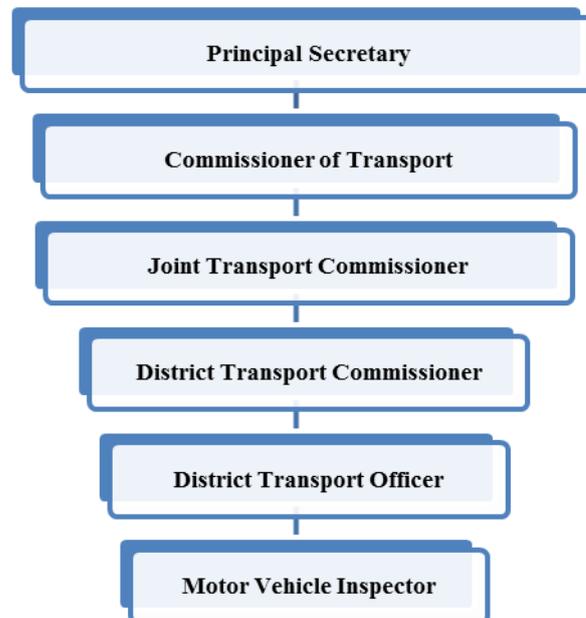


CHAPTER V

TAXES ON VEHICLES

5.1 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) alongwith 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 adapted¹⁵¹ by the State of Telangana. The Transport Department is primarily responsible for enforcement of provisions of Acts and Rules framed there under which *inter alia* included 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. The important functionaries of the Department for Administration of tax is depicted in the below organogram. The total revenue from Transport Department during 2017-18 was ₹ 3,589.48 crore¹⁵².



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 frame work. Government constituted Internal Audit wing in November 2003¹⁵³ at Secretariat level in Finance Department with certain staff

¹⁵¹ G.O. Ms. No. 2, Transport, Roads & Buildings (TR-I) Department, dated 17 June 2014.

¹⁵² Source: figures obtained from office of Prl. Accountant General (A&E), Telangana.

¹⁵³ G.O.Ms No.479, Finance (Internal Audit) Department, dated 10 November 2003.

and necessary instructions¹⁵⁴ were also issued for starting of Internal Audit work with immediate effect. The department stated (March 2019) that no independent Internal Audit Wing (IAW) existed.

5.3 Audit Methodology and Results of Audit

Audit Data Analytics

The Transport Department of Telangana uses an IT application, 'Citizen Friendly Services in Transport Department (CFST)'. The core functions of the department, i.e., issue of driving licenses, registration of vehicles, collection of all revenues, granting of permits, checks of motor vehicles etc., have been computerized in CFST. Thus, CFST contains a comprehensive database of vehicles and license holders.

There are six modules in the CFST covering all the functions of the department as per the relevant Act and Rules.

The CFST data is in a central server located with the Transport Commissionerate. The Regional Transport Authorities (RTAs) are connected to the Data Centre (Transport Commissionerate) through Telangana State Wide Area Network (TSSWAN). The service access is also available at each RTO.

The CFST data up to December 2016 in Comma Separated Values (CSV) was received from the Commissionerate and analysed with the help of a data analytical tool (IDEA). As per annual audit plan, eight offices out of 36 total offices were selected for compliance audit during the year 2017-18. Selection of units for compliance audit was based on Revenue.

CFST enables generation of MIS and transactional data in Unit Offices. The data was directly downloaded and analysed with the help of analytical tools like IDEA and MS-Excel by Audit during local audits. At local offices regular establishment audit and verification of receipts with treasuries was also done. Audit Enquiries based on the information extracted/gaps identified after analysis of the data as per the applicable criteria rules, provisions and business rules were issued.

Test check of records of eight offices out of 36 offices¹⁵⁵ of Transport Department conducted during the year 2017-18 revealed under assessment of tax and other deficiencies involving monetary impact of ₹2.77 crore in 23 observations which broadly fall under the categories as given in **Table 5.1:**

¹⁵⁴ Govt. Memo dated 6 December 2008.

¹⁵⁵ Number of offices increased from 20 to 36 due to re-organisation of Districts.

