

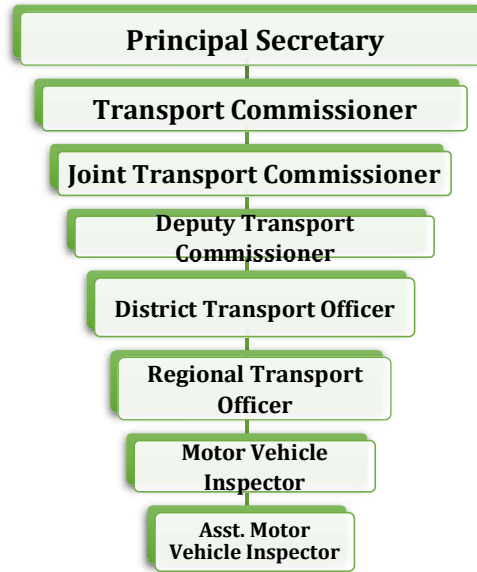
Chapter V

Motor Vehicle Taxes

5.1 Tax Administration

Transport Department is primarily responsible for enforcement of provisions of various¹ Acts and Rules that include provisions for collection of taxes, fees, issue of driving licences, certificates of fitness to transport vehicles, registration of motor vehicles and grant of regular and temporary permits to vehicles. The Department is headed by the Principal Secretary at Government level. The organisational set up of the Department for administration of tax is depicted in the organogram given alongside:

Figure-5.1: Organogram



5.2 Trend of receipts

Actual receipts from Motor Vehicle Taxes during the years 2017-18 to 2021-22 against Budget Estimates is shown in the following **Table**:

Table 5.1: Receipts from Motor Vehicle Taxes

(₹ in crore)

| Year | Budget Estimates | Actual Receipts | Variation Excess (+) / Shortfall (-) | Percentage of variation | Total Tax receipts of the State | Percentage of actual receipts vis-à-vis total tax receipts |
|---------|------------------|-----------------|--------------------------------------|-------------------------|---------------------------------|--|
| 2017-18 | 3,000.00 | 3,589.48 | (+)589.48 | 19.65 | 56,519.82 | 6.35 |
| 2018-19 | 3,950.00 | 3,761.94 | (-)188.06 | (-)4.76 | 64,674.07 | 5.82 |
| 2019-20 | 3,714.00 | 3,934.75 | (+)220.75 | 5.94 | 67,597.49 | 5.82 |
| 2020-21 | 4,300.00 | 3,337.96 | (-)962.04 | (-)22.37 | 66,650.37 | 5.01 |
| 2021-22 | 5,000.00 | 4,380.61 | (-)619.39 | (-)12.39 | 91,271.38 | 4.80 |

Source: Finance Accounts

As seen from the above table, while the total tax receipts of the State have increased by 61.49 *per cent* during the last five years, Motor Vehicle Taxes recorded an increase of 22.04 *per cent*. The contribution of the Motor Vehicle Taxes to the total tax receipts has decreased from 6.35 *per cent* to 4.80 *per cent* during this period.

¹ The Transport Department of Government of Telangana is governed by The Central Motor Vehicles Act, 1988 (Central MV Act), The Central Motor Vehicles Rules, 1989 (Central MV Rules) along with The Telangana Motor Vehicles Taxation Act, 1963 (State MV Taxation Act), The Telangana Motor Vehicles Taxation Rules, 1963 (State MV Taxation Rules) and The Telangana Motor Vehicles Rules, 1989 (State MV Rules) which have been adapted (G.O.Ms. No. 2, Transport, Roads and Buildings (TR-I) Department, dated 17 June 2014) by the State of Telangana.

5.3 Cost of collection

The figures of gross collection in respect of Motor Vehicle Taxes, expenditure incurred on collection and the percentage of such expenditure to gross collection during the years 2017-18 to 2021-22 are mentioned below:

Table 5.2: Cost of collection of Motor Vehicle Taxes

| | | (₹in crore) | | |
|---------------------|---------|------------------|--------------------------------------|--|
| Head of Revenue | Year | Gross collection | Expenditure on collection of Revenue | Percentage of cost of collection to gross collection |
| Motor Vehicle Taxes | 2017-18 | 3,589.48 | 76.10 | 2.12 |
| | 2018-19 | 3,761.94 | 79.38 | 2.11 |
| | 2019-20 | 3,934.75 | 129.33 | 3.29 |
| | 2020-21 | 3,337.96 | 86.44 | 2.59 |
| | 2021-22 | 4,380.61 | 109.01 | 2.49 |

Source: Finance Accounts

Although the cost of collection and gross collections of the Department have increased during 2017-18 to 2019-20, there was marginal decrease in expenditure and gross collections during the year 2020-21. Despite increase in gross collections and expenditure on cost of collection during the year 2021-22, there was dip in terms of percentage of cost of collection to gross collection compared to previous year.

