

## **CHAPTER V**

### **TAXES ON VEHICLES**

#### **5.1 Tax Administration**

The Transport Department of Government of Andhra Pradesh is governed by Motor Vehicles (MV) Act, 1988, Central Motor Vehicles (CMV) Rules, 1989, Andhra Pradesh Motor Vehicles Taxation (APMVT) Act, 1963, Andhra Pradesh Motor Vehicles Taxation Rules, 1963 and Andhra Pradesh Motor Vehicles Rules, 1989. The Transport Department is primarily responsible for enforcement of provisions of Acts and Rules framed thereunder which *inter alia* include provisions for collection of taxes, fees, issue of driving licences, certificates of fitness to transport vehicles, registration of motor vehicles, grant of regular and temporary permits to vehicles. The Department is headed by Principal Secretary (Transport, Roads and Buildings Department) at Government level. Transport Commissioner (TC) is in charge of the Department. At District level, there are Deputy Transport Commissioners (DTCs) and Regional Transport Officers (RTOs) who in turn are assisted by Motor Vehicle Inspectors (MVIs) and other staff.

#### **5.2 Internal Audit**

Internal Audit provides a reasonable assurance of proper enforcement of laws and Departmental instructions, and this is a vital component of the internal control framework. There was no system of internal audit in the Department to ascertain compliance with Rules / Government orders by the Department.

### 5.3 Results of Audit

Test-check of records of 20 offices of Transport Department conducted during the year 2015-16 showed preliminary audit observations involving underassessment of tax and other irregularities involving ₹ 21.83 crore in 107 cases, which broadly fell under the categories as given in Table 5.1.

**Table 5.1: Results of Audit**

(₹ in crore)			
Sl.No.	Category	No. of cases	Amount
1.	Non-levy of Quarterly Tax and Penalty	20	14.95
2.	Non-monitoring of renewal of Fitness Certificates	20	2.50
3.	Non-levy of Green Tax	20	1.09
4.	Non-realisation of Compounding Fee	20	0.80
5.	Non-realisation of Bilateral Tax and Penalty	3	0.22
6.	Non/short levy of Life Tax	18	0.19
7.	Other irregularities	6	2.08
<b>Total</b>		<b>107</b>	<b>21.83</b>

During the year 2015-16, the Department accepted under-assessment and other deficiencies of ₹ 2.14 crore in ten cases. An amount of ₹ 0.11 crore was realised in four cases during the year 2015-16. A few illustrative cases involving ₹ 10.21 crore are discussed in the succeeding paragraphs.

### 5.4 Non-realisation of Quarterly Tax and penalty

Section 3 of APMVT Act, 1963 stipulates that every owner of a motor vehicle is liable to pay tax at the rates specified by the Government from time to time. Section 4 of the Act read with Government order<sup>115</sup> stipulates that tax shall be paid in advance either quarterly, half yearly or annually within one month from the commencement of the quarter. As per Section 6 of the Act read with Rule 13 of the APMVT Rules, 1963, penalty for belated payment of tax beyond two months from the beginning of the quarter shall be leviable at twice the rate of quarterly tax in cases of detection and at 50 *per cent* in cases of voluntary payment.

During the scrutiny of records and analysis of data in the offices of eight DTCs<sup>116</sup> and six RTOs<sup>117</sup>, Audit observed (between April 2015 and March 2016) that quarterly tax of ₹ 4.37 crore for the years 2012-13 to 2014-15 was neither paid by the owners of 3,014 transport vehicles nor demanded by the Department. Besides, penalty of ₹ 2.19 crore at fifty *per cent* of quarterly tax for delay over two months in all the cases was to be levied. Not doing so resulted in non-realisation of tax and penalty amounting to ₹ 6.56 crore.

After Audit pointed out these cases, RTO, Gudivada replied (August 2016) that ₹ 5.34 lakh was collected in 22 cases, registration was cancelled in 16 cases and show-cause notices had been issued in the remaining cases.