Table: 5.1
Category of Audit observations on revenue receipts

(₹ in crore)			
Sl. No	Category	No. of observations	Amount
1	Non-levy of quarterly tax and penalty	4	2.02
2	Vehicles plying without valid fitness certificates	7	0.34
3	Non/Short levy of life tax on transport vehicles	4	0.13
4	Non collection of Green Tax	4	0.08
5	Other irregularities	4	0.20
	Total	23	2.77

During the year 2017-18, the Department accepted under assessments and other deficiencies of ₹ 2.02 crore in eleven observations pointed out during the year 2017-18. An amount of ₹ 4.53 lakh was recovered during the year.

There are four broad categories of audit observations on levy of MV tax and green tax. There may be similar irregularities, errors/ omissions in other units under the department but not covered in the test audit. Department may, therefore, examine all the units with a view to ensure that the taxes are levied as per provisions of the Act and Rules.

Non-compliance of the provisions of the Acts/ Rules

Telangana Motor Vehicle Taxation Act, 1963 Motor Vehicle Act, 1988 and Rules made there under and Central Motor Vehicle Rules 1989 provides for

- motor vehicle tax/ additional tax from the vehicle owner at the prescribed rate in advance and within the grace period provided
- levy and collection of fitness fee from the vehicle owners after completion of prescribed period
- Levy and collection of Green Tax from the owners of vehicles after completion of prescribed age from the date of registration.

Non-compliance of the provisions of the Acts/ Rules in some cases involving ₹ 2.28 crore are mentioned in succeeding paragraphs.

5.4 Non-realisation of Quarterly Tax and Penalty

DTOs/ RTOs had not issued notices to owners of 1,406 transport vehicles for non-payment of Quarterly Tax of ₹ 1.91 crore.

Section 3 of the Telangana Motor Vehicle Taxation Act, 1963 read with Government Orders¹⁵⁶ stipulates that every owner of a motor vehicle used or kept for use in a public place in the State is liable to pay tax at the rates specified by the Government from time to time. Section 4 of the Act read with

¹⁵⁶ G.O.Ms. No. 68, Transport, Roads & Buildings (TR-I) Department, dated 13 April 2006.

Government Order¹⁵⁷ specifies 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 Telangana Motor Vehicles Tax 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 the rate of quarterly tax in cases of detection.

Audit scrutinised¹⁵⁸ the records in six¹⁵⁹ out of 36 DTO/RTO offices and revealed that quarterly tax of ₹ 1.27 crore for the period 2015-17 was not paid by the owners of 1,406¹⁶⁰ transport vehicles although these vehicles were continued to be plying on the roads as evident from the data available from the web portal of the department wherein it was shown as 'V' (Valid). The Department had not issued any demand notice to these defaulters. This resulted in non-realisation of tax of ₹ 1.27 crore and penalty of ₹ 64 lakh (at 50 *per cent* of quarterly tax).

The DTOs/RTOs replied (between May 2017 and December 2017) that action would be taken to realise the tax and penalty due in respect of transport vehicles.

These issues were referred to the Department in July 2018 and to the Government in August 2018; replies have not been received (February 2020).

5.5 Loss of Revenue due to non-renewal of Fitness Certificate

Expired fitness certificates of 8,031 transport vehicles were not renewed resulting in non realization of fitness fee amounting to ₹ 15.37 lakh.

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 (FC) issued by the prescribed authority. As per Rule 62 of the CMV Rules, 1989, the certificate of fitness in respect of 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 certificate of fitness. Non-renewal of fitness certificates (FC) jeopardises road safety besides loss of revenue to Government towards FC fee.

As per Rule 12A of TSMVT Rules, the vehicle owners who intended not to ply their vehicles on the roads have to apply to the Transport authorities concerned.

¹⁵⁷ G.O.Ms. No. 96, Transport, Roads & Buildings (TR-II) Department, dated 21 May 1993.

¹⁵⁸ Between May 2017 and December 2017.

¹⁵⁹ DTOs- Adilabad, Attapur, Mancherial and Siddipet; RTOs-Hyderabad (NZ) Secunderabad and Hyderabad (WZ) Tolichowki.

¹⁶⁰ DTOs-Adilabad (89);Attapur (418); Mancherial (103);Siddipet (278); RTOs Hyderabad (NZ)Secunderabad (247) and Hyderabad (WZ) Tolichowki (271).

Audit analysed (between May 2017 and September 2017) computerised data and records relevant to grant of FC at three¹⁶¹ out of 36 DTO/RTO offices. It was observed that validity of FCs for 8,031 transport vehicles had expired (2015-17) and were not renewed during the year. Consequently, Government lost revenue amounting to ₹ 15.37 lakh towards FC fee besides compromising road worthiness of vehicles.

