

CHAPTER IV

TAXES ON VEHICLES

4.1 Tax Administration

The Transport Department of Government of Telangana is governed by Motor Vehicles Act, 1988 (MV Act), Central Motor Vehicles Rules, 1989 (CMV Rules) along with Andhra Pradesh Motor Vehicles Taxation Act, 1963 (State Taxation Act), Andhra Pradesh Motor Vehicles Taxation Rules, 1963 (State Taxation Rules) and Andhra Pradesh Motor Vehicles Rules, 1989 (State MV Rules) which have been adapted¹⁹⁹ by the State of Telangana. 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 Transport Department is headed by Principal Secretary (Transport, Roads and Buildings Department) at Government level. Transport Commissioner (TC) is incharge 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.

4.2 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 frame work.

Information regarding Internal Audit for the year 2016-17 has not been furnished by the Department.

4.3 Results of Audit

Test check of records of 11 offices of Transport Department conducted during the year 2016-17 revealed underassessment of tax and other irregularities. These irregularities involved ₹ 24.21 crore in 21 cases, which broadly fall under the categories as given in **Table 4.1**:

¹⁹⁹ G.O.Ms.No.2, Transport, Roads & Buildings (Tr-I) Department, dated 17 June 2014.

Table 4.1: Results of Audit

(₹ in crore)

Sl. No.	Category	No. of cases	Amount
1.	Performance Audit on 'Enforcement activities of Transport Department including implementation of High Security Registration Plates'	01	17.74
2.	Non-levy of Quarterly Tax and Penalty	10	6.35
3.	Non/ short levy of Tax on Non-transport Vehicles	10	0.12
Total		21	24.21

During the year 2016-17, the Department accepted underassessment and other deficiencies of ₹ 1.99 crore in three cases. A Performance Audit on “Enforcement activities in Transport Department including implementation of High Security Registration Plates” and a few illustrative cases of non/ short levy of taxes involving ₹ 21.03 crore, are discussed in the succeeding paragraphs.

4.4 Performance Audit on “Enforcement activities of Transport Department including implementation of High Security Registration Plates”

4.4.1 Introduction

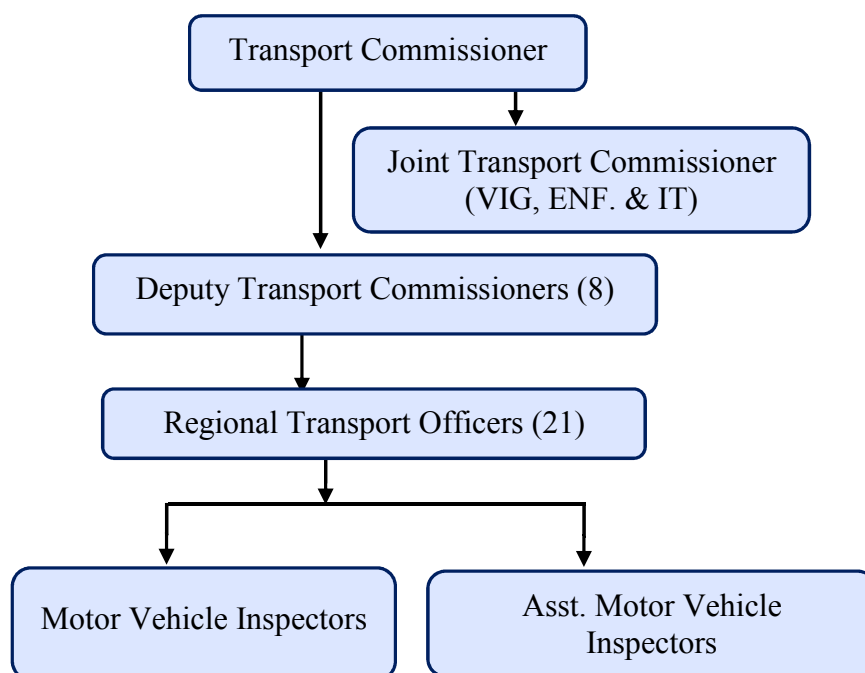
The Telangana Transport Department (Department) was established for enforcement of the provisions of Motor Vehicles Act (MV Act), 1988; Andhra Pradesh Motor Vehicles Taxation Act (APMVT Act), 1963 and the rules framed thereunder. The Department primarily functions under the provisions of Section 213 of the MV Act, 1988. This includes collection of taxes and fees, issue of driving licences and certificates of fitness. Registration of motor vehicles and granting permits to vehicles is also being undertaken by the Department.

4.4.1.1 Organisational setup

Principal Secretary, Transport, Roads and Buildings, is overall in charge of administration of the Department. The Transport Department is headed by the Transport Commissioner (TC). Joint Transport Commissioner (Vigilance and Enforcement) is responsible for ensuring the enforcement of the provisions of the Acts and Rules²⁰⁰. In the field, the TC is assisted by eight Deputy Transport Commissioners (DTC) and 21²⁰¹ Regional Transport Officers (RTOs). The RTOs are assisted by Motor Vehicle Inspectors (MVI). The MVIs are assisted by Assistant Motor Vehicle Inspectors (AMVI).

Organisational Chart

Chart No: 4.1



²⁰⁰ Motor Vehicles Act, 1988, Telangana Motor Vehicles Taxation Act, 1963, Central and State Rules made there under and related notifications etc.

²⁰¹ 10 Functional and 11 Administrative.

JTC (Vigilance and Enforcement) is responsible for ensuring the enforcement of the provisions of the Acts and Rules²⁰². At the field level, enforcement staff consisting of MVIs and AMVIs perform the duties of enforcement. They report to DTC/ RTO concerned. Apart from this, the JTC (Vigilance and Enforcement) would

- suggest measures to plug leakages in revenue;
- organize check of Motor Vehicles anywhere in the State as per the requirements;
- co-ordinate the activities of the check-posts and flying squads in the State.

