

CHAPTER IV
TAXES ON VEHICLES

Executive Summary

Increase in tax collection	In 2012-13, collection of revenue from taxes on vehicles increased by <i>27 per cent</i> over the previous year which was attributed by the Department to revision of tax with effect from 1 April 2012.
Results of audit in 2012-13	<p>In 2012-13, test check of the records of 24 units revealed non/short collection of tax, fees, penalty, etc amounting to ₹ 64.34 lakh in 50 cases.</p> <p>The Department accepted non/short collection of tax, fees, penalty and other deficiencies in 42 cases and recovered ₹ 36.79 lakh; of which ₹ 2.85 lakh involved in four cases were pointed out during the year and the rest in earlier years.</p>
Highlights	<p>In this Chapter, Audit findings of illustrative cases involving ₹ 44.69 lakh selected during test check of records in the regional transport offices due to non observance of the provisions of the Acts/Rules are presented.</p> <p>Similar omissions have been pointed out by Audit in the earlier Audit Reports also, but the Department had not taken corrective action though these mistakes were apparent from the records made available to Audit.</p>
Conclusion	The Department needs to improve the internal control system including strengthening of internal audit so that the weaknesses in the system are addressed and omission of the nature detected by audit are avoided in future. It also needs to initiate action to recover the non/short levies pointed out by Audit.

CHAPTER IV TAXES ON VEHICLES

4.1 Tax administration

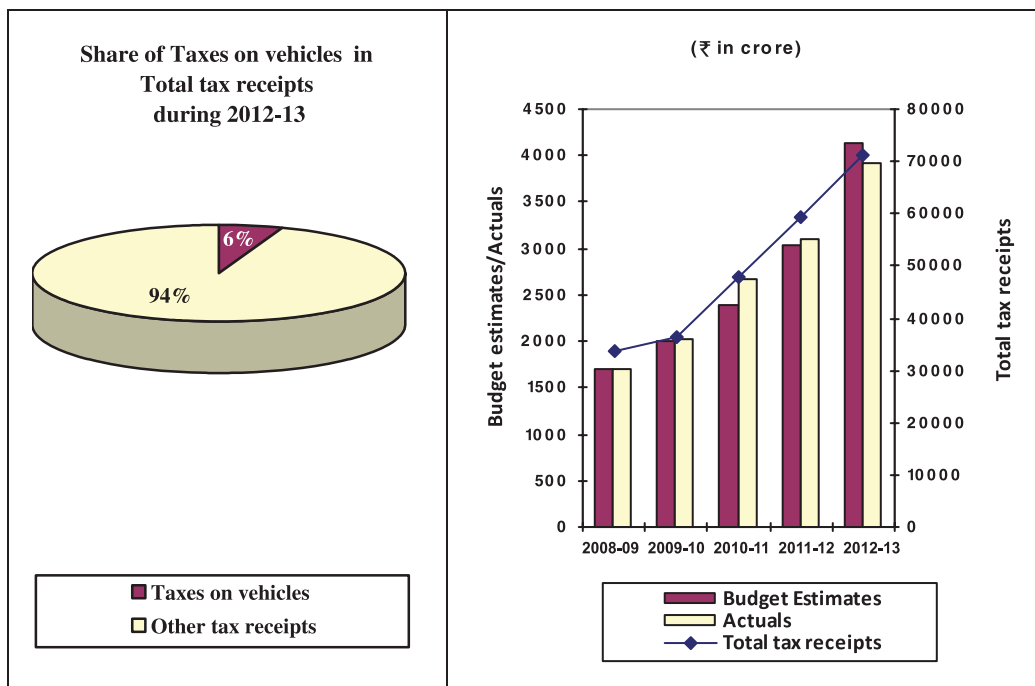
The Transport Department of the Government of Tamil Nadu administers the provisions of the Motor Vehicles Act, 1988, the Central Motor Vehicles Rules, 1989, the Tamil Nadu Motor Vehicles Rules, 1989 and the Tamil Nadu Motor Vehicles Taxation Act and Rules, 1974.

4.2 Trend of receipts

Actual receipts from taxes on vehicles during the last five years from 2008-09 to 2012-13 along with the total tax receipts during the same period are exhibited in the following table:

(₹ in crore)						
Year	Budget estimates	Actuals	Variation excess (+)/ short fall (-)	Percentage of variation	Total tax receipts of the State	Percentage of actual receipts <i>vis-à-vis</i> total tax receipts
2008-09	1,707.60	1,709.57	(+) 1.97	(+) 0.12	33,684.37	5.08
2009-10	1,994.38	2,024.64	(+) 30.26	(+) 1.52	36,546.66	5.54
2010-11	2,396.42	2,660.05	(+) 263.63	(+) 11.00	47,782.17	5.57
2011-12	3,033.11	3,101.09	(+) 67.98	(+) 2.24	59,517.66	5.21
2012-13	4,141.11	3,928.43	(-) 212.68	(-) 5.14	71,254.27	5.51
Source: Finance Accounts of Government of Tamil Nadu						

A bar diagram depicting budget estimates, actual receipts of taxes on vehicles and total tax receipts of the State and a pie chart depicting the position of taxes on vehicles receipts in the total tax receipts are given below:



In 2012-13, collection of revenue from taxes on vehicles increased by 27 per cent over the previous year which was attributed by the Department to revision of tax with effect from 1 April 2012.

