

Chapter IV
Taxes on Vehicles

CHAPTER-IV TAXES ON VEHICLES

4.1 Tax administration

The receipts from the Transport Department are regulated under the provisions of the Central and the State Motor Vehicle Acts and rules made thereunder. The Transport Department functions under the administrative control of the Transport Commissioner. 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.

4.2 Internal audit

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 and two Senior Superintendents 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). An annual inspection programme schedule is prepared well in advance and the internal audit is being conducted as per the schedule and when an inspection is scheduled a team is constituted by deploying officials from other sections of the office due to shortage of staff in the Inspection Wing. Against the target of 86 units, 69 units were audited during 2014-15. The periodicity of audit of all offices is 'annual' but the Department could not achieve the target due to lack of proper training, lack of software, increase in number of vehicles registered and the increase in number of defaulters. The Department has not prepared a separate Internal Audit Manual. During 2014-15 the Department could clear 392 paras which was only 14.45 *per cent* of the outstanding 2,713 paras during the year. The Department attributed the reason for low clearance of audit observations to delay in getting final rectification reports from the sub offices audited.

4.3 Results of audit

Test check of records of all the 78 offices of Motor Vehicles Department in 2014-15 relating to token tax, registration fee, permit fee, driving license fee, conductor license fee, penalties and composite fee under National Permit Scheme showed non/short levy of tax and other irregularities involving ₹ 15.23 crore in 426 cases which fall under the following categories as given in **Table – 4.1**.

Table – 4.1

(₹ in crore)			
Sl. No.	Categories	Number of cases	Amount
1.	Non/short levy of tax	160	2.81
2.	Non/short levy of tax due to irregular exemption	11	0.12
3.	Other lapses	255	12.30
	Total	426	15.23

During the course of the year, the Department accepted non/short levy of tax and other deficiencies amounting to ₹ 9.71 crore in 259 cases which were pointed out by Audit. An amount of ₹ 5.10 crore was realised in 246 cases during the year 2014-15, of which ₹ 4.59 crore in 160 cases were pointed out in earlier years.

The reasons for short collection of tax in accepted cases were called for from the Department in August 2015. The Department stated (December 2015) that it has taken all possible measures to realise the short collection pointed out in the local audit reports. It was also stated that notices had been issued to the defaulters and that in the case of compounding, neither revenue recovery steps nor prosecution steps could be initiated. Regarding short collection pointed out in the case of driving license, it was stated that the same occurred due to the delay in communication of Government orders for enhancement of fees. The reply furnished was not acceptable when advanced communication facilities were available.

A few illustrative audit observations involving ₹ 2.09 crore are mentioned in the following paragraphs.

4.4 Short levy of one time tax on reclassified vehicles

One time tax realised on reclassified vehicles was less than that prescribed as per the statutes.

- **12 RTOs/25 SRTOs¹**

Section 3(1) of the KMVT Act, 1976 as amended vide Finance Act, 2007 stipulates that one time tax shall be levied in the case of vehicles registered on or after 1 April 2007 and reclassified from the category of transport vehicles depending on the age of vehicle from the month of original registration at the rates prescribed in the Schedule.

During the audit of 37 RTOs/SRTOs, the Regional Transport Officers/Joint Regional Transport Officers short levied one time tax in 1,182 vehicles reclassified from the category of transport vehicles during the period 2010-2014. The mistake was due to incorrect calculation of the age of vehicle and application of incorrect percentage of tax. This resulted in short levy of tax of ₹ 1.39 crore in 1,182 cases.

Audit found that maximum cases was from RTO, Malappuram involving ₹ 24.65 lakh. The irregularity persisted even after being pointed out repeatedly the same by Audit. It is, thus recommended that a system may be put in place to generate the age of the vehicles and calculate percentage of tax automatically instead of capturing the data manually.

The Government stated (September 2015) that ₹ 46.21 lakh had been realised in 376 cases and action was being expedited by Transport Commissioner to collect the dues in remaining cases.

In the exit meeting held in November 2014, the Secretary to Government, Transport Department assured to fix responsibility in cases where such deficiencies were noticed. Audit found that no progress had been made in this regard.

¹ **RTOs:** Attingal, Kannur, Kollam, Kozhikode, Malappuram, Muvattupuzham Palakkad, Pathanamthitta, Thiruvananthapuram, Thrissur, Vadakara and Wayanad
SRTOs: Alathur, Chalakkudy, Changanassery, Chengannur, Guruvayur, Irinjalakuda, Kayamkulam, Kazhakuttom, Koduvally, Kothamangalam, Kottarakkara, Koyilandy, Mallappally, Mannarkkad, Ottappalam, Pattambi, Perumbavoor, Punalur, Thaliparamba, Thalassery, Thiruvalla, Tirur, Uzhavoor, Vandiperiyar and Wadakkancherry

4.5 Non-imposition of fine in cases of overloaded vehicles

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

- 11 RTOs/21 SRTOs²

Under Section 79 of the MV Act, 1988 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 the 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. Under Section 114 of the MV Act, 1988, if on weighment, the vehicle is found to contravene any provisions of the above Section regarding weight, the authorized officers of the motor vehicle department, may by order in writing direct the driver to off load the excess weight at his own risk and not to remove the vehicle from that place until the laden weight has been reduced so that it complies with Section 113. Under Section 194 of MV 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. As per Section 86 of MV Act the transport authority which granted a permit may cancel the permit or may suspend it for such period as it thinks fit on the breach of any conditions specified in Section 84, which *inter-alia* checks the driving of vehicles to which the permit relates in contravention of the provision of Section 113. Under notification³ issued (April 2010) by Government the offence can be compounded at the prescribed rates which is equivalent to the rate of fine mentioned above. The Committee on Public Accounts (2014-16) in its 89 Report had recommended that transport department should chalk out effective measures to ensure that overloaded vehicles are levied with compounding fee at higher rate and excess weight is off loaded.