4.4.1.2 Functions of enforcement wing

Functions of the enforcement wing in the department were²⁰³ ;

- *To enforce the provisions of the MV Act, 1988, TMVT Act, 1963 and the rules made there under;*
- *Check the genuineness of driving licenses, registration certificates, insurance certificates of all vehicles;*
- *Grant of permit and fitness certificates, in case of transport vehicles²⁰⁴ etc.*
- *Take measures for road safety and control of vehicular pollution.*

4.4.1.3 Audit Objectives

The Performance Audit was conducted with a view to assess whether:

- the existing system of enforcement was adequate and effective to ensure prescribed checks on vehicles plying on the road;
- the method of disposal of cases and collection of revenue on compounding the offences was effective;
- the internal control mechanism of enforcement activities was adequate;
- the implementation of High Security Registration Plates (HSRP) Project was effective.

The three objectives deal with methods and procedures in place for fulfilling the effective enforcement mechanism of the department. The fourth objective was included to assess the status of implementation of the HSRP Project.

²⁰² Motor Vehicles Act, 1988, Telangana Motor Vehicles Taxation Act, 1963, Central and State Rules made there under and related notifications etc.

²⁰³ Source: Citizen's charter of the Department.

²⁰⁴ Transport vehicle means a public service vehicle, a goods carriage, an educational institution bus or a private service vehicle; and non-transport vehicles means a motor vehicle which is not a transport vehicle.

4.4.1.4 Audit scope and methodology

The Performance Audit for the period of five years i.e., 2011-12 to 2015-16 was taken up during January 2017 to July 2017. Audit covered offices of the Transport Commissioner²⁰⁵, Joint Transport Commissioner²⁰⁶, five DTCs²⁰⁷ out of eight and four RTOs²⁰⁸ out of ten. The sample was selected based on geographical location, number of check posts and vehicular population in the respective jurisdiction. Besides, the Citizen Friendly Services of Transport Department (CFST) software data of vehicles, provided by the TC was also analysed.

4.4.1.5 Audit Criteria

The Audit criteria were sourced from Motor Vehicles Act (MV Act), 1988; Central Motor Vehicles Rules (CMV Rules), 1989; Telangana Motor Vehicles Rules (TMV Rules), 1989; Telangana Motor Vehicles Taxation Act (TMVT Act), 1963; Telangana Motor Vehicles Taxation Rules (TMVT Rules), 1963; Government orders and circular instructions issued by TC, etc.

4.4.1.6 Acknowledgement

The entry conference was held with the Principal Secretary (Transport, Roads and Buildings Department), Telangana on 31 January 2017 wherein Audit objectives, criteria, scope and methodology were explained. The Exit conference was held with the Government on 4 October 2017, wherein Audit observations and recommendations were discussed. Their response has been incorporated in the relevant paragraphs. Audit acknowledges co-operation extended by the Department in providing server data and other records.

Audit findings

During the Performance Audit, the following deficiencies relating to enforcement wing were noticed:

4.4.2 Planning and Deployment

With a view to make the Transport department citizen-friendly, a software called ‘Citizen Friendly Services in Transport Department (CFST)’ was implemented with effect from May 2000. The CFST is a comprehensive web enabled application used for issue of:

- fitness, pollution control certificates, permits, registration certificates, insurance certificates and driving licences,
- the software also supports online services to the public.

²⁰⁵ Transport Commissionerate, Khairatabad.

²⁰⁶ Joint Transport Commissioner, Hyderabad Central Zone.

²⁰⁷ DTCs - Adilababd, Mahaboobnagar, Nalgonda, Nizamabad and Sangareddy.

²⁰⁸ RTOs - Ibrahimpatnam, Khammam, Hyderabad (East) and Mancherial.

4.4.2.1 Lack of co-ordination between departments on deployment

As per section 213 of MV Act along with the provisions of TMV Rule 483, officers of the Transport Department are empowered to enforce the provisions of Act and the Rules made there under. As per TMV Rule 454, the officers of the Department exercise powers exercisable by a Police Officer under the Act. The enforcement of the Central and State Motor Vehicle Acts are carried out by two separate departments, the Transport Department and the Police Department. Co-ordination between the two departments is essential in order to optimize the deployment of staff and prevent potential overlap in coverage. (Annexure-I details the overlap of responsibilities in the two departments with respect to specific provisions of the Acts). Audit observed that there was no mechanism between the two departments for sharing deployment plans. There were no guidelines that prescribed the extent of checks by the two departments.

The CFST provides data that could be potentially used for planning the activities of the Enforcement Wing on a risk-based approach. The Enforcement Wing did not have a risk based deployment plan. The resources could be effectively utilized to address high risk areas and to cover all aspects of enforcement. The Government replied (October 2017) that award of negative points for offences was being implemented in the State. This mechanism had been devised in co-ordination with Police Department. The reply however, did not address the mechanism between the two departments for sharing of deployment plans.

4.4.2.2 Targets and achievements

The enforcement officials were given annual monetary targets to be achieved. The targets were revenue based and not risk based. Risk based targets is fixing of targets based on parameters such as the number of driving licences/Registration Certificates to be checked based on the total number of vehicles in the jurisdiction etc. The year-wise revenue target and achievement from detection cases in the Telangana State is given in the **Table 4.2** below:

Table 4.2
Target and achievement for detection

Sl. No.	Year	Target	Achievement	Short fall	Short fall in Percentage
		(₹ in crore)			
1.	2013-14	153.57	127.48	26.09	19
2.	2014-15	159.24	129.10	30.14	19
3.	2015-16	173.25	157.44	15.81	9
4.	2016-17	212.56	175.94	36.62	17

Source: CFST data

This target was apportioned among all inspecting officials, i.e., MVIs and AMVIs. A test check in seven selected offices revealed that achievement (of inspecting officers) ranged from 69 per cent to 117 per cent. Further analysis of reports from three MVIs from JTC, Hyderabad Central Zone showed that 53 per cent of the collections pertained to voluntary payment of taxes by

vehicle owners and not on detection by the enforcement officials. The JTC (February 2017) replied that the matter would be brought to the notice of TC.

The Motor Vehicle inspectors (MVI) and Assistant Motor Vehicle inspectors (AMVIs) are required to submit diaries²⁰⁹ as a mechanism of internal control on their work. However, it was noticed that no tour plans or diaries were submitted by the enforcement officials.

DTCs/ RTOs replied (between October 2016 and July 2017) that the enforcement activity was mainly with reference to monetary targets fixed. It was further stated that, due to shortage of staff, enforcement activity was not being carried out effectively. Audit observed that there was a staff shortage of 28.83 *per cent* at the level of enforcement officials. Planning, deployment and documentation becomes particularly important when resources are scarce.

