

CHAPTER-V
TAXES ON VEHICLES

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 (APMVT) Rules, 1963 and Andhra Pradesh Motor Vehicles (APMV) 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 licenses, certificates of fitness to transport vehicles, registration of motor vehicles, granting regular and temporary permits to vehicles. The Transport 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 are in turn assisted by Motor Vehicles Inspectors (MVIs) and other staff.

5.2 Internal audit

Internal audit provides a reasonable assurance of proper enforcement of laws, rules 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 Department. When this was pointed out in the Report of the Comptroller and Auditor General of India (Revenue Receipts) for the year ended 31 March 2009, Department assured that internal audits would be conducted in future. However, Department stated (December 2015) that there was no independent internal audit wing in the Department due to shortage of staff.

5.3 Results of audit

In 2014-15, test check of nine units of Transport Department revealed preliminary audit observations involving under-assessment of tax and other irregularities involving ₹ 7.09 crore in 48 cases, which broadly fall under the following categories:

Table 5.1: Results of audit

(₹ in crore)			
Sl.No.	Category	No. of cases	Amount
1.	Non-levy of quarterly tax and penalty	09	5.11
2.	Non-renewal of fitness certificates resulting in non-realisation of fitness fee	09	1.19
3.	Non-levy of compounding fee	10	0.63
4.	Non/short levy of life tax	10	0.11
5.	Non-levy of green tax	08	0.04
6.	Other irregularities	02	0.01
Total		48	7.09

During the year 2014-15, the Department accepted under-assessment and other deficiencies of ₹ 5.60 crore in 27 cases. An amount of ₹ 26.02 lakh was realised in 14 cases. A few illustrative cases involving ₹ 6.36 crore are mentioned 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 the tax at the rates specified by the Government. Section 4 specifies that tax shall be paid in advance either quarterly, half yearly or annually within one month from commencement of the quarter. Under Section 6 of the Act read with Rule 13(1) of APMVT Rules, 1963, penalty for belated payment shall be levied at the rate equivalent to quarterly tax demanded, if tax is paid within two months and at twice the rate of quarterly tax if the tax is paid beyond two months from the beginning of quarter on cases detected. In terms of Section 53 of MV Act read with Rule 102 of APMV Rules, 1989, any registering authority or other prescribed authority may suspend the registration of a motor vehicle by sending a notice in case of non-compliance with the Act.

Audit noticed (between September 2014 and March 2015) during test check of records and analysis of data of offices of four DTCs¹⁶² and four RTOs¹⁶³ that quarterly tax of ₹ 1.49 crore for the years 2012-13 and 2013-14 was neither paid by the owners of 1,513 transport vehicles nor demanded by the Department. The Department did not take any suitable action under Section 53 also. Besides, penalty of ₹ 2.97 crore at twice the rate of quarterly tax for delay over two months in respect of all the cases was not levied. This resulted in non-realisation of tax and penalty amounting to ₹ 4.46 crore.

After Audit pointed out these cases, Government replied (December 2015) in respect of two DTCs¹⁶⁴ and two RTOs¹⁶⁵ that an amount of ₹ 9.48 lakh was collected in respect of 103 vehicles and in respect of the remaining vehicles, action had been initiated.

5.5 Non-monitoring of renewal of fitness certificates (FC)

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 test of a vehicle for grant and renewal of the FC.

Audit noticed (between September 2014 and March 2015) during test check of FC granting registers and analysis of data of offices of four DTCs¹⁶⁶ and five RTOs¹⁶⁷ that during the years 2012-13 and 2013-14, FCs of 31,604 transport

¹⁶² Eluru, Guntur, Kurnool, Vizianagaram.

¹⁶³ Bhimavaram, Nandyal, Narasaraopet, Rajahmundry.

¹⁶⁴ Guntur, Kurnool.

¹⁶⁵ Bhimavaram, Nandyal.

¹⁶⁶ Eluru, Guntur, Kurnool, Vizianagaram.

¹⁶⁷ Amalapuram, Bhimavaram, Nandyal, Narasaraopet, Rajahmundry.

vehicles whose status was ‘active’ as per the Citizen Friendly Services of Transport Department (CFST) system database had not been renewed. ‘Active’ status implies that the vehicle has all the requisite certificates. Non-renewal of FC, which is issued after testing of the vehicle for fitness, jeopardised public safety besides resulting in non-realisation of FC fee of ₹ 1.17 crore.

After Audit pointed out these cases, Government contended (December 2015) that FC fee would be collected as and when the registered owner approaches the Department for renewal of FC and that the enforcement staff would seize those vehicles plying on road without valid FCs. The reply is not tenable as under Section 56 of MV Act, it is mandatory to renew FC. The presumption that vehicles without FCs would invariably be intercepted by enforcement authorities and that vehicles not so detected were not plying on roads is fallacious. The absence of an in-built mechanism in CFST package to give alerts regarding validity of FC while payment of quarterly tax etc. led to non-monitoring of fitness of vehicles.

5.6 Non-levy of compounding fee

As per Section 200 of MV Act read with Government orders¹⁶⁸, the 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 and may be compounded by collecting fee at the rates specified by the Government. In case offences are not compounded on the spot, the Vehicle Check Reports (VCRs) have to be sent to the Regional Transport Authorities concerned for taking necessary action.