Audit scrutiny (between November 2013 and November 2014) in 32 RTOs/SRTOs revealed that the Motor Vehicle Inspectors/Assistant Motor Vehicle Inspectors who inspected the vehicles allowed them to proceed without following the procedure prescribed in the Act, after recording the offence in the check reports. The fine prescribed in the Act was not collected. This resulted in non-levy of fine of ₹ 45.26 lakh in 737 cases.

² RTOs: Attingal, Kannur, Kollam, Kozhikode, Muvattupuzha, Palakkad, Pathanamthitta, Thiruvananthapuram, Thrissur, Vadakara, Wayanad

SRTOs: Chalakudy, Changanassery, Chengannur, Guruvayoor, Irinjalakuda, Koduvally, Kothamangalam, Kottarakkara, Koyilandy, Mallappally, Ottapalam, Parassala, Pattambi, Perumbavoor, Punalur, Thalassery, Thaliparamba, Thiruvalla, Thodupuzha, Tirur, Vandiperiyar

³ SRO No. 221/2010 with effect from 1 April 2010.

Maximum cases of non imposition of fine were noticed in SRTO Perumbavur, involving ₹ 4.86 lakh.

Government stated (October 2015) that ₹ 17.89 lakh had been collected from 297 cases and action was being expedited by the Transport Commissioner to collect the dues in the remaining cases. Further report had not been received.

While considering similar paras in previous Audit Reports, the PAC (2011-14) in its 34 Report had recommended that the Department should strictly adhere to the law and should levy the fine as specified in the Act. It also recommended to cancel the permit of those vehicles found overloaded. However, Audit found that Department/Government had not taken appropriate action in this regard.

The Secretary to Government, Transport Department stated in the exit conference held in November 2014 that the Government was thinking about fixing responsibility in cases where such deficiencies were noticed. Progress about action taken was awaited (January 2016) from the Government.

4.6 Short levy of one time tax on registration of new vehicles

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

- **4 RTOs/3 SRTOs⁴**

Section 3(1) of the KMVT Act, 1976 stipulates that in respect of new motor vehicles, onetime tax shall be levied at the rate specified in Schedule to the Act at the time of first registration of the vehicle. With effect from 1 April 2012, the rates of onetime tax leviable were six per cent, eight per cent, 10 per cent and 15 per cent of the value of vehicles having purchase value upto ₹ five lakh, more than ₹ five lakh and upto ₹ 10 lakh, more than ₹ 10 lakh and upto ₹ 15 lakh and more than ₹ 15 lakh respectively.

During the audit of seven RTOs/SRTOs, it was noticed that during the period 2012-14, onetime tax was short levied in 29 cases amounting to ₹ 17.09 lakh.

Maximum short levy of tax on vehicles were noticed in RTOs Kannur and Kozhikode and SRTOs Punalur and Koduvally involving ₹ 9.13 lakh.

Government stated (August 2015) that ₹ 2.21 lakh had been collected in six cases and action was being expedited by the Transport Commissioner to collect the dues in remaining cases. Further report had not been received (January 2016).

⁴ **RTOs:** Kannur, Kozhikode, Palakkad and Thiruvananthapuram.
SRTOs: Koduvally, Punalur and Vandiperiyar.

Audit found that the irregularity persisted even after repeatedly pointing out the same in audit. As such, necessary system may be put in place to calculate percentage of tax automatically instead of capturing the data manually.

4.7 Short levy of tax due to incorrect fixation of seating capacity

Tax realised on stage carriages was less than those prescribed as per the statutes.

- 4 RTOs⁵

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

Audit observed (between December 2013 and October 2014) that in four Regional Transport Offices, the seating capacity computed by the Regional Transport Officers were not as per the wheel base of the vehicles as prescribed in the KMV Rules. The tax on the vehicles was levied based on the incorrectly computed seating capacity. This resulted in short levy of tax of ₹ 7.72 lakh in 13 cases for the period 2001-2013.

Short levy of tax was noticed maximum in RTO Pathanamthitta involving ₹ 4.76 lakh.

Government stated (October 2015) that ₹ 1.20 lakh had been collected in six cases, there was no short collection of tax in seven cases as the wheel base had since been corrected in the registration certificate after inspection of the vehicles by MVIs/JRTOs, one case was pending with Hon'ble HC of Kerala and revenue recovery action for ₹ 64,200 was being taken in another case.

The Government had not furnished the reason for non-levy of tax for the seating capacity proportional to the wheel base which was originally recorded in the certificate of registration. It had also not been explained as to how the mistake had occurred while recording the wheel base. The details of action taken in the remaining cases had also not been furnished by the Government.

⁵ Kollam, Kozhikode, Palakkad and Pathanamthitta.