

CHAPTER-III TAXES ON VEHICLES

3.1 Tax administration

The receipts from the Transport Department are regulated under the provisions of the Central and the State Motor Vehicles Acts and Rules made thereunder. The Transport Department functions under the administrative control of the Secretary, Transport Department at the Government level and the Transport Commissioner (TC) at the department level. The levy and collection of tax in the State is governed by the Motor Vehicles Act, 1988, Central Motor Vehicles (CMV) Rules, 1989, and the Kerala Motor Vehicles Taxation (KMVT) Act, 1976.

3.2 Internal audit

The Finance Officer of the Motor Vehicles Department conducts the audit of the State Transport Authority, offices of the Deputy Transport Commissioners of each zone and Regional Transport Offices (RTOs). The Senior Superintendents attached to the office of each of the Zonal Deputy Transport Commissioners conduct internal audit of Sub RTOs and Motor Vehicle Check Posts of the Department. The Internal Audit team is comprised of one Accounts Officer, 10 Senior Superintendents and 12 Clerks. No special training has been imparted to the personnel of the Internal Audit Wing (IAW). Against the target of 103 units, 34 units were audited during 2018-19. The Department stated that the periodicity of audit of all offices is annual but the Department could not achieve the target due to shortage of staff, lack of proper training and audit software. The Department did not prepare a separate Internal Audit Manual. During 2018-19, the Department cleared 887 paras which was 20.11 *per cent* of the outstanding 4,411 paras. The Department attributed (August 2019) the reason for low clearance of audit observations to delay in getting the rectification reports from the sub offices audited.

3.3 Results of audit

There were 79 auditable units in Motor Vehicles Department. Test check of records of 46 offices during 2018-19 relating to tax, registration fee, permit fee, driving license fee, conductor license fee, penalties and composite fee under National Permit Scheme showed non/short-levy of one-time tax, non-levy of green tax, non-remittance of tax and other irregularities. Audit pointed out some of the similar omissions in the earlier years also. Not only do these irregularities persist, but they also remain undetected till the next audit is conducted. There is a need for the Government to improve the internal control system including strengthening of internal audit so that recurrence of such cases can be avoided. Underassessment of tax and other irregularities involving ₹ 17.45 crore in 346 cases which fall under the following categories are given in **Table - 3.1**.

Table - 3.1

(₹ in crore)

| Sl. No. | Categories | Number of cases | Amount |
|--------------|-----------------------|-----------------|--------------|
| 1 | Non/short levy of tax | 162 | 7.04 |
| 2 | Other lapses | 184 | 10.41 |
| Total | | 346 | 17.45 |

During the course of the year, the Department accepted non/short-levy of tax and other deficiencies amounting to ₹ 23.74 crore in 362 cases, which were pointed out by Audit. An amount of ₹ 12.86 crore pointed out was realised in 455 cases during the year.

A few illustrative audit observations involving ₹ 5.93 crore are mentioned in the succeeding paragraphs.

3.4 Short levy of one time tax due to incorrect computation of purchase price

The purchase value of the motor vehicles defined under Section 2(e) of the KMVT Act, 1976 means the value of the vehicle as shown in the purchase invoice and includes Value Added Tax/Goods and Services Tax and such other taxes as may be levied by the Central and State Government, cess and customs/excise duty chargeable on vehicle (vide KMVT (Amendment) Act, 2017 with effect from 01 July 2017). As such, one *per cent* tax collected at source (TCS) by the dealer vide Government of India Ministry of Finance, Circular No.22/2016 (F.No.370142/17/2016-TPL) dated 08 June 2016 on vehicles having purchase value exceeding ₹ 10 lakh also forms part of the purchase value of a vehicle. As per Section 3(1) of the KMVT Act, 1976, one time tax at the prescribed rate shall be levied from the date of purchase for motor cars and private service vehicles for personal use (non-transport vehicle).

While conducting the audit of 27³⁶ out of 73 Regional/Sub Regional Transport Offices (RTO/SRTOs) during 2018-19, Audit verified registration files of vehicles purchased during 01 July 2017 to 31 March 2018, having purchase value above ₹ 10 lakh. Out of the total 12,306 vehicles registered during this period in these 27 RTO/SRTOs, 8,941 cases were verified. It was noticed that in 7,671 cases (85.80 *per cent*), one *per cent* tax collected at source had not been taken into account while computing the purchase value of the vehicles. This resulted in short collection of one time tax levied on non-transport vehicles, amounting to ₹ 3.56 crore as shown in **Appendix XVIII**.

On this being pointed out (December 2019), the Government replied (December 2020) that an amount of ₹ 0.58 crore was collected in 1670 cases. Further progress is awaited (December 2020).

Recommendation: It is recommended that the Department may strengthen the internal audit so that weaknesses in the system are addressed and omissions of the nature pointed out in the Audit Reports are avoided in future.

3.5 Non/short levy of one time tax in respect of vehicles reclassified from transport vehicles

Second proviso to Section 3(1) of the KMVT Act, 1976 states that in respect of a new motor vehicle of any of the classes specified in item numbers 1,2,6 and 11 of the schedule to the Act, one time tax shall be levied from the date of purchase at the rates prescribed in the Annexure I to the Act. In the case of

³⁶ Attingal, Ernakulam, Idukki, Kannur, Kasargod, Kollam, Kottayam, Kozhikode, Muvattupuzha, Thiruvananthapuram and Vadakara (11 RTOs).
Aluva, Angamaly, Changanasery, Chittur, Kanhangad, Karunagappally, Koduvally, Nedumangad, Neyyatinkara, Pattambi, Sulthan bathery, Thalassery, Tirurangadi, Thodupuzha, Tirur and Vaikom (16 SRTOs).

motor vehicles registered on or after 01 April 2007 and reclassified from the category of transport vehicle to non-transport vehicle, one time tax on percentage basis with respect to the age of the vehicle is leviable. As per Table below Annexure - 1 of the KMVT Act, purchase value reckoned for one time tax ranges from 100 per cent to seven per cent in respect of age of vehicles ranging from less than one year to less than 15 years.