The Government replied (October 2017) that fixing targets based on other parameters along with revenue as suggested would be considered.

4.4.2.3 Manpower Analysis

Analysis of manpower deployment in the test checked offices (**Annexure II**), revealed that the offices gave priority to deployment at check posts. The offences booked did not match the deployment pattern in three offices²¹⁰. The number of offences detected in the check posts of these offices was less. The deployment in check posts were more when compared with the deployment in cities. The number of offences detected, personnel in position in cities and check posts of the three offices is given in the **Table 4.3** below:

Table 4.3
Manpower

(in No.)

Name of test checked Office	Total No. of offences	Total PIP ²¹¹	Offences booked in Check posts	PIP in check posts	Offences in Cities	PIP in cities
DTC Mahaboobnagar	1,43,714	27	26,135 (18%)	17 (63%)	1,17,579 (82%)	10 (37%)
DTC Nalgonda	2,06,029	30	87,632 (43%)	18 (60%)	1,18,397 (57%)	12 (40%)
DTC Sangareddy	87,858	16	32,655 (37%)	8 (50%)	55,203 (63%)	8 (50%)

Source: CFST data

The Department needs to use the CFST data effectively for deployment and fixing of targets.

²⁰⁹ As per Para 3.6(b) (Chapter III) of manual of the Transport.

²¹⁰ DTCs Mahaboobnagar, Nalgonda and Sangareddy.

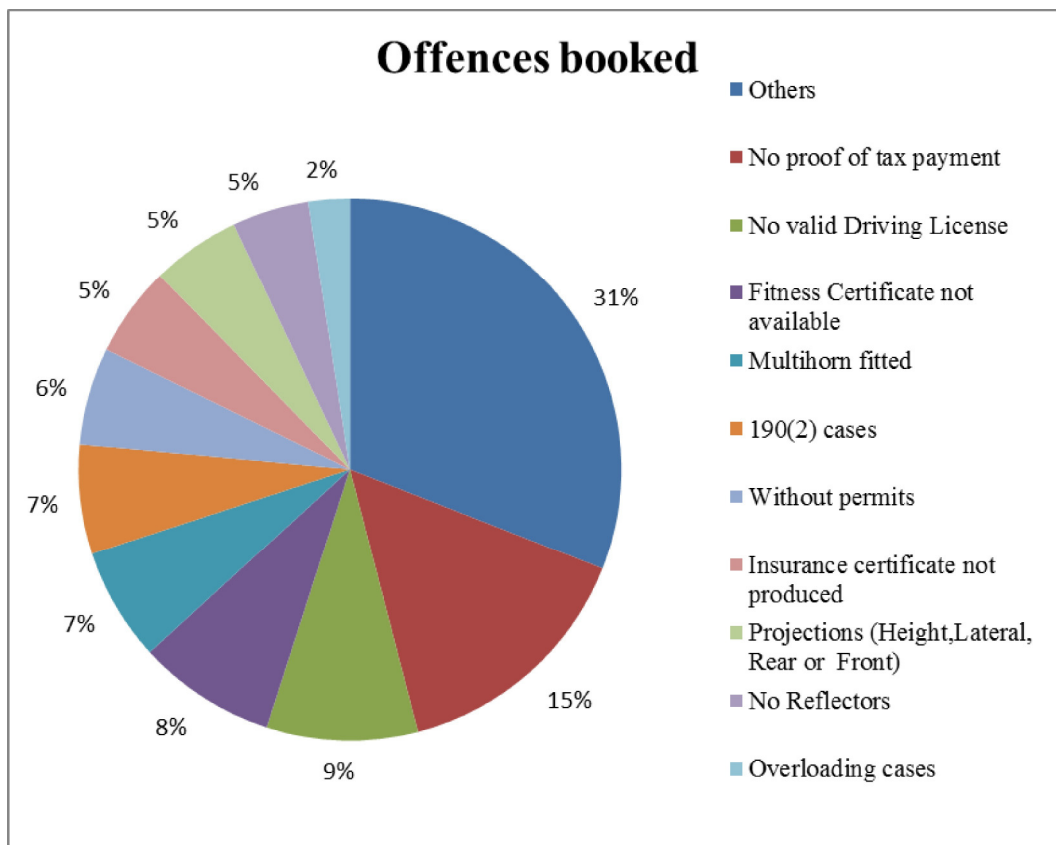
²¹¹ Personnel in position.

4.4.3 Documentation of offences: Issue of Vehicle Check Reports

Vehicle Check Report (VCR) is a record of offence(s) committed by the vehicle owner/driver and issued by the Enforcement officials at the time of vehicular check. The VCR is then manually fed into the CFST except in the check posts. In all the check-posts of the State, VCRs were generated electronically at the time of issue to the offenders (1,83,737 from April 2011 to March 2016). Thus, the CFST provides a history sheet of offences of a particular vehicle with details of place, time, record of violations. The compounding fee levied, if any, or the particulars of seizure of vehicle/impounding of documents were identified with the unique number of VCR.

In the sampled offices²¹², over 12 lakh offences (2,85,922 VCRs²¹³) were booked during the period from April 2011 to March 2016. The offences booked related mainly to non-payment of tax (15 per cent) and driving without licences (9 per cent). Chart below provides the break-up:

Chart: - 4.2



Source: CFST Data

Audit test checked 1,99,168 offences (47387 VCRs), which constituted 17 per cent of the total offences booked, which revealed the following:

²¹² JTC, Hyderabad Central Zone, DTCs - Adilabad, Mahaboobnagar, Nalgonda, Nizamabad, and Sangareddy, RTOs - Ibrahimpatnam, Khammam, Hyderabad (East) and Mancherial.

²¹³ One VCR may contain more than one offence.

4.4.3.1 Access to CFST data during Vehicular Inspection

Government of Telangana allotted budget of ₹ 6 crore for improvement in enforcement activities in 2014-15 and 2015-16. This included ₹ 57.73 lakh towards implementation of 'e-VCR Mobile Solution'. The Telangana Transport department entrusted (October 2015) the work on development of a tablet based 'e-VCR Mobile Solution' to Telangana State Technological Services Limited at a cost of ₹ 57.72 lakh. The inspecting officers were to be issued tablets which would provide them access to CFST data. The project funds amounting to ₹ 51.95 lakh was diverted (November 2015) by the department towards expenditure on Hardware procurement for the offices in newly created four districts. The 'e-VCR Mobile Solution' remained unimplemented till date (July 2017).