<sup>115</sup> G.O.Ms.No.96, Transport, Roads & Buildings (Tr-II) Department, dated 21 May 1993.

<sup>116</sup> Anantapur, Kadapa, Kakinada, Ongole, Srikakulam, Vijayawada, Visakhapatnam and Vizianagaram.

<sup>117</sup> Anakapalle, Gudivada, Nandigama, Proddatur, Rajamahendravaram and Tirupati.

DTC, Anantapur and Srikakulam replied (April and June 2015) that show-cause notices were issued for collection of tax and penalty. DTC, Vijayawada replied (June 2015) that action would be taken by issue of notices for collection of tax with penalty. The remaining authorities replied (between April 2015 and March 2016) that details of the vehicles would be verified and action taken under intimation to Audit.

The matter was referred to the Department in August 2016 and to the Government in September 2016; replies have not been received (December 2016).

### **5.5 Non-monitoring of renewal of Fitness Certificates**

As per Section 56 of the MV Act, 1988, a transport vehicle shall not be deemed to be validly registered, unless it carries a certificate of fitness issued by the prescribed authority. As per Rule 62 of the CMV Rules, 1989, the certificate of fitness in respect of the transport vehicles shall be renewed every year. Rule 81 of CMV Rules prescribes the fee for conducting fitness test of a vehicle for grant and renewal of the certificate of fitness. Non-renewal of Fitness Certificates (FC) jeopardises road safety besides loss of revenue to Government towards FC fee.

During the scrutiny of FC granting registers in the offices of 11 DTCs<sup>118</sup> and eight RTOs<sup>119</sup>, Audit observed (between April 2015 and March 2016) that there was no inbuilt mechanism in the Department's software package (Citizen Friendly Services in Transport Department (CFST)) to monitor validity of FC. Audit observed that during the year 2014-15, FCs of 69,214 transport vehicles had not been renewed. Non-renewal of FC led to loss of renewal fee of ₹ 1.63 crore.

After Audit pointed out these cases, DTC, Kakinada replied (April 2015) that none of the vehicles was inspected by motor vehicle inspectors and contested that since no inspection was done, no fee needed to be collected. RTOs, Bhimavaram and Proddatur replied (March 2016) that taxes for the vehicles pointed out by Audit were paid online where no check for verification of FC was available. The reply was not acceptable as under Section 56 of MV Act, it was mandatory to renew FC. Further, allowing vehicles to ply without verifying their fitness would be unsafe for all the road users. As the enforcement staff cannot check every vehicle plying without FC, an inbuilt mechanism needs to be put in place to monitor the validity of fitness certificates by giving alerts. The remaining authorities replied (between April 2015 and March 2016) that FC fee would be collected as and when the registered owner approached the Department for renewal and the enforcement staff seize the vehicles plying on road without valid FCs.

<sup>118</sup> Anantapur, Eluru, Guntur, Kadapa, Kakinada, Kurnool, Nellore, Ongole, Srikakulam, Visakhapatnam and Vizianagaram.

<sup>119</sup> Anakapalle, Bhimavaram, Gudivada, Hindupur, Nandigama, Proddatur, Rajamahendravaram and Tirupati.

The matter was referred to the Department in August 2016 and to the Government in September 2016; replies have not been received (December 2016).

## **5.6 Non-levy of Green Tax**

As per Government order<sup>120</sup> dated 23 November 2006, “green tax” shall be levied on the transport vehicles and non-transport vehicles completing 7 and 15 years of age, respectively, from the date of registration. The rate of tax is ₹ 200 per annum for transport vehicles, ₹ 250 per annum for motorcycles and ₹ 500 for other vehicles for every five years.

During scrutiny of data related to Green Tax in the offices of 10 DTCs<sup>121</sup> and four RTOs<sup>122</sup>, Audit observed (between April 2014 and March 2016), that green tax aggregating ₹ 86.22 lakh on 21,002 transport vehicles and 4,274 non-transport vehicles, which had completed 7 and 15 years of age respectively, was not levied for the period from April 2012 to March 2015.