5.4 Impact of Audit

During the last five years, Audit had pointed out non / short levy of duties, non / short realisation of dues, non / short levy of interest with total revenue implication of ₹88.55 crore in 433 cases. Of this, the Department accepted observations valuing ₹2.02 crore in 2017-18. Thereafter there has been no communication from the department on the issues raised in Inspection Reports / Audit Reports. Also, there was no communication about the collections made of the amounts accepted by them, indicating poor response to Audit observations.

5.5 Working of Internal Audit wing

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. Audit noticed that no system of internal audit had been introduced in the Department so far to check the compliance with Rules / Government orders by the Department.

5.6 Audit Methodology and Results of Audit

Transport Department of Telangana computerised its core functions like issue of driving licences, registration of vehicles, collection of revenue, grant of permits, checks of motor vehicles, etc., through a 'Citizen Friendly Services in Transport Department (CFST)' application. The CFST data is in a central server located in the Transport Commissionerate. The Regional Transport Authorities (RTAs) are connected to the Data Centre (Transport Commissionerate) through Telangana State-wide Area Network (TSWAN). The service access is also available at each Regional Transport Office.

During the year 2021-22, data in CFST relating to the nine sampled units was downloaded from RTO portal by the Audit teams and analysed with the help of analytical tools like Interactive Data Extraction and Analysis (IDEA) and Microsoft Excel.

Accordingly, Audit of Motor Vehicles Tax receipts was conducted through a test check of relevant records and transaction data of nine sampled units in the State during 2021-22 to gain assurance that the fees are levied, collected and accounted for in accordance with the relevant Acts, Codes and Manuals, and the interests of the Government are safeguarded. Audit brought out instances of deviations / non-compliance with the provisions of the Acts and Rules in 49 cases involving an amount of ₹10.40 crore under the following categories:

Table 5.3: Category of Audit Observations on Revenue Receipts

| (₹ in crore) | | | |
|--------------|--|-------------------|--------------|
| Sl. No. | Category of Audit observations | No. of deviations | Amount |
| 1 | Non-levy of quarterly tax and penalty | 6 | 3.12 |
| 2 | Vehicles plying without valid fitness certificates | 10 | 4.25 |
| 3 | Vehicles plying without valid registration certificates | 8 | 1.61 |
| 4 | Non-collection of green tax | 9 | 0.95 |
| 5 | Non-disposal of vehicle check reports and consequential non-realisation of compounding fee | 6 | 0.26 |
| 6 | Other State vehicles plying without assignment of Telangana State registration mark | 7 | 0.19 |
| 7. | Short levy of tax in respect of second and subsequent personalised vehicles owned by individuals | 3 | 0.02 |
| | Total | 49 | 10.40 |

There may be similar irregularities, errors / omissions not covered in the test audit. The Department may, therefore, examine all the transactions to ensure that the taxes are levied as per provisions of the Acts and Rules.

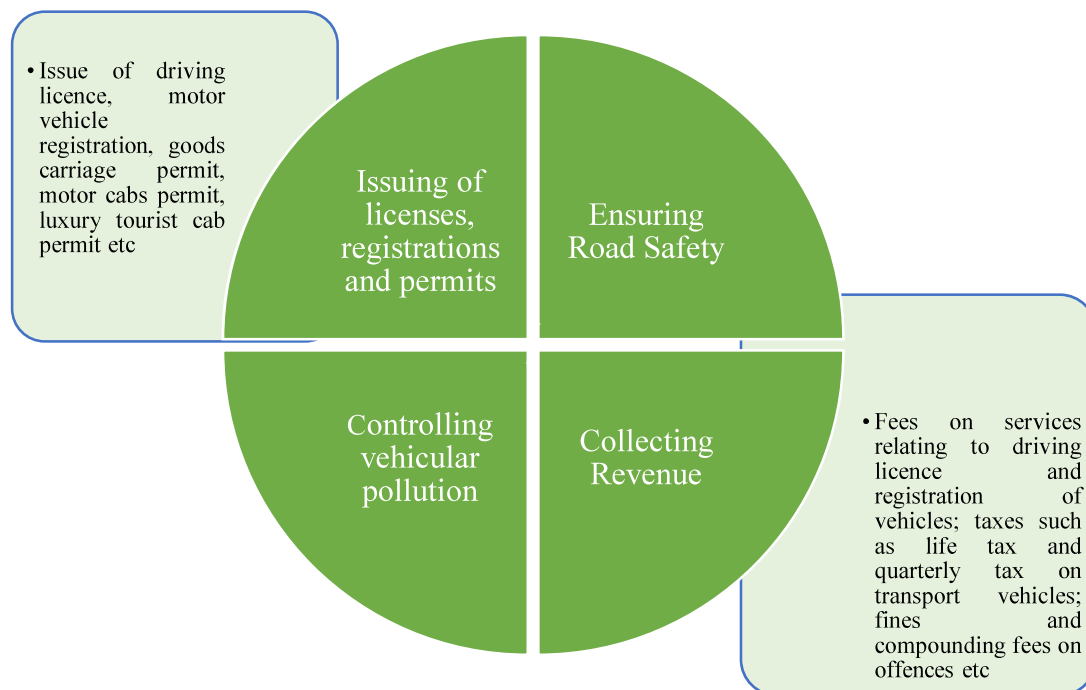
Significant cases of non-compliance with the provisions of the Acts / Rules in the cases are brought out in the following Compliance Audit Paragraph on '*Citizen Friendly Services in Transport Department*' discussed below.

5.7 Compliance Audit on 'Citizen Friendly Services in Transport Department (CFST)'

5.7.1 Introduction

The Transport Department functions under the overall administrative control of Principal Secretary, Transport, Roads and Buildings. Transport Commissioner is the head of the Department, who is assisted by two Joint Transport Commissioners at head office level and Joint Transport Commissioner (Hyderabad, Central Zone), Deputy Transport Commissioners, District Transport Officers, Regional Transport Officers, Motor Vehicle Inspectors and Assistant Motor Vehicle Inspectors at field level.

The Transport Department is responsible for the functions as mentioned below:



5.7.2 Functional Set-up

The Department implemented 'Citizen Friendly Service in Transport Department (CFST)' software in two tier architecture² in May 2000 to help to discharge its above mentioned functions with greater public participation. Subsequently, CFST was upgraded to three tier³ architecture by April 2013. Through CFST, citizens can book a slot online through the Department portal (<https://transport.telangana.gov.in/>) and choose a feasible date to avail services of the Transport Department. They can make payment online or by visiting MeeSeva centres for the service opted by them. Citizens can also avail transport services through T-App Folio Mobile App which is a m-Governance (mobile Governance) initiative of the State Government where citizens can avail various services of Government through mobile app introduced on 24 July 2020.

5.7.3 Audit objectives

The audit of 'Citizen Friendly Services in Transport Department (CFST)' has been conducted to ascertain whether:

1. The CFST is compliant with the provisions of Motor Vehicles Acts with respect to licensing, vehicle registrations, fitness and permits of vehicles;
2. Taxes, fees and user charges are correctly assessed, levied and collected according to provisions of Acts and Rules through CFST; and
3. Internal Controls on implementation of CFST were adequate and effective.

² Server and Client system.

³ Client, Application Server and Data Server.

5.7.4 Audit criteria

The audit findings were benchmarked against the criteria sourced from the following:

- i. Motor Vehicle Act, 1988⁴ (MV Act)
- ii. Central Motor Vehicle Rules, 1989 (CMV Rules)
- iii. Telangana State Motor Vehicle Taxation Act, 1963 (TSMVT Act)
- iv. Telangana State Motor Vehicle Rules, 1989
- v. Circular instructions of the Department issued from time to time
- vi. IT Act 2000 (latest Amendment)

5.7.5 Scope and methodology of Audit

The Compliance Audit on ‘Citizen Friendly Services in Transport Department’ was conducted with the help of Computer Assisted Audit Techniques (CAATs). Audit analysed the data pertaining to CFST provided by Transport Commissioner for the period from April 2019 to March 2022 between June and December 2022 using Interactive Data Extraction and Analysis (IDEA). Audit methodology included analysis of data using Computer Assisted Audit Techniques and scrutiny of records in the sample unit offices and the office of the Commissioner, Transport Department. An entry conference with the Department was held on 26 September 2022 to apprise them about the scope and methodology of audit. Out of 38 unit offices of the Transport Department, 10 offices⁵ (25 *per cent*) were selected on the basis of stratified sampling methodology using various parameters⁶. Audit findings were discussed with the Department in the exit conference held on 17 May 2023 and replies (May 2023) of the Department have been incorporated in the report.

Audit Findings

5.7.6 Provision for services in CFST

Provision for services such as issue / renewal of driving licenses, registration of motor vehicles, grant of permits⁷, etc., are enforced under Motor Vehicle Act, 1988 and Central Motor Vehicle Rules, 1989 through CFST. Information pertaining to the transactions relating to licenses issued, registrations and permits granted during the Audit period are as shown below:

⁴ Last amended in 2019.

⁵ JTC and DTO, Hyderabad Central Zone; DTOs Adilabad, Hanumakonda, Kamareddy, Karimnagar, Medchal, Nizamabad, Ranga Reddy, Vikarabad and Wanaparthy.

⁶ (i) the total revenue (ii) the vehicle strength of new vehicles registered in the unit, and (iii) the number of check posts in the unit.

⁷ Permit to use motor vehicle as a transport vehicle in any public place. The kinds of permit are goods carriage permit, stage carriage permit, contract carriage permit, motor cabs permit, luxury tourist cab permit, educational institution buses permit, countersignature permit, temporary permit etc.

Table 5.4: Details of services provided under CFST**(in numbers)**

| Particulars | 2019-20 | 2020-21 | 2021-22 | Total |
|---|-----------|-----------|-----------|------------------|
| Driving Licenses (including renewals and others) | 20,32,372 | 16,48,873 | 17,74,103 | 54,55,348 |
| Registration Certificates (including renewals and others) | 24,95,318 | 20,18,101 | 20,69,973 | 65,83,392 |
| Permits (including renewals and others) | 3,33,406 | 2,06,273 | 2,45,580 | 7,85,259 |

Source: MIS Reports of Transport Department

Audit findings on services provided by the Department through CFST are discussed in the succeeding paragraphs.

5.7.6.1 Issue of licenses to the drivers of Motor Vehicles

As per Motor Vehicle Act 1988, a valid driving license is necessary to drive any motor vehicle on public roads. Any person who wishes to drive a motor vehicle has to first obtain a learner's license. A permanent license⁸ of the appropriate class will be granted after the successful completion of a driving test conducted by the authority concerned. Sections 3 to 11 of Motor Vehicle Act, 1988 prescribe the conditions and steps to be followed for application and issue of license to the drivers of motor vehicles including Stage carriages⁹. The test for the issue of the Permanent license is conducted after a minimum of 30 days from the date of issue of the learner's license. In case of failure, a re-test can be requested but not before a period of seven days. The Act also provides for renewal of license with effect from the date of its expiry¹⁰ and upon collecting required fee for the purpose.

During the period of Audit *i.e.*, from 2019-20 to 2021-22, Department issued 14,44,223 licenses and 21,90,678 renewals.

Analysis of CFST data and scrutiny of relevant files relating to issue of licenses revealed the following gaps in data capture / validation controls with respect to issue or renewal of driving licenses; and provisions to upload the applicant's documents that address the risk of non-compliance to the Act provisions and Rules in force.

- i) The feature for uploading the scanned documents relating to evidence / proof of age, address, medical fitness data etc., was not inbuilt in CFST. Department replied that evidence in electronic format was being captured only when applications were routed through T-App¹¹. However, Audit noticed that applications through T-App constitute

⁸ A permanent license can be granted to any individual only after completion of 16 years of age, for driving motorcycles with engine capacity not exceeding 50cc with the consent of the parent / guardian. After completion of 18 years of age, motorcycles with engine capacity exceeding 50cc and light motor vehicle. After completion of 20 years of age, for an endorsement to drive transport vehicles.

⁹ As per Section 2(40) of MV Act, "stage carriage" means a motor vehicle constructed or adapted to carry more than six passengers excluding the driver for hire or reward at separate fares paid by or for individual passengers, either for the whole journey or for stages of the journey.

¹⁰ 5 to 20 years from the date of issue of original driving license.

¹¹ Governance initiative of the Government of Telangana where citizens can avail the services of Government through mobile App.

meagre transactions (1.06 *per cent*¹²). Bulk transactions are still in manual mode only and therefore they need to be scanned and uploaded in the CFST.

Recommendation 1:

Provision may be made in CFST for uploading scanned documents of evidence produced at the time of issue of licenses to enable verification of age, address etc.

Department replied that uploading of scanned documents for verification purpose would be taken up in case of manual submission of application in the RTA office.

- ii) Reports of expiry of driving licences are not generated in CFST application. Renewal of licenses is done only when the applicant comes forward for renewal or through enforcement work. In the absence of reports, field / unit offices are unable to monitor the cases where the vehicles are run by drivers without holding valid license and also, the revenue due in the form of renewal fee from the drivