

**Chapter IV**  
**Taxes on Vehicles**

## EXECUTIVE SUMMARY – CHAPTER - IV

<b>Tax collection and budget estimates</b>	The Department collected ₹ 1,924.62 crore during the year 2012-13 which registered an increase of 21.26 <i>per cent</i> over the previous year.
<b>Very low recovery by the Department</b>	During the last four years, non/short levy of tax, incorrect classification, irregular exemption etc. with revenue implication of ₹ 396.74 crore were pointed out in 1,680 paragraphs. Of these, the Department accepted ₹ 19.40 crore and recovered ₹ 7.02 crore which was only 36.18 <i>per cent</i> of the accepted amount.
<b>Results of audit</b>	<p>In 2012-13, the records of 68 units were test checked and irregularities involving ₹ 9.55 crore in 370 cases were detected.</p> <p>The Department accepted 240 cases involving ₹ 5.81 crore and recovered ₹ 1.76 crore in 197 cases.</p>
<b>What is highlighted in this Chapter</b>	<p>This chapter includes a few illustrative cases involving ₹ 1.69 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-IV: TAXES ON VEHICLES

### 4.1 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.

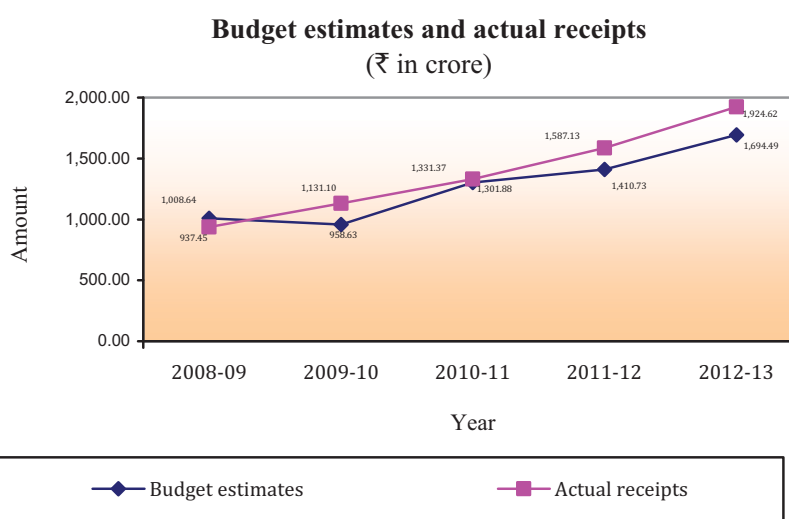
### 4.2 Trend of receipts

Actual Receipts from taxes on motor vehicles during the years 2008-09 to 2012-13 along with the budget estimates during the same period are 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 to total tax receipts	Percentage of growth over previous year
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
2012-13	1,694.49	1,924.62	(+) 230.13	(+) 13.58	30,076.61	6.40	21.26

Source: Finance Accounts of the relevant years



Actual receipts showed a growth rate of 21.26 *per cent* for the year 2012-13, which was the highest during the last five years. Audit noticed variation of 13.58 *per cent* between the budget estimates and actual receipts during the year. The Department stated that the variation was due to collection of arrear amount.

### 4.3 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 from 2008-09 to 2012-13 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)			
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
2012-13	1,924.62	58.30	3.03	2.96

\*Source: Finance Accounts for the relevant years and departmental figures.

From the table above it is seen that though the revenue collection showed an increasing trend, the expenditure on collection of revenue has also increased consistently from 2008-09 onwards. Percentage of expenditure to gross collection for the year 2012-13 was higher than All India average percentage for the preceding year.

### 4.4 Impact of audit

During the last four years, non/short levy of tax, incorrect classification, irregular exemption etc. with revenue implication of ₹ 396.74 crore were pointed out in 1,680 paragraphs. Of these, the Department/Government accepted 872 audit observations involving ₹ 19.40 crore and had since recovered ₹ 7.02 crore. The details are shown in the following table:

Year	(₹ in lakh)					
	Paragraphs included in the IRs		Paragraphs accepted during the year		Recovery during the year	
	No.	Amount	No.	Amount	No.	Amount
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
2011-12	409	1,429.00	267	653.00	110	452.00
<b>Total</b>	<b>1,680</b>	<b>39,674.00</b>	<b>872</b>	<b>1,939.62</b>	<b>798</b>	<b>701.70</b>

Though the Department accepted 872 cases involving ₹ 19.40 crore against 1,680 cases featured in the Local Audit Reports, it could recover ₹ 7.02 crore which was only 36.18 *per cent* of the accepted amount.

#### 4.5 Working of Internal Audit Wing

Finance Officer attached to the office of the Transport Commissioner (TC) conducts annual audit of offices of the Deputy Transport Commissioners and Regional Transport Officers (RTOs). The Senior Superintendents attached to the office of the Deputy TC conduct internal audit of Sub RTOs. Two Accounts Officers, one Senior Superintendent, one Junior Superintendent and three Clerks comprise the Internal Audit team in the office of the Transport Commissioner. The internal audit function of the Deputy TC's offices in four zones is looked after by eight Senior Superintendents and eight clerks (two each in each zones). 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 86 units, 72 units were audited during 2012-13. The Department has not prepared a separate Internal Audit Manual. 1,347 paragraphs involving ₹ 96.38 lakh relating to 265 IRs remained outstanding at the end of March 2013. The IAW could clear only 6.65 *per cent* of the outstanding paras during the year.

**Audit recommends 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.**

#### 4.6 Results of audit

In 2012-13 records of 68 units relating to the Motor Vehicles Department were test checked. Non/short levy of tax and other irregularities involving ₹ 9.55 crore were detected in 370 cases which fall under the following categories:

(₹ in crore)			
Sl. No.	Categories	No. of cases	Amount
1	Short/non-levy of tax	161	3.49
2	Incorrect classification	16	0.22
3	Irregular exemption	11	0.06
4	Other lapses	182	5.78
<b>Total</b>		<b>370</b>	<b>9.55</b>

The Department accepted underassessment and other deficiencies of ₹ 11.58 crore in 470 cases, of which 240 cases involving ₹ 5.81 crore were pointed out in audit during the year 2012-13 and the others in earlier years. An amount of ₹ 1.76 crore was realised in 197 cases during the year 2012-13.

A few illustrative audit observations involving ₹ 1.69 crore are discussed in the following paragraphs.

#### **4.7 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/SRTOs did not observe some of the above provisions which resulted in non/short levy of tax/fine of ₹ 1.69 crore as mentioned in paragraphs 4.7.1 to 4.7.5.*

#### 4.7.1 Short levy of one time tax

*One time tax on vehicles realised was less than those prescribed as per the statutes.*

(12 RTOs/17 SRTOs)<sup>1</sup>

Section 3(1) of the KMVT Act, 1976 as amended by the Finance Act 2010, prescribes levy of one time tax at the time of registration of new vehicles at the rates prescribed in Annexure I of the Finance Act. With effect from 1 April 2010 tax prescribed was eight *per cent* of the purchase value of the vehicle for motorcars and omnibuses used for personal purpose having 1,500 cc or more engine capacity and in respect of motorcycles, motor cars, omnibuses with engine capacity less than 1,500 cc and construction equipment vehicles at the rate of six *per cent*.

A scrutiny of the Registration table and Tax table in the data base of 29 RTOs/SRTOs for the years 2010-11 and 2011-12, during the period from May 2011 to November 2012 revealed short collection of one time tax amounting to ₹ 35.84 lakh in 617 cases due to application of incorrect rate of tax or due to depiction of incorrect value of the vehicle.

After these cases were pointed out to the Department (between May 2011 and November 2012) and to the Government (February 2013), the Department stated (between June and December 2012) that ₹ 1.82 lakh had been collected against 24 cases. Further report has not been received (February 2014).

<sup>1</sup> **RTOs:** Alappuzha, Ernakulam, Idukki, Kannur, Kasargode, Kottayam, Kozhikode, Malappuram, Muvattupuzha, Thiruvananthapuram, Thrissur and Vada kara.

**SRTOs:** Alathur, Chengannur, Cherthala, Irinjalakuda, Kanjirappally, Kayamkulam, Koduvally, Kothamangalam, Kottarakkara, Ottapalam, Pattambi, Punalur, Thalassery, Thaliparamba, Thiruvalla, Tirur and Vaikom.

#### **4.7.2 Non-levy of fine on overloaded vehicles**

***Fine as prescribed in the Act, was not realised on overloaded vehicles.***

(10 RTOs/18 SRTOs)<sup>2</sup>

Under Section 79 of the Act, while issuing goods carriage permit, the authority shall mention the maximum gross vehicle weight of the vehicles used in the permit. Under Section 113 of MV Act, 1988, no person shall drive any motor vehicle or trailer, the laden weight of which exceeds the gross vehicle weight specified in the certificate of registration. The power to have a vehicle weighed is entrusted with the officers of the Motor Vehicles Department under Section 114 of the Act. Under Section 194 of the Act, whoever drives a motor vehicle or causes or allows a motor vehicle to be driven in contravention to the provisions of Section 113 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.

In 28 RTOs/SRTOs audit scrutiny (between January and December 2012) revealed that as per check reports, vehicles were found carrying weight in excess of limit prescribed in the registration certificate issued under the Act. The officers who inspected the vehicles did not offload and allowed them to proceed without levying the fine prescribed in the Act. This resulted in non-levy of fine of ₹ 27.97 lakh in 510 cases.

On these being pointed out (between December 2011 and November 2012) the Department recovered (between May and December 2012) ₹ 2.34 lakh in 40 cases.

Further report has not been received (February 2014).

The matter was reported (March 2013) to Government; their reply has not been received (February 2014).

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<sup>2</sup> **RTOs** : Alappuzha, Ernakulam, Kannur, Kasargode, Kottayam, Kozhikode, Malappuram, Muvattupuzha, Palakkad and Pathanamthitta.

**SRTOs** : Alathur, Aluva, Chalakudy, Cherthala, Guruvayur, Irinjalakuda, Koduvally, Koyilandy, Kothamangalam, Mattancherry, Mavelikkara, North Parur, Parassala, Pattambi, Perumbavoor, Punalur, Thalassery and Thaliparamba.



### 4.7.3 Short collection of tax due to misclassification of vehicles

(RTO, Kozhikode)

Under Section 3 of the KMVT Act, 1976, tax payable on Educational Institution Bus (EIB) is ₹ 1,000 per quarter whereas contract carriages having seating capacity of more than 20 which are registered as EIBs are liable to pay tax at the rate of ₹ 750 per passenger per quarter. EIB means an omnibus which is owned by a college, school or other educational institution and used solely for the purpose of transporting students or staff of the educational institution in connection with any of its activities as defined under Section 2(11) of the MV Act, 1988.

In RTO, Kozhikode, contract carriages registered in the name of a person was misclassified as EIB and tax realised at the rate of ₹ 1,000 per quarter instead of at ₹ 750 per person per quarter. The misclassification of contract carriage as EIB resulted in short collection of tax of ₹ 4.57 lakh for 2007-2012.

After this being pointed out to Department (November 2012) and to Government in March 2013, the Government accepted (November 2013) the audit observation and issued demand notice for ₹ 4.15 lakh instead of ₹ 4.57 lakh. Variation in the amount has not been explained. Further report has not been received (February 2014).

### 4.7.4 Short levy of tax on stage carriages with mofussil<sup>3</sup> permits

(2 RTOs, September 2012 and October 2012)

Tax shall be levied on stage carriages for use in the State at the rates prescribed in the Schedule which is based on the seating capacity (Section 3 (1) of KMVT Act, 1976). Minimum seating capacity of a stage carriage shall be directly proportional to the wheel base of the vehicle (Rule 269 of Kerala Motor Vehicles Rules, 1989). Under the Rule, the minimum number of seats may be reduced by one fifth in respect of stage carriages operating as city/town service.

Audit observed that RTOs Kottayam and Kannur collected tax on the reduced seating capacity from nine stage carriages with mofussil permits. Those stage carriages with mofussil permits were allowed a reduction of one fifth of the total seats and tax was worked out based on the

seating capacity arrived at as if they were stage carriages operating as city/town service. This resulted in short levy of tax of ₹ 5.49 lakh for the period 2006-2012.

After we pointed out the cases (September and October 2012), both RTOs stated (September and October 2012) that in three cases demand notices were issued and in two cases steps were taken to enhance the seating capacity and collection

<sup>3</sup> Places beyond the town/city limits.

particulars would be intimated later. In the remaining cases it was stated that details would be intimated later. Further report has not been received (February 2014).

The matter was reported to Government (March 2013); their reply has not been received (February 2014).

#### **4.7.5 Non/short levy of one time tax on conversion of transport vehicle to non-transport vehicle on percentage basis**

(14 RTOs/33 SRTOs)<sup>4</sup>

Section 3(1) of the KMVT Act, 1976 as amended by Finance Act 2007 and Finance Act 2010 stipulates that one time tax shall be levied 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, Private Service Vehicles (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.

One time tax as stipulated under the Act is levied on new vehicles registered in the State for the first time. It is also leviable on transport vehicles which are reclassified into non-transport vehicles and also on vehicles registered in other States but migrated to the State.

For the vehicles registered in the State on or after 1 April 2007 and re-classified as non-transport vehicle from the category of transport vehicle, the rate of one

time tax payable shall be determined on percentage basis with respect to the age of vehicle from the month of original registration. The details of the vehicles produced for registration and tax levied on them are entered in the registration table and tax table of the data base of RTOs/SRTOs.

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<sup>4</sup> **RTOs:** Alappuzha, Ernakulam, Idukki, Kannur, Kasargode, Kollam, Kottayam, Kozhikode, Malappuram, Muvattupuzha, Palakkad, Thiruvananthapuram, Thrissur and Vadakara.

**SRTOs:** Alathur, Aluva, Changanassery, Cherthala, Irinjalakuda, Kanhangad, Kanjirappally, Kayamkulam, Koduvally, Kothamangalam, Kottarakkara, Koyilandy, Kunnathoor, Mallappally, Mannarkkad, Mattancherry, Mavelikkara, North Parur, Neyyattinkara, Ottapalam, Pala, Pattambi, Perumbavoor, Punalur, Ranny, Thalassery, Thaliparamba, Thiruvalla, Thodupuzha, Thripunithura, Tirur, Vaikom and Wadakkanchery.

A scrutiny of the Registration table and Tax table in the data base of 47 RTOs/SRTOs for the years 2010-12 during November 2011 to December 2012 revealed that the registering authority did not levy/short levied one time tax between February 2010 and October 2012 in 622 vehicles migrated from other States/reclassified vehicles due to adoption of incorrect values. This resulted in short levy of tax of ₹ 94.82 lakh.

After this being pointed out to the Department (between November 2011 and December 2012) it was stated that demand notices would be issued to realise the dues. Further report has not been received (February 2014).

This was reported to Government in February 2013; their reply has not been received (February 2014).