4.3 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2013 along with the figures for the preceding four years, as furnished by the Department, are given in the following table:

(₹ in crore)					
Year	Opening balance	Addition	Total	Amount collected during the year	Closing balance
2008-09	3.61	6.58	10.19	6.60	3.59
2009-10	3.59	7.28	10.87	7.75	3.12
2010-11	3.12	26.37	29.49	27.48	2.01
2011-12	2.01	48.85	50.86	49.15	1.71
2012-13	1.71	48.78	50.49	48.42	2.07

As per the details furnished by the Department, the arrears as on 31 March 2013 includes ₹ 1.95 crore outstanding for more than five years. Demands amounting to ₹ 1.60 crore were covered under the Revenue Recovery Act. Demands of ₹ 0.02 crore were stayed by the High Court and other judicial authorities. ₹ 0.05 crore is likely to be written off and ₹ 0.40 crore is under various stages of recovery.

It is recommended that the Government may consider fixing targets for collection of old arrears in a time bound manner and closely monitor the performance of the Departmental officers vis-à-vis the set targets.

4.4 Cost of collection

The gross collection in respect of taxes on vehicles, expenditure incurred on collection and percentage of such expenditure to gross collection during the years 2010-11, 2011-12 and 2012-13 along with the relevant all India average percentage of expenditure on collection to gross collection for the previous years are given in the following table:

(₹ in crore)

Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average percentage for the previous years
2010-11	2,660.05	104.10	3.91	3.07
2011-12	3,101.09	106.07	3.42	3.71
2012-13	3,928.43	147.84	3.76	2.96
Source: Finance Accounts of Government of Tamil Nadu				

The above table indicates that the expenditure on collection during the year 2012-13 was higher than the all India average for previous year.

The Government needs to take appropriate measures to bring down the cost of collection.

4.5 Impact of Audit Reports

4.5.1 Revenue impact

During the last five years, Audit pointed out underassessments and other irregularities with revenue implication of ₹ 249.85 crore in six paragraphs. Of these, the Department/Government accepted audit observations involving ₹ 4.72 crore and since recovered ₹ 0.33 crore. The details are shown in the following table:

(₹ in crore)

Year of Audit Report	Paragraphs included		Accepted money value	Amount recovered
	Number	Money value		
2007-08	1	240.00	3.61	0.04
2008-09	1	0.37	0.37	0.20
2009-10	3	7.79	0.74	0.09
2010-11	1	1.69	0.00	0.00
2011-12	-	0.00	0.00	0.00
Total	6	249.85	4.72	0.33

The Government may institute a mechanism to monitor the position of recoveries in the cases pointed out in the Audit Reports and take necessary steps for early collection.

4.6 Working of internal audit wing

The details of number of offices due for internal audit and those completed, as furnished by the Department, are given in the following table:

Year	Number of offices due	Number of offices completed	Balance	Percentage of col.3 to 2
1	2	3	4	5
2008-09	62	62	NIL	100
2009-10	63	63	NIL	100
2010-11	63	63	NIL	100
2011-12	63	50	13	79
2012-13	70	0	70	0

4.7 Results of audit

Test check of records of 24 Departmental offices conducted during the period from April 2012 to March 2013 revealed underassessments and other irregularities amounting to ₹ 0.64 crore in 50 cases, which broadly fall under the following categories.

(₹ in lakh)			
Sl. No.	Category	No. of cases	Amount
1	Non/short collection of tax	24	24.31
2	Non/short collection of fees	8	5.33
3	Non/short collection of penalty	9	25.18
4	Others	9	9.52
Total		50	64.34

During the course of the year 2012-13, the Department accepted underassessments and other deficiencies in 42 cases and recovered ₹ 36.79 lakh; out of which, ₹ 2.85 lakh involved in four cases were pointed out during the year and the rest in earlier years.

4.8 Audit observations

Audit test checked the records in the offices of the Transport Department and noticed cases of non-observance of the provisions of the Acts/Rules resulting in non/short levy of tax/fee as mentioned in the succeeding paragraphs in this chapter. These cases are illustrative and based on test checks carried out by Audit. Although such omissions are pointed out every year, the irregularities persist and remain undetected till the next audit is conducted. There is need for the Government to consider directing the Department to improve the internal control systems including strengthening of internal audit so that such omissions can be avoided, detected and corrected.