While exploring reasons for non-levy of green tax, Audit observed that in the CFST package, in respect of non-transport vehicles, levy of green tax is linked with renewal of registration, as green tax is also to be collected after 15 years. However, as per provisions of CMV Rules, registration of a vehicle can be renewed 60 days before expiry of its validity. Hence, vehicles, whose registrations were renewed before completion of 15 years, escaped payment of green tax.

Similarly, in respect of transport vehicles, payment of green tax was linked in CFST package with granting of fitness certificate, which is also due every year. Vehicles that did not turn up for fitness certificate escaped payment of green tax. This could have been avoided by linking payment of green tax with renewal of FC or with other procedures like issue of permits, payment of quarterly tax etc.

After Audit pointed out these cases, DTC, Vijayawada replied (June 2015) that their computer software was designed in such a way that it would prompt for payment of green tax only if the vehicle had completed 7 or 15 years of age as the case may be and so green tax can not be collected unless the vehicle was in existence and in operation. The remaining authorities replied (between April 2014 and March 2016) that green tax would be demanded by the system after completion of the prescribed period and hence any amount due would be collected as and when the owners approached that office for any transaction.

The matter was referred to the Department in August 2016 and to the Government in September 2016; replies have not been received (December 2016).

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<sup>120</sup> G.O.Ms.No.238, Transport, Roads and Buildings (TR.I) Department, dated 23 November 2006

<sup>121</sup> Anantapur, Eluru, Guntur, Kadapa, Kakinada, Kurnool, Nellore, Srikakulam, Vijayawada and Vizianagaram.

<sup>122</sup> Anakapalle, Hindupur, Nandigama and Narasaraopet.

## 5.7 Non-realisation of Compounding Fee

As per Section 200 of MV Act, 1988 read with Government order<sup>123</sup>, offences like overloading, driving without licence, registration certificate, fitness certificate, under age driving, driving at excessive speed, wrong parking etc. are punishable under the Act, may be compounded by collecting fee at the rates specified by the Government. In case, compounding fee was not collected on the spot, the Vehicle Check Reports (VCRs) had to be sent to the Regional Transport Authorities concerned for collection of the compounding fee.

During scrutiny of the data relating to VCRs for the years 2012-13 to 2014-15 of the offices of 12 DTCs<sup>124</sup> and 8 RTOs<sup>125</sup>, Audit observed (between April 2015 and March 2016) that in 1,737 VCRs, compounding fee for offences relating to violation of transport laws was not realised. Compounding fee not realised amounted to ₹ 78.63 lakh.

After Audit pointed out these cases, RTOs, Bhimavaram (September 2016) and Gudivada (August 2016) replied that ₹ 4.96 lakh was collected in 104 cases and show-cause notices were issued in the remaining cases. RTO, Hindupur replied (October 2016) that action had been initiated for recovery. The remaining authorities replied (between April 2015 and March 2016) that action would be taken for collection of compounding fee under intimation to Audit.

The matter was referred to the Department in August 2016 and to the Government in September 2016; replies have not been received (December 2016).

## 5.8 Non-realisation of Bilateral Tax and penalty

Interstate vehicular traffic of goods is regulated by bilateral agreements under the provisions of MV Act and Rules made thereunder. In terms of Section 88 of the MV Act, a permit granted by State Transport Authority (STA) / Regional Transport Authority (RTA) of any State/Region shall not be valid in any other State/Region, unless the permit had been countersigned by the STA of that State or by the RTA concerned.

As per Government Order<sup>126</sup> dated 16 December 2008, bilateral tax of ₹ 5,000 per annum shall be levied on every goods carriage covered by countersignature permit which are normally registered in the states of Karnataka, Maharashtra, Odisha and Tamil Nadu and were plying in Andhra Pradesh. Tax shall be paid in advance in lumpsum before fifteenth of April

<sup>123</sup> G.O.Ms.No.108, Transport, Roads and Buildings (TR.I) Department, dated 18 August 2011.