The VCR has not been automated, except at the check posts. At the time of booking the offence, the inspecting officer did not have access to the CFST data. As a result, multiple offences such as lack of Fitness Certificate, Driving Licence, Pollution under Control Certificate relating to the same vehicle could not be detected by the enforcement officials. Audit analysed 53,242 offences booked for 'No proof of tax payment'. It was observed that as on the date of booking of offence, the vehicles were not covered with valid Fitness Certificates (1115 cases), valid Driving Licence (41), PuCC (821) and Insurance (784).

The Department attributed the lapse to lack of access to CFST during vehicular inspection.

The Government replied (October 2017) that the above issue would be examined.

Non-utilisation of the amount for 'e-VCR Mobile Solution' defeated the basic intent of the Government policy to strengthen the enforcement activity.

4.4.3.2 Unique VCR number

It is essential to allot each VCR a unique number for effective control and identification. Audit noticed in the sample, that 3636 manual VCR numbers were used more than once. JTC, Hyderabad Central Zone replied (February 2017) that VCR books supplied by the Government were printed with duplicate VCR numbers. It was also assured that the error would be rectified. The other DTCs/ RTOs replied that the list of such VCRs would be verified and action taken. The TC replied (July 2017) that the matter would be examined and a detailed reply would be furnished shortly.

The absence of a unique VCR number would also impact recovery of compounding fee, leading to delays.

4.4.3.3 Non-enhancement of Compounding Fee on second and subsequent offences

Under section 200 of MV Act punishable offences committed may be compounded by such officers or authorities and for such amounts as the State Government may, by notification in the Official Gazette, specify in this behalf. In order to penalize repeating offenders, the Central Motor Vehicle Act provides²¹⁴ for enhanced fee on second and subsequent offences. The State Government had not notified the enhanced fee for second and subsequent offences in the Schedule²¹⁵ of Compounding Fee. Thus, there was no deterrence for repeatedly committing offences as is evident from the repeated offences many of the vehicles had committed.

Analysis of CFST data²¹⁶ revealed that 1,31,299 offences booked²¹⁷, related to repetition of the same offence. The recurrence of offences ranged from 2 to 23 times in respect of 54,568 vehicles. Revenue foregone due to absence of provisions to collect enhanced compounding fee on second and subsequent offences was ₹ 6.05 crore (calculated at enhanced rates as per MV Act) as detailed in **Table 4.4** below:

Table 4.4
Compounding Fee on second and subsequent vehicles

Offence Description	Penal Section	No. of vehicles committing second and subsequent offence	No. of Offences	Enhanced compounding fee foregone (₹ in crore)
Projection (Height, Lateral, Rear, Front)	190(2)	10,747	27,070	3.26
Without Fitness and Registration	192	3,412	7,007	1.44
Dangerous driving/ Cell phone driving	184	827	2,016	0.24
Document not produced / No Proof	177	39,582	95,206	1.11
Total		54,568	1,31,299	6.05

There is a need to notify enhanced fees by the State for second and subsequent offences. Non-addressing of this lacuna would embolden the offenders.

The Government replied (October 2017) that system of awarding negative points for each offence committed with a threshold would act as a deterrent; thresholds when crossed would result in suspension of Driving licence. The reply is not acceptable as awarding negative points would not have any impact on drivers holding licences from other States. Low compounding fee for the repeated offences allow erring drivers to violate traffic rules posing risk to life and property.

²¹⁴ Section 177, 183, 184, 186, 190(2) and 192 of the Central Motor Vehicle Act.

²¹⁵ G.O.M.s No. 108 Tr. R & B (Tr-I) Department, dated 18 August 2011.

²¹⁶ For the period 2011-16.

²¹⁷ Under Section 177, 184, 190(2) and 192.

4.4.3.4 Offences of allowing unauthorized persons to drive

As per Section 180 of the MV Act, 1988 allowing unauthorized persons to drive vehicles is punishable. The owner of the vehicle is liable to be punished with imprisonment, for a term up to three months, or fine up to 1000 rupees, or both. The TC issued instructions²¹⁸ in February 2007, to all district officers to invoke Section 180 against the owner or person in charge of the vehicle in respect of such offences. It was noticed that 15,175 offences were booked in respect of drivers without having valid driving licences. However, only in 16 cases, the offences were booked against the owners or person in charge of such vehicles. No action was found to have been taken against owner of the vehicles putting the public life and property at jeopardy. The deterrence impact was lost due to not booking the offence against the owners of the vehicles. It also led to loss of revenue towards compounding fee of ₹ 1.52 crore at the rate of ₹ 1,000 per offence against the owners.

The Government replied (October 2017) that system of negative points would act as a deterrent. Offences booked against a driver may result in accumulation of points to the vehicle owner. However, the negative points would not impact vehicle owners/drivers holding licences of other States.

4.4.3.5 Non-compoundable offences

As per section 192-A of the MV Act, driving a motor vehicle without a valid permit or in contravention of any condition of a permit is not a compoundable offence and is liable for prosecution. Audit noticed that 52,693 cases were booked under these offences. However, the offenders were let off with compounding fees and allowed to avoid prosecution, in contravention to the provisions of the Act.

In reply (between October 2016 and July 2017) all DTCs/ RTOs except RTO Ibrahimpatnam stated that the observation was verified; the enforcement officials would be instructed not to compound these offences in future. RTO Ibrahimpatnam replied (July 2017) that such cases were prosecuted and fed in the system with remarks as prosecuted. Audit noticed that out of 5,466 cases, only in one case the detail was fed into the system as prosecuted.

The Government replied (October 2017) that the issues would be looked into and the system would be streamlined.

4.4.3.6 Documentation in VCRs

Overloaded vehicles

As per Section 113(3) of the Act, no motor vehicle should be allowed to be driven in any public place, the unladen weight of which exceeds the limit specified in the RC of the vehicle or the laden weight of which exceeds the gross vehicle weight specified in the RC. Section 114(1) prescribed that the authorities shall direct the driver to offload the excess weight at his own risk.

²¹⁸ Circular No. 5/600/R1/2007, dated 02 February 2007.