4.9 Non-compliance of the provisions of the Acts/Rules

The provisions of the Motor Vehicles Act, 1988, the Tamil Nadu Motor Vehicles Taxation Act, 1974 and the Rules made thereunder require payment of taxes at the time of registration of vehicles and annually, wherever applicable, obtaining of permits, licence etc., as per the rates prescribed in the schedule to the Act.

Audit noticed non-compliance of the provisions of the Acts/Rules in some cases as mentioned in paragraphs 4.9.1 and 4.9.2 which resulted in non/short realisation of revenue of ₹ 44.69 lakh.

4.9.1 Short collection of motor vehicle tax due to adoption of incorrect rate

As per Article 2 III (a) of First Schedule to the Tamil Nadu Motor Vehicles Taxation Act, 1974, tax on vehicles permitted to ply as stage carriages exclusively within the Madras Metropolitan Area shall be leviable at ₹ 80 per seat per quarter. In respect of other cases, tax shall be leviable at ₹ 400 per seat per quarter. Surcharge is also leviable in addition to tax.

The Government issued orders³⁸ in November 2006 revising the contiguous area notified as Chennai Metropolitan area in order to extend the Chennai Metropolitan service from the existing distance of 40 Kms. to 50 Kms. The revised contiguous areas of City of Chennai as comprising the Chennai metropolitan area are specified in the Schedule appended to the Notification. The Metropolitan

Transport Corporation (MTC) is permitted to ply within the contiguous areas of Chennai city.

Audit observed from test check of records in the office of the Regional Transport Officer, Chennai Central (July 2011 and July 2012), that MTC operated stage carriage buses during the years 2010-11 and 2011-12 to four³⁹ areas which are not covered in the areas notified as Chennai Metropolitan area. Ten buses involving 660 seats during 2010-11 and 23 buses involving 1,626 seats during 2011-12 were operated. Though tax at the rate of ₹ 500 (including surcharge) per seat per quarter was required to be collected, only ₹ 100 (including surcharge) per seat per quarter was collected. This resulted in short collection of tax of ₹ 36.58 lakh for the years 2010-11 and 2011-12 in respect of three areas. In respect of the fourth i.e., Kancheepuram, the details of number of stage carriage buses operated by MTC were not available and hence short collection could not be worked out.

After Audit pointed this out (July 2011/August 2012), the Department accepted the audit observation (April 2013) and issued demand notice for ₹ 36.58 lakh. Further report regarding collection is awaited (December 2013).

Audit reported the matter to the Government in April 2013. Reply of the Government is awaited (December 2013).

³⁸ G.O. Ms. No. 1067 Home (Transport I) Department dated 06.11.2006
³⁹ Chengalpet, Kancheepuram, Mammallapuram and Wallajabad.

4.9.2 Non collection of motor vehicle tax

As per the Tamil Nadu Motor Vehicles Taxation Act, tax shall be levied on every motor vehicle used or kept for use in the State of Tamil Nadu at the rate specified in the Schedules. The tax shall be paid either quarterly, half yearly or annually. The tax due shall be paid within such period, not being less than seven days or more than forty five days from the commencement of the quarter, half year or year as may be prescribed. If the tax due in respect of any motor vehicle was not paid within the prescribed period, the tax due shall be paid along with prescribed penalty.

By issue of an Order⁴⁰ in April 2009, Government exempted Tamil Nadu State Transport Corporation (TNSTC), Villupuram from payment of tax for five years with effect from February 2009 in respect of four specially designed air conditioned buses. These buses were meant for 'HOP-ON HOP-OFF' sight-seeing tours in Chennai City subject to the condition that the said motor vehicles had to be used only for these tours.

Audit observed from test check of records in the office of the Regional Transport Officer,

Chennai (Central) along with the records of MTC, Chennai that these buses were transferred to MTC, Chennai in September, 2011 and operated as airport coaches from Airport to Central Railway Station (two buses) and to Anna Nagar West Bus Stand (two buses) from November 2011. Since the vehicles were not owned by TNSTC, Villupuram and were also not used for sight-seeing tour schemes in Chennai City, no exemption from payment of tax was allowable from October 2011 onwards. However, the Department failed to collect motor vehicle tax from MTC, Chennai for the period from October 2011 to May 2012 though it was collected from June 2012 onwards. This resulted in non-collection of tax of ₹ 8.11 lakh.

⁴⁰

G.O.Ms.No.327 Home(Transport-I) Department, dated 22.04.2009

After Audit reported the matter to the Department (April 2013), the Regional Transport Officer (Chennai Central) raised a demand for ₹ 8.11 lakh in May 2013. Further report is awaited (December 2013).

Audit reported the matter to the Government in May 2013. Their reply is awaited (December 2013).