As per the Annexure – 1 of the KMVT Act, one time tax at the rate of six per cent, eight per cent, 10 per cent, 15 per cent and 20 per cent shall be levied on motor cars and private service vehicles having purchase value up to ₹ five lakh, purchase value more than ₹ five lakh and up to ₹ 10 lakh, purchase value more than ₹ 10 lakh and up to ₹ 15 lakh, purchase value more than ₹ 15 lakh and up to ₹ 20 lakh and purchase value more than ₹ 20 lakh respectively.

While conducting the audit of 34³⁷ out of 73 Regional /Sub Regional Transport Offices during 2018-19, Audit verified details of all 8,645 vehicles registered on or after 01 April 2007 and subsequently reclassified as non-transport vehicles during 2017-18. Out of these, non-levy of tax was noticed in 434 cases with a money value of ₹ 0.60 crore and short-levy of tax was noticed in 1,023 cases with a money value of ₹ 1.22 crore as shown in **Appendix XIX**. This resulted in non/short levy of ₹ 1.82 crore. Even though these omissions were apparent from the records of the Department, the RTO failed to detect them and despite being pointed out repeatedly in the past Audit Reports for the years ended March 2017 and 2018, the Department/Government have not taken corrective action.

On this being pointed out (December 2019), the Government replied (December 2020) that an amount of ₹ 1.01 crore was collected in 793 cases. Further progress is awaited (December 2020).

Recommendation: *It is recommended that the Department may avoid such system failures by ensuring strict adherence to the provisions of the relevant Acts.*

3.6 Non levy of Green Tax

Section 3A of the KMVT Act, 1976 as amended by the Finance Act 2016, stipulates that Green Tax shall be levied and collected in addition to the tax levied under this Act on the motor vehicles specified in column (2) of the table below at the rate specified in column (3) thereof, for the purpose of implementation of various measures to control air pollution. The Transport

³⁷ Alappuzha, Attingal, Ernakulam, Idukki, Kannur, Kasargod, Kottayam, Kozhikode, Muvattupuzha, Thrissur, Thiruvananthapuram, Vada kara, Wayanad (13 RTOs).
Adoor, Aluva, Angamaly, Chalakudy, Chittur, Irinjalakuda, Kanhangad, Karunagappally, Kayamkulam, Koduvally, Kunnathur, Nedumangad, Neyyattinkara, Pattambi, Sulthan bathery, Thalassery, Thirurangadi, Thiruvalla, Thodupuzha, Tirur, Vaikom (21 SRTOs).

Commissioner instructed (December 2016)³⁸ that the payment of Green Tax shall be ensured at the time of fitness test in the case of transport vehicles and at the time of renewal of registration in the case of non-transport vehicles. The details of rates of green tax on the basis of class, age of vehicle are detailed in Table – 3.2.

Table - 3.2

| Sl. No. | Class and age of vehicle | Rate of Green Tax (in ₹) | Incidence of levy |
|---------|-------------------------------------------------------------------------------------------------------------------|--------------------------|-----------------------------------------------|
| (1) | (2) | (3) | (4) |
| 1 | Non Transport Vehicles having four or more wheels and completed 15 years from the date of registration | 400 for every five years | At the time of renewal of registration |
| 2 | Light Transport Vehicles having four or more wheels and have completed 10 years from the date of its registration | 200 for every year | At the time of renewal of fitness certificate |
| 3 | Medium Transport Vehicles which have completed 10 years from the date of its registration | 300 for every year | At the time of renewal of fitness certificate |
| 4 | Heavy Transport Vehicles which have completed 10 years from the date of its registration | 400 for every year | At the time of renewal of fitness certificate |

During the audit (2018-19) of 28³⁹ out of 73 Regional/ Sub Regional Transport Offices, it was noticed from the tax remittance particulars in the database that Green tax was not collected from 12,884 transport vehicles and 5,021 non-transport vehicles out of a total of 52,781 vehicles which were given services from the Department. These services include renewal of fitness certificate in respect of transport vehicles which have completed 10 years from the date of its registration, and renewal of registration in respect of non-transport vehicles which have completed 15 years from the date of registration. This resulted in non-collection of ₹ 0.54 crore as shown in **Appendix XX**.

On this being pointed out (December 2019), the Government replied (December 2020) that an amount of ₹ 0.35 crore was collected in 8,576 cases. Further progress is awaited (December 2020).

Recommendation: *It is recommended that the Government may put in place a proper monitoring mechanism to raise alerts for demanding green tax on completion of 10 years or 15 years as the case may be, when the vehicles are brought for other services.*

³⁸ Vide Circular No. 31/2016 dated 23 December 2016.

³⁹ Alappuzha, Attingal, Ernakulam, Idukki, Kannur, Kasargod, Kozhikode, Muvattupuzha, Thiruvananthapuram, Vadakara, Wayanad, Pathanmthitta (12 RTOs).
Adoor, Aluva, Angamaly, Chittur, Kanhangad, Kayamkulam, Koduvally, Nedumangad, Pattambi, Sulthan bathery, Thalassery, Thirurangadi, Thiruvalla, Thodupuzha, Tirur, Vaikom (16 SRTOs).