<sup>124</sup> Anantapur, Eluru, Guntur, Kadapa, Kakinada, Kurnool, Nellore, Ongole, Srikakulam, Vijayawada, Visakhapatnam and Vizianagaram.

<sup>125</sup> Anakapalle, Bhimavaram, Gudivada, Hindupur, Nandigama, Proddatur, Rajamahendravaram and Tirupati.

<sup>126</sup> G.O.Ms.No.362, Transport, Roads and Buildings (TR.I) Department, dated 16 December 2008.

every year failing which an additional sum of ₹ 100 for each calendar month of default shall be charged as penalty.

During the scrutiny of data pertaining to countersignature permits in the offices of DTCs, Anantapur and Srikakulam, Audit observed (April and June 2015) that bilateral tax (₹ 15.75 lakh) and penalty (₹ 5.31 lakh) totalling ₹ 21.06 lakh, for the years 2012-13 to 2014-15, were not collected in respect of 213 goods vehicles registered in Karnataka and Odisha.

Further, there was no mechanism to monitor payment of bilateral tax after granting countersignature permits and it was being collected only when the owners approached for payment of tax.

After Audit pointed out these cases, DTC, Srikakulam replied (December 2015) that STA, Odisha was addressed to intimate whether permits of those vehicles were in force. DTC, Anantapur replied (April 2015) that tax payments made by the vehicle owners at places other than the counter of Secretary, RTA was not being updated and the same could not be checked. The reply was not acceptable since the payment details could be checked online.

The matter was referred to the Department in August 2016 and to the Government in September 2016; replies have not been received (December 2016).

## **5.9 Short levy of tax on non-transport vehicles**

As per fifth proviso to Section 3(2) of APMVT Act, 1963, tax in respect of second and subsequent personalised vehicles upto a seating capacity of 10 in all owned by an individual, shall be levied at 14 *per cent* of the cost of the vehicle as specified in the seventh schedule to the Act.<sup>127</sup>

During the scrutiny of data (from April 2015 to March 2016) on registration of vehicles in the offices of seven DTCs<sup>128</sup> and six RTOs<sup>129</sup>, Audit observed that tax on 438 second and subsequent non-transport vehicles owned by individuals was collected (between April 2012 and March 2015) at rates less than 14 *per cent*, resulting in short levy of tax amounting to ₹ 16.19 lakh.

After Audit pointed out these cases, RTO, Bhimavaram replied (September 2016) that notices had been issued to the registered owners for payment of differential tax. DTC, Vijayawada replied (June 2015) that details of vehicles would be verified and action taken for collection of differential tax. The remaining authorities replied (between April 2015 and March 2016) that the matter would be examined and action taken under intimation to audit.

The matter was referred to the Department in August 2016 and to the Government in September 2016; replies have not been received (December 2016).

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<sup>127</sup> Act No.11/2010, dated 31 July 2010.

<sup>128</sup> Anantapur, Guntur, Kurnool, Nellore, Ongole, Vijayawada and Vizianagaram.

<sup>129</sup> Anakapalle, Bhimavaram, Nandigama, Proddatur, Rajamahendravaram and Tirupati.

### 5.10 Arrears of revenue in Transport Department

As per Section 7 of the APMVT Act, 1963, any tax, penalty or fine due under this Act may be recovered in the same manner as an arrear of land revenue.

Demand, Collection and Balance (DCB) statement and its periodical review is an important control mechanism to pursue taxes due. Improper maintenance and ineffective use of this control mechanism results in omission of demands and bringing the correct picture of dues recoverable.