Further, the vehicle shall not be removed from the place until the laden weight had been reduced.

Analysis of CFST data (out of 25,913 cases detected²¹⁹), disclosed that 25,508 cases were compounded. However, the drivers were not instructed to offload the excess weight before allowing to ply further. In the remaining 405 cases, vehicles were seized in 161 cases and further action was pending in 244 cases. Inconsistency in disposing of the offences resulted in increase in number of such offences.

The Department failed to curb the overloaded vehicles on the road which were in violation of the Rules and had adverse effect on public safety, roads and emission of green house gases.

Vehicles carrying goods of hazardous nature

As per Section 14 of MV Act, 1988, the licence to drive a transport vehicle carrying goods of dangerous or hazardous nature is effective for a period of one year. There is a provision to capture details of validity of licences in VCR form.

Analysis of CFST data revealed that, in 1006 cases, driving licence number, licence validity date, etc., were not captured on VCRs issued to vehicles carrying hazardous goods. Thus, there was no assurance that the enforcement officials checked the validity of driving licences in these cases.

The Government replied (October 2017) that the issues would be looked into and the system would be streamlined.

4.4.4 Computerisation in Transport Department

The Department through CFST maintains central data base. Implementation of CFST enabled the Transport Department to provide the entire gamut of services viz., issue of driving licences, registration of vehicles, issue of fitness certificates, etc., online to the citizens on a real-time basis.

The benefits of computerisation can be harnessed to the fullest if the database was used in planning (para 4.4.2) and if the VCR was also automated (para 4.4.3.1) as has been done to a limited extent in the check posts. While the above two issues have been discussed in previous paragraphs, there were other issues that remained to be addressed by the Department. These were:

4.4.4.1 Non-detection of vehicles without valid Fitness Certificates (FCs)

Section 56 of Motor Vehicles Act 1988 prescribes that a transport vehicle shall not be deemed to be validly registered unless it carries a Fitness Certificate (FC) issued by a prescribed authority. Such FC shall be renewed every year duly conducting tests on the vehicle for a prescribed fee, in terms of Rules 62 and 81 of the CMV Rules.

²¹⁹ Between April 2011 and March 2016.

An analysis of computerised data and records relevant to grant of FCs at 10 selected offices revealed that 20,163 vehicles did not possess valid FCs. Out of these, the department collected road/ registration tax from the owners of 1,774 vehicles without testing the fitness of the vehicles and without realisation of prescribed fitness fee. This had led to non-realisation of fitness fee of ₹ 51.54 lakh, besides jeopardising the safety of the public.

4.4.4.2 Non-detection of vehicles with expired registrations

As per Rule 52(3) of Central Motor Vehicle Rules, a motor vehicle other than a transport vehicle shall not be deemed to be validly registered, after expiry of the period of validity entered in the certificate of registration and no such vehicle shall be used in any public place until its certificate of registration is renewed. Under Section 41(7) of MV Act, RC of a non-transport vehicle is valid for 15 years. As per Government orders²²⁰ an additional tax called green tax shall be levied on transport vehicles and non-transport vehicles that have completed seven years and 15 years of age respectively from the date of registration.

Analysis of data in 10 offices²²¹ relating to validity of registration certificates, disclosed that registration of 25,558 non-transport vehicles had expired as on March 2016. These vehicles need to be checked for their fitness to ply on the roads and renew their validity. Audit observed that, the department had neither issued any show cause notice, nor ensured that vehicles were off the roads. Non-transport vehicles plying without fitness would also result in non-collection of green tax amounting to ₹ 92.36 lakh.

An inbuilt mechanism in the CFST package to give alerts regarding validity of FC and RC on issue/renewal of permits, payment of quarterly tax etc., would enable effective monitoring and appropriate action.

The Government agreed (October 2017) that online alerting mechanism would be provided.

4.4.4.3 Co-ordination among Departments

The Integrated Check Post, Boraj (Transport) works in tandem with check posts of other departments viz. Commercial Tax Department (CT), Prohibition and Excise Department etc. The ICP (Transport) Boraj issues temporary permits for validity of 7 days or 30 days to vehicles entering into Telangana from other states having home state permit by collecting applicable fees and tax. Similarly, ICP (CT) Boraj, issues Transit Passes to vehicles entering Telangana to reach destination in other states and this data is being captured in VATIS²²² software package of Commercial Tax Department.

²²⁰ G.O.Ms.No.238 TR & B (TR-1) Department, dated 23 November 2006.

²²¹ JTC, Hyderabad Central Zone, DTCs - Adilabad, Mahaboobnagar, Nalgonda, Nizamabad, and Sangareddy, RTOs - Ibrahimpatnam, Khammam, Hyderabad (East) and Mancherial.

²²² The Commercial Taxes Department uses an IT system known as Value Added Tax Information System (VATIS) to aid the implementation of the VAT Act in the State.

Audit cross checked (June 2017) Transport Department data with Commercial Tax Department relating to ICP, for five months²²³. It was noticed that 290 out of 31,612 Vehicles did not obtain Temporary permits though Transit passes were issued at ICP Bhoraj (Commercial Tax). Enforcement officials at check post, did not detect these vehicles plying without valid temporary permits. This could have been avoided if the two departments had an online interface or if they worked in tandem at the ICP. This resulted in loss of revenue of ₹ 17.58 lakh towards temporary permit fees and tax.

The Government replied (October 2017) that the issue would be addressed.

4.4.5 Recovery of taxes, penalties and fines

4.4.5.1 Absence of prescribed time limit for disposal of Vehicle Check Reports (VCRs)

Section 200 of Motor Vehicle Act, 1988 read with Government orders²²⁴ provides for collection of Compounding Fee²²⁵ (CF), at specified rates at the time of checking vehicles for the offences committed. In cases, where CF was not collected VCRs are to be sent to RTA²²⁶ concerned, duly specifying the offence committed. However, no time limit was prescribed for disposal of the cases.

Analysis of CFST data of the 10 test checked offices revealed that 8,404 offences involving compounding fee of ₹ 97.43 lakh were pending as of February 2017. The delays in revenue pending collection ranged from 11 to 71 months as shown in the **Table 4.5** below:

²²³ June, July-2014, June, July-2015 and January 2016.

²²⁴ G.O.Ms.No.108 Tr. R&B (TR-1) Department, dated 18 August 2011.

