six *per cent* of the cost of vehicle, after providing for depreciation as per age of the vehicle. The LTT was to be paid in two instalments. The first instalment was payable at the time of registration or on expiry of the quarterly tax paid prior to 31 March 2010. The second instalment for the balance amount was to be paid within six month from the date of payment of first instalment.

As per Note (b) to the amendment, cost of the vehicle for the purpose of LTT is 'the value of the vehicle as endorsed in the Bill of entry under the Customs Act, together with customs duty, freight charges and other taxes levied'.

We noticed in 18 RTOs<sup>4</sup> between April 2012 and February 2013, from test check of 'B' registers and Registration files that LTT of ₹ 1.20 crore was not demanded/short levied in respect of 181 construction equipment vehicles as detailed below:

**4.7.2.1** In respect of 22 cases, the vehicle owners had not paid, even the first instalment of LTT amounting to ₹ 23.07 lakh. In 143 cases, second instalment of LTT of ₹ 94.01 lakh was not paid by the vehicle owners. No action was taken by the RTOs concerned to demand and collect LTT in these cases.

After we pointed out, the Department/Government accepted our observation in 119 cases and recovered ₹ 68.32 lakh in 93 cases and issued demand notices in 26 cases involving ₹ 17.45 lakh. Replies in the remaining 46 cases involving ₹ 31.31 lakh are awaited (December 2013).

**4.7.2.2** We noticed 16 cases in RTO, Hospet where LTT was levied on the invoice value of the vehicle amounting to ₹ 5.13 crore instead of the value as per bill of entry of ₹ 5.50 crore. This resulted in short levy of LTT of ₹ 2.49 lakh.

After we pointed out, the Department/Government accepted our observation and recovered the tax due in all the 16 cases.

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<sup>4</sup> RTO – Gokak, Chickmagalur, Mysore (East), Gulbarga, Bailhongal, Jnanabharathi, Hospet, Mysore (West), Koramangala, Mandya, Yeshwanthpur, Koppal, Udupi, Sakleshpura, Bellary, Chikodi, Yelahanka, Belgaum.

### 4.7.3 Non-demand/short levy of quarterly tax

Section 3 of the KMVT Act, 1957, provides for levy of tax on all motor vehicles that are suitable for use on roads. Tax for different categories of vehicles is to be paid at the rates specified in the schedule to the Act. The tax levied shall be paid by the registered owner of the vehicles in advance, for a quarter, half year or annually, within fifteen days from the commencement of such period. In addition a cess at 10 *per cent* of the tax amount up to 31 March 2011 and at 11 *per cent* from 1 April 2011 was also payable.

During test check of 'B' register, Registration file in three<sup>5</sup> RTOs between January 2012 and September 2012, we found that quarterly taxes amounting to ₹ 10.99 lakh for tax periods between January 2008 to March 2012 were not paid by 52 vehicle owners.

After this being pointed out, the concerned RTOs stated as follows:

In nine cases involving ₹ 3.65 lakh, the vehicle owners had paid the tax, but entry was omitted in the register and now it has been made.

In 23 cases involving ₹ 4.66 lakh, the Department/Government accepted our audit observation and recovered ₹ 4.52 lakh in 21 cases and issued demand notices in two cases. Replies in the remaining 20 cases are awaited (December 2013).

<sup>5</sup> RTO – Chickballapur, Ramanagar and Udipi.