Scrutiny (December 2015 and January 2016) of records relating to arrears of revenue in four offices<sup>130</sup> of the Transport Department showed that arrears of ₹ 112.59 crore were pending recovery at the end of December 2015 from 1,38,148 vehicle owners, as detailed below:

Name of the Office	Total No. of vehicles	Arrears due for recovery (₹ in crore)
DTC, Eluru	10,006	8.42
DTC, Kurnool	18,235	11.32
DTC, Nellore	49,421	39.92
DTC, Guntur	60,486	52.93
<b>Total</b>	<b>1,38,148</b>	<b>112.59</b>

Out of 1,38,148 vehicles, the arrears pertaining to the period from 2011-12 to 2014-15 were analysed in respect of 21,601 vehicles and it was observed that the arrears were outstanding up to four quarters in respect of 12,714 vehicles, upto 8 quarters in respect of 8,685 vehicles and upto 12 quarters in respect of 7,218 vehicles, as shown below:

Name of the Office	Vehicles for which arrears outstanding up to four quarters	Vehicles for which arrears outstanding for five to eight quarters	Vehicles for which arrears outstanding for nine to twelve quarters	Total
DTC, Eluru	3,824	2,783	2421	9,028
DTC, Kurnool	3,993	2,028	1,441	7,462
DTC, Nellore	4,455	3,551	3,039	11,045
DTC, Guntur	442	323	317	1,082
<b>Total</b>	<b>12,714</b> (45 per cent)	<b>8,685</b> (30 per cent)	<b>7,218</b> (25 per cent)	<b>28,617</b>

The arrears in respect of the remaining 1,09,531 vehicles remained outstanding for more than three years.

Out of the 28,617 vehicles mentioned above, Audit analysed the quantum of arrears pertaining to 2,355 vehicles of different classes viz., goods vehicles, trailers for commercial use, maxi cabs, motor cabs vis-à-vis period of pendency. It was observed that an amount of ₹ 3.21 crore towards tax and ₹ 1.61 crore towards penalty were due from these vehicles.

<sup>130</sup> DTCs - Eluru, Guntur, Kurnool and Nellore.

The details are as follows:

Pendency period	No. of vehicles	Tax arrears (₹ in crore)	Penalty at 50 per cent (₹ in crore)	Total (₹ in crore)	Percentage of arrears to total arrears
Upto four quarters	1,388	1.06	0.53	1.59	33
Five to twelve quarters	967	2.15	1.08	3.23	67
<b>Total</b>	<b>2,355</b>	<b>3.21</b>	<b>1.61</b>	<b>4.82</b>	

As seen from the above, 67 per cent of revenue (₹ 3.23 crore) was pending for more than a year.

When the above observations were pointed out by Audit, DTC, Guntur replied that regular checking by executive staff was conducted in order to reduce arrears. DTC, Nellore replied that efforts were made to identify registered owners and show-cause notices were being issued. It was stated that cancellation of registration was recommended in cases where vehicle owners were not residing/ available. DTC, Kurnool stated that non-payment list was communicated to motor vehicle inspectors for monitoring through enforcement and vehicles, for which tax was not paid, were seized and show-cause notices issued to registered owners for payment of tax. DTC, Eluru stated that the matter would be examined and reply intimated to Audit.

#### **Incorrect depiction of arrears**

All the functions of the Transport Department viz., grant of licences, permits, fitness, checking of new vehicles, enforcement, collection of fees etc. were fully computerised since 2001. A scrutiny of DCB statements showed that tax due from Andhra Pradesh State Road Transport Corporation's own vehicles was being shown as 'zero' (0) against ₹ 13.86 crore actually due from 2,512 vehicles at the end of December 2015, indicating understatement of arrears to that extent.

Apart from the data analysed (December 2015 and January 2016) in the selected four offices as discussed above, the DCB data was scrutinised in the office of the DTC, Srikakulam where it was observed that demands of bilateral tax and compounding fee were not being taken to DCB statement indicating incorrect depiction of arrears despite computerisation. Suitable steps need to be taken to maintain accurate data on DCB position.

Further, Audit did not find on record any action taken to invoke provisions of AP Revenue Recovery Act, 1864.

Thus, failure of the Department in effectively monitoring the recovery of tax dues resulted in arrears getting accumulated over a period of time as well as inaccurate depiction of DCB position.

The matter was referred to the Department in June 2016 and to the Government in September 2016; replies have not been received (December 2016).