After Audit pointed out, DTOs/RTOs concerned replied (between May 2017 and September 2017) that special drives would be conducted for detecting transport vehicles plying without valid FCs.

These issues were referred to the Department in July 2018 and to the Government in August 2018; replies have not been received (February 2020).

5.6 Loss of Revenue due to non-levy of Green Tax ₹ 10.72 lakh

DTOs/ RTOs had not levied Green Tax in respect of 4,375 Vehicles resulting in non-realisation of tax amounting to ₹ 10.72 lakh.

As per the Government Order dated 23 November 2006,¹⁶² “Green Tax” shall be leviable on transport and non-transport vehicles completing seven years and 15 years of age respectively from the date of registration. The rate of tax is ₹ 200 per annum for the transport vehicles. In respect of non-transport vehicles, the rate is ₹ 250 for motorcycles and ₹ 500 for other than motorcycles valid for every five years.

Audit scrutinised (between May 2017 and December 2017) the records in six¹⁶³ out of 36 DTO/RTO offices showed that “Green Tax” was not levied on 3,351 transport vehicles and 1,024 non-transport vehicles. These vehicles had already completed the prescribed age limit during 2014-17 and were plying on the road yet, “Green Tax” on these vehicles amounting to ₹ 10.72 lakh was not levied. It was noticed that no mechanism exists to levy the “Green Tax”, if the registration of the vehicle is renewed before the expiry of the initial registration.

In response to audit, offices informed (between May 2017 and December 2017) that Green Tax would be collected whenever the vehicle owner approached the offices for any transaction in the subsequent year. No application would be entertained without payment of Green Tax; the Departmental software was also designed in such a way to collect the Green Tax.

It is, however, stated that, Motor Vehicle Act, 1988 facilitates the vehicle owner to approach 60 days prior to expiration of vehicle validity to get the

¹⁶¹ DTOs- Adilabad, Mancherla and RTO- Hyderabad West Zone (Tolichowki).

¹⁶² G.O.Ms. No. 238, Transport, Roads & Buildings (TR-1) Department, dated 23 November 2006.

¹⁶³ DTOs -Adilabad, Attapur, Mancherla and Siddipet.
RTOs- Hyderabad North Zone (Secunderabad) and Hyderabad West Zone (Tolichowki).

vehicle checked for further fitness. In case of Green Tax, the Departmental software has however, been developed for collection only on the expiry of the initial registration.

These issues were referred to the Department in July 2018 and to the Government in August 2018; replies have not been received (February 2020).

5.7 Short levy of tax in respect of second and subsequent personalized vehicles owned by individuals

Higher rate of tax from 88 vehicle owners owning second and subsequent vehicles was not collected amounting to ₹ 11.44 lakh.

As per fifth proviso to sub-section (2) of Section 3 of Telangana Motor Vehicle Taxation 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 with effect from 2 February 2010¹⁶⁴.

Audit analysed (between May 2017 and December 2017) the data in five¹⁶⁵ out of 36 DTO/RTO offices. It was observed that tax was collected at the rate of nine *per cent* and 12 *per cent* in respect of two and four wheelers respectively instead of 14 *per cent* from 88 owners in respect of second and subsequent personalised vehicles¹⁶⁶ during the period 2015-17. This resulted in short realisation of tax amounting to ₹ 11.44 lakh. This occurred as there was no unique key in the system like PAN/ Aadhar Number to identify that a second or subsequent vehicle was being registered in the individual's name. A small variation in the individual's details would result in non-identification of the individual registering a subsequent vehicle.

After audit pointed out, the concerned officers replied (between May 2017 and December 2017) that action would be taken to collect the taxes under intimation to Audit.

These issues were referred to the Department in July 2018 and to the Government in August 2018; replies have not been received (February 2020).

¹⁶⁴ Act No. 11 of 2010.

¹⁶⁵ DTOs-Adilabad, Attapur and Siddipet.; RTOs-Hyderabad North Zone (Secunderabad) and RTO Hyderabad West Zone (Tolichowki).

¹⁶⁶ DTOs- Adilabad (10), Attapur (20) and Siddipet (5) and RTOs- Hyderabad: North Zone (Secunderabad) (28) and Hyderabad: West Zone (Tolichowki) (25).