Audit noticed (between September 2014 and March 2015) during the test check of the data relating to VCRs for the years 2012-13 and 2013-14 of offices of four DTCs¹⁶⁹ and four RTOs¹⁷⁰ that in 799 cases of compoundable offences relating to transport laws, neither penal action was taken nor minimum compounding fee levied. This resulted in non-realisation of compounding fee of ₹ 46.06 lakh.

After this was pointed out, Government replied (December 2015) that compounding fee of ₹ 23.39 lakh was collected in 399 cases in all the offices pointed out by Audit. However, vehicle particulars were not furnished by three offices¹⁷¹; action had been initiated in the remaining cases.

5.7 Short levy of fine for plying vehicle without permit

As per Section 192-A of MV Act, 1988, if a motor vehicle is driven or caused to be driven as a transport vehicle without permit or in contravention of any condition of a permit relating to the route on which or the area in which or the purpose for which the vehicle may be used, first such offence shall be

¹⁶⁸ G.O.Ms.No.108, R&B (TR-I) dated 18 August 2011.

¹⁶⁹ Eluru, Guntur, Kurnool, Vizianagaram.

¹⁷⁰ Amalapuram, Bhimavaram, Nandyal, Narasaraopet.

¹⁷¹ Eluru, Narasaraopet, Vizianagaram.

punished with a fine which may extend to ₹ 5,000 but shall not be less than ₹ 2,000; For any subsequent offence it shall be punished with imprisonment which may extend to one year but shall not be less than three months or with fine which may extend to ₹ 10,000 but shall not be less than ₹ 5,000 or with both.

During data analysis and test check of records in the office of the DTC, Kurnool in March 2015 relating to vehicles intercepted on account of offences relating to misuse of permits under Section 192-A, it was observed that 554 offences booked by the enforcement officials were compounded by giving release order. However, fine at lesser rate, i.e., ₹ 2,000 only was collected instead of a minimum of ₹ 5,000 on the second and subsequent offences. This resulted in short levy of fine amounting to ₹ 16.62 lakh.

After the cases were pointed out by Audit, Government contended (December 2015) that Section 192-A of MV Act deals with prosecution and offences were not compoundable under this section; therefore compounding fee was collected under Section 86(5) of MV Act for violation of permit conditions. The reply is not tenable as the cases observed by Audit were booked under Section 192-A of the Act, i.e., for using the vehicle without permit and for second and subsequent time. Hence minimum fine of ₹ 5,000 per vehicle was to be collected.

5.8 Short levy of life tax/penalty

As per Section 4(1)(aa) of APMVT Act, 1963, tax levied under the second proviso to Section 3(2) shall be for the lifetime of the motor vehicle and shall be paid in advance in lumpsum by the registered owner of the motor vehicle or any other person having possession or contract thereof.

Third, Sixth and Seventh Schedules to the APMVT Act (Act 11/2010) prescribe rates of life tax for vehicles. For first vehicle, if it is a two wheeler, the applicable tax rate is nine *per cent*; if it is a four wheeler, if the cost of the vehicle is less than ₹ 10 lakh, the rate is 12 *per cent*; otherwise 14 *per cent*. For second and subsequent non-transport vehicles having upto seating capacity of 10 in all, owned by individuals, the tax rate is 14 *per cent*. The above provisions came into operation with effect from 02 February 2010.

As per the third proviso to Section 3(2) of the APMVT Act, life tax shall also be levied at the rates specified in the fourth schedule in the case of construction equipment vehicles. As per Rule 13 of APMVT Rules, 1963, if the tax due in respect of non-transport vehicles has not been paid, the licensing officer shall impose the penalty at the rate of two *per cent* of the life tax for calendar month or part subject to a maximum of twice the life time or lumpsum tax due.

Test check of the data (between September 2014 and March 2015) on registration of vehicles in offices of two DTCs¹⁷² and three RTOs¹⁷³ revealed

¹⁷² Eluru, Kurnool.

that life tax on 181 second or subsequent non-transport vehicles owned by individuals was collected (between April 2012 and March 2014) at lower rates instead of the enhanced rate of 14 *per cent*, resulting in short levy of life tax amounting to ₹ 7.41 lakh.

Further, during data analysis and test check of records of collection of life tax through VCRs in the office of the RTO, Bhimavaram in September 2014, it was noticed that a construction equipment vehicle registered in Jharkhand was plying in Andhra Pradesh since March 2013 without payment of life tax. As per the VCR prepared by the RTO, life tax amounting to ₹ 15.76 lakh was paid in January 2014. However, penalty of ₹ 0.95 lakh was collected only for three months instead of 10 months resulting in short levy of ₹ 2.20 lakh.

After Audit pointed out these cases, Government replied (December 2015) in respect of life tax short levied that an amount of ₹ 1.64 lakh was collected in 36 cases by four offices¹⁷⁴. Action had been initiated in the remaining cases. However, vehicle-wise data of collection in respect of RTO, Rajahmundry was not furnished.

On the issue of short levy of penalty, Government replied (December 2015) that as per the material evidence produced by the vehicle owner, the vehicle was at Bokaro upto 07 November 2013. The reply is not tenable as the construction equipment vehicle was plying in Andhra Pradesh since March 2013 without payment of life tax as per the VCRs prepared in March and December 2013. Life tax amounting to ₹ 15.76 lakh was paid in January 2014 and penalty for 10 months was to be levied accordingly.

¹⁷³ Bhimavaram, Narasaraopet, Rajahmundry.

¹⁷⁴ Kurnool, Bhimavaram, Narasaraopet, Rajahmundry.