²²⁵ The offence is settled by payment of a compounding fee in lieu of prosecution, in respect of compoundable offences.

²²⁶ Please see glossary.

Table 4.5

Delay in collection of Compounding Fee

Office	7-12 months delay		1-3 years delay		3-6 years delay		Total delay	
	No. of cases	Amount (in ₹)	No. of cases	Amount (in ₹)	No. of cases	Amount (in ₹)	No. of cases	Amount (in ₹)
JTC Khairatabad	70	61,900	1,819	7,16,535	76	56,475	1,965	8,34,910
DTC Adilabad	10	17,300	181	1,80,125	883	26,72,027	1,074	28,69,452
DTC Mahaboobnagar	11	45,900	478	6,66,130	39	62,075	528	7,74,105
DTC Nalgonda	67	38,800	793	8,75,755	158	1,71,890	1,018	10,86,445
DTC Nizamabad	67	17,000	721	3,58,130	233	2,12,040	1,021	5,87,170
DTC Sangareddy	237	1,27,600	813	3,10,825	70	81,810	1,120	5,20,235
RTO Khammam	23	6,500	516	6,22,995	71	82,000	610	7,11,495
RTO Ibrahimpatnam	71	5,71,445	211	2,84,280	183	4,57,275	465	13,13,000
RTO Mancherial	6	4,000	46	94,925	29	1,29,550	81	2,28,475
RTO Hyderabad (East)	0	0	204	2,10,020	318	6,08,450	522	8,18,470
Total	562	8,90,445	5,782	43,19,720	2,060	45,33,592	8,404	97,43,757
Percentage of total revenue pending collection	7%	9%	69%	44%	25%	47%		

Source: CFST data

4.4.5.2 Releasing other State vehicles without collecting Compounding Fee

As per section 207 of MV Act, the enforcement officials are empowered to seize and detain vehicles used without valid driving licence, certificate of registration and permits.

Scrutiny of records revealed that the documents were impounded in 4,786 offences booked against vehicles of other states like Tamil Nadu, Maharashtra etc. The vehicles were not detained and the documents were impounded. Thus, vehicle owners did not return to clear the dues ₹ 64.69 lakh to get the original documents released. The offices replied that the details would be verified.

4.4.5.3 Short Levy/ Non-levy of penalty

The Government of Telangana in its order²²⁷ dated 3 November 2008 issued orders for levy of penalty for belated payment of tax beyond two months from the beginning of the quarter at the rate of twice the quarterly tax in cases of detection.

In three²²⁸ out of 10 sample offices, it was observed that VCRs were issued against 49 transport vehicles for non-payment of taxes (amounting to ₹ 31.68 lakh). Subsequently, the VCRs were closed by collecting compounding fee, tax and lesser penalty. As the offences were booked for non-payment of tax, penalty at the prescribed rates had to be collected from

²²⁷ G.O.Ms No. 318 (TR&B), dated 03 November 2008.

²²⁸ DTC Adilabad, RTO Ibrahimpatnam and Mancherial.

the vehicle owners. Penalty of ₹ 1.20 lakh only was collected whereas penalty to be collected was ₹ 63.36 lakh as per the prescribed rates. This resulted in short/non-levy of penalty amounting to ₹ 62.16 lakh.

When the same was brought to notice (between May and June 2017), it was replied that the matter would be examined.

4.4.5.4 Lapses on interstate vehicular movement

Inter-State vehicular traffic of goods is regulated by bilateral agreements under the provisions of MV Act and Rules made there under. Government of Telangana in its order²²⁹, directed to levy tax of ₹ 5,000 per annum under the TSMV Act²³⁰, on every goods carriage which is normally kept in the States of Maharashtra and Karnataka and covered by countersignature permits of Telangana and operating routes lying partly in the States of Maharashtra and Karnataka and partly in Telangana.

Audit noticed in three offices²³¹, that bilateral tax and penalty, amounting to ₹ 276.44 lakh was not collected from the owners of 1,330 vehicles registered in Maharashtra and Karnataka respectively. Out of 1330 vehicles, the enforcement officials booked offences against 107 vehicles only. This indicated deficiencies in monitoring inter-state movement of vehicles.

The offices replied that the vehicle numbers would be verified and action taken.

4.4.6 Seizure of vehicles

Under Section 207 of Motor Vehicles Act, 1988, an authorised police or transport officer may seize and detain a vehicle, if he has a reason to believe that a motor vehicle was used in contravention of provisions of Motor Vehicles Act.

The seized vehicles shall be accounted for and kept under safe custody until the disposal of case. Instructions²³² were also issued to dispose off the seized vehicles within a reasonable period.

Audit review in ten offices showed the following lacunae in seizing of vehicles:

²²⁹ G.O.Ms.No.362, Transport (R&B) (Tr.I) Department, dated 16 December 2008.

²³⁰ The Government of Telangana vide its orders dated 17 June 2014 adopted the laws as amended from time to time which were in force in the State of Andhra Pradesh.

²³¹ DTCs - Adilabad, Nizamabad and Mahaboobnagar.

²³² Circular Memo No.4129/VI/97 dated October 1997 and 12797/VI/2000, dated 06 September 2000.

4.4.6.1 Documentation on seizure of vehicles

Under Rule 448-A (v) of Telangana Motor Vehicle Rules, when a motor vehicle is seized and detained by any officer referred to Rule in 448, he shall record the condition of the vehicle along with list of removable, replaceable parts. A copy of it is to be delivered to the person from whom it is seized, duly signed. In all the ten offices²³³ test checked, it was noticed in respect of 4,87,656 vehicles seized that documentation of the vehicle condition was inadequate. Such documentation would facilitate the Department to arrive at the upset (base) price of the vehicle at the time of auction.

4.4.6.2 Delay in auction of seized vehicles

Audit noticed considerable delay in disposal of seized vehicles. In eight²³⁴ offices, out of 1,413 vehicles under seizure, 206 vehicles were under seizure since 2010 onwards. Delay in disposal would depreciate the value of vehicles and reduce the amount that can be realised. The offices replied that action would be taken to dispose of the seized vehicles under intimation to audit.

4.4.7 Lack of infrastructure

For effective enforcement, the department requires equipment such as breath analysers, mobile interceptors, speed guns etc. Audit noticed that the equipment meant for upgradation of enforcement activities, were lying unused. Some of the instances are detailed below:

4.4.7.1 Mobile interceptors

Mobile Interceptor is a comprehensive enforcement system vehicle useful to identify overspeeding vehicles by capturing video of movement violations, drunken driven cases and vehicles overloaded with goods. The erstwhile Government of Andhra Pradesh provided in May 2010 two interceptors to the Enforcement Wing, of which one was in the sampled office viz. JTC Hyderabad Central Zone. It was noticed that the vehicle was kept un-utilised due to want of repairs since June 2014.

4.4.7.2 Other equipment

The officers of the Transport Department are empowered by Section 203 of MV Act, 1988 to require any person suspected of driving under the influence of drugs/ alcohol to conduct breath test. It was noticed that equipment like breath analysers, laser guns and handheld terminals were not provided for enforcement activities in any of the sampled offices.

²³³ JTC, Khairatabad Central Zone, DTCs - Adilabad, Mahaboobnagar, Nalgonda, Nizamabad and Sangareddy, RTOs - Ibrahimpatnam, Khammam, Hyderabad (East) and Mancherial.

²³⁴ JTC, Hyderabad Central Zone, DTCs - Adilabad, Nalgonda, Nizamabad, and Sangareddy, RTOs - Ibrahimpatnam, Khammam and Hyderabad (East).

4.4.7.3 Weigh bridges

Weighbridges installed on check posts and highways detect cases of vehicle overloading. ICP Borraj was provided with Weigh Bridge to detect cases of overloading. Audit noticed (June 2017) that the weigh bridge was not functioning. Records pertaining to the weigh bridge were also not made available for scrutiny.

The Enforcement Wing, therefore, lacked necessary equipment to enforce road safety measures relating to over-speeding, drunken driving, over loading, etc.

The Government replied (October 2017) that though patrolling in highways was being done, the department needs to have laser guns for detecting over speeding cases.

4.4.8 Internal controls

Internal control is essential for assuring achievement of an organisation's objectives in operational effectiveness and efficiency and compliance with laws and regulations. It involves everything that controls risks during the enforcement activities.

4.4.8.1 Belated submission of Vehicle Check Reports (VCRs)

As per Circular instructions²³⁵ of the Transport Commissioner, the VCRs written by the checking officers should be handed over in the office on the same or next day in case it constitutes seizure of vehicle. In other cases, VCRs may be kept with the checking officers' up to 15 days from the date of check, to be handed over to the office for further action.

Audit noticed, that 356 VCRs were submitted with a delay ranging from 16 to 211 days in two²³⁶ out of 10 test checked offices. This led to delays in their follow-up and non-recovery of the compounding fee amounting to ₹ 37.24 lakh as of date (July 2017).

The Government replied (October 2017) that the issues would be looked into and the system would be streamlined.

4.4.8.2 Reconciliation of data with Pollution Testing Units (PTUs)

CFST provided for capturing details on Pollution under Control Certificates (PuCC) at the time of renewal of FCs. This requirement was not being followed. Non-compliance was noticed in 1,31,627 cases, i.e., 27 per cent of the cases test checked in audit in the sampled 10 offices. Audit noticed that the CFST data was not being reconciled with the monthly returns submitted by the Pollution Testing Units.

²³⁵ Circular Memo No.44/13907/R2/2002, dated 13 September 2002.

²³⁶ DTC Sangareddy and RTO Hyderabad (East).

The Government replied (October 2017) that the Department conducted training programmes for mobile PTUs, but did not give any specific reply on the usage of monthly returns by PTUs.

4.4.9 High Security Registration Plates (HSRP)

HSRP is a secure number plate aimed to establish a uniform pattern of displaying registration marks across the country. HSRPs are expected to ensure safety of the vehicles through five safety features:

- chromium base chakra hologram;
- India inscripted hot stamping foil;
- seven-digit unique laser code;
- self-destructive windshield sticker and
- non-removable snap lock.

HSRP would prevent anti-social elements from using a vehicle with fake number plates while committing a crime, as the number plate will break if somebody tries to remove or replace it.

Rule 50 of CMV Rules and MORTH orders prescribes norms and standards on High Security Registration Plates and its implementation on all registered vehicles. In pursuance, Government issued orders²³⁷ and authorized APSRTC²³⁸ (now TSRTC) to manufacture, affix and implement HSRP on all the vehicles on behalf of the Transport Department. As per Government order dated December 2013²³⁹ the monitoring of HSRP was entrusted with the Transport Department.

Audit noticed the following lacunae in implementation of the scheme:

4.4.9.1 New vehicles without affixation of HSRP

As per Government Orders, all the new vehicles have to be affixed with HSRP with effect from 11 December 2013. The 10 sampled offices had given authorization for fixation of HSRP to 6,95,709 new vehicles during the period 11 December 2013 to March 2016. Out of these, only 4,02,866 HSR plates, representing 58 *per cent* of the number authorised, were affixed as of date (July 2017). The remaining 2,92,843 vehicles (42 *per cent*) were not affixed with HSRPs upto July 2017. However, analysis of VCR data revealed that only 280 cases (0.14 *per cent*) were identified by the enforcement officials as vehicles plying without HSRP. This indicated the deficiency in monitoring by the Department.

²³⁷ G.O.Ms.No.32 Transport Roads & Buildings Department (TR.I), dated 8 March 2011 and G.O.Ms.No.148 Transport Roads & Buildings Department (TR.I), dated 24 December 2011.

²³⁸ Andhra Pradesh State Road Transport Corporation.

²³⁹ G.O.Ms. No. 110, Transport Roads & Buildings Department (TR.II), dated 02 December 2013.

4.4.9.2 Non-fixing of HSR Plates for in-use vehicles

The task²⁴⁰ of affixing HSRPs on vehicles registered prior to the implementation of HSRP project shall be completed by 10 December 2015. Audit observed that there were approximately 18.41 lakh in-use vehicles. However, in violation of orders of Government, no in-use vehicle was affixed with HSRP till date²⁴¹. Thus, the objective of fixing uniform pattern of number plates was not achieved.

4.4.9.3 Penalty charges

As per the clause 10.2 (C) of the Contract, the contractor shall keep the HSRP fully embossed, hot stamped and ready for affixation at the respective affixing stations within four days from the date of receipt of authorisation from Registering Authority, i.e., RTA, failing which a rebate of ₹ 50 per day of delay per vehicle up to seven days and ₹ 75 per day per vehicle thereafter shall be given by the contractor to vehicle owners.

Audit noticed that the Department had not prescribed any mechanism to provide rebate or create awareness among the vehicle owners on availability of this rebate/penalty clause. There were delays in fixation of HSR Plates from four days to 801 days in respect of 2,33,383 vehicles in the entire State (between 2 June 2014 and March 2016). The amount to be refunded by the contractor worked out to ₹ 5.17 crore (limited to maximum of cost of the Number Plate) which was denied to the vehicle owners. Refund was not made to any of the vehicle owners by the contractor.

The Government may take measures to create awareness among the vehicle owners on the penal clauses at the time of registration of a vehicle and monitor the affixation effectively.

4.4.9.4 Quality control

Clause 10.1(a) of the agreement entered with the supplier allowed the Authority (TSRTC) to conduct quality tests at an authorised test agency/laboratory on samples drawn from the raw materials and/ or the HSRPs. However, since implementation of the HSRP project (December 2013), there were no records of any sample tests performed by TSRTC to verify the quality of HSRP. Transport department also failed to monitor to ensure the quality of HSRP. In the absence of any quality tests conducted there was no assurance that the prescribed quality were being maintained by the contractor.

Conclusion

To prevent overlapping enforcement as well as for optimum deployment of resources, it was essential that there was effective coordination between the Transport Department and the Traffic Police. This was however absent.

²⁴⁰ Government Orders issued during December 2013.

²⁴¹ August 2017.

In the CFST (Citizen Friendly Services in Transport Department) data, the Department had a comprehensive database that should have been used for planning. The Enforcement Wing did not have a risk based deployment plan based on the CFST data; instead it relied on monetary targets.

The ‘e-VCR mobile solution’ project, that would have provided the last mile integration, by automation of the VCR to inspecting officers at the time of check, was not implemented.

Deterrence effect was lost due to non-incorporation of provisions on enhanced compounding fee in respect of repeated offences. This also resulted in loss of revenue of ₹ 6.05 crore. Offences were not booked against vehicle owners which resulted in loss of revenue of ₹ 1.52 crore. There were no time limits for finalisation of VCRs.

High Security Registration Plates (HRSP) were installed only on 58 *per cent* of the 6,95,709 authorized new vehicles.

Recommendations

- (a) Mechanisms for co-ordination between the Transport and Police Departments needs to be instituted at the stages of planning and implementation of enforcement activities;
- (b) The implementation of e-VCR mobile solution be expedited for use by enforcement officials;
- (c) Provisions on enhancement of fees on Compounding of second and subsequent offences needs to be in place to deter repeated offences.
- (d) Time limit may be prescribed for the finalisation of Vehicle Check Reports to avoid pendency as well as blockage of revenue;
- (e) The Department should be equipped with breath analysers, mobile interceptors, speed guns etc., for effective enforcement activities.
- (f) HSRP project may be implemented effectively to ensure uniform registration plates with security features.

4.5 Non-realisation of Quarterly Tax and Penalty

Section 3 of the Telangana Motor Vehicle Taxation 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 specifies that tax shall be paid in advance either quarterly, half yearly or annually within one month from the commencement of the quarter. Under Section 6 of the Act read with Rule 13 of the Telangana Motor Vehicle Taxation Rules, 1963, penalty for belated payment of tax beyond two months from the beginning of the quarter shall be levied at a rate equivalent to 50 *per cent* in cases of voluntary payment and twice at the rate of quarterly tax on cases detected.

Analysis of the data²⁴² in the offices of Joint Transport Commissioner (JTC), Hyderabad, five DTCs²⁴³ and four RTOs²⁴⁴ revealed that quarterly tax of ₹ 2.12 crore²⁴⁵ was not paid by the owners of 1,262 transport vehicles. The department had not issued any demand notice to these defaulters. This resulted in non-realisation of tax of ₹ 2.12 crore and penalty of ₹ 1.06 crore (at 50 *per cent* of quarterly tax).

After Audit pointed out these cases, two offices²⁴⁶ replied that tax and penalty in respect of the vehicles pointed out would be collected under intimation to Audit. RTO, Hyderabad East replied (October 2016) that the cases would be verified and action taken. The remaining officers replied²⁴⁷ that immediate action would be taken to realise the tax and penalty due in respect of transport vehicles pointed out under intimation to Audit.

The matter was referred to the Government in October 2017; reply has not been received (December 2017).

4.6 Short levy of Tax in respect of second or subsequent personalised vehicles owned by individuals

As per fifth proviso to Section 3(2) of Telangana Motor Vehicle Taxation Act, 1963, tax in respect of second or 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 with effect from 2 February 2010²⁴⁸.

Analysis of the data²⁴⁹ in the offices of JTC, Hyderabad, four DTCs²⁵⁰ and two RTOs²⁵¹ revealed that tax amounting to ₹ 10.58 lakh²⁵² was short collected²⁵³ from 124 owners in respect of second or subsequent personalised vehicles.

²⁴² Between October 2016 and July 2017.

²⁴³ Adilabad, Mahaboobnagar, Nalgonda, Nizamabad and Sangareddy.

²⁴⁴ Hyderabad (East), Ibrahimpatnam, Khammam and Mancherial.

²⁴⁵ For the period 2014-15 to 2015-16.

²⁴⁶ JTC, Hyderabad (February 2017) and DTC, Mahaboobnagar (March 2017).

²⁴⁷ Between October 2016 and July 2017.

²⁴⁸ Act No.11 of 2010.

²⁴⁹ Between October 2016 and July 2017.

²⁵⁰ Adilabad, Mahaboobnagar, Nalgonda and Nizamabad.

²⁵¹ Hyderabad (East) and Ibrahimpatnam.

²⁵² For the period 2014-15 to 2015-16.

²⁵³ At rates ranging from 9 to 12 *per cent*.

After Audit pointed out these cases, all the officers replied²⁵⁴ that the details of vehicles would be verified and differential tax collected under intimation to Audit.

The matter was referred to the Government in October 2017; reply has not been received (December 2017).

²⁵⁴ Between October 2016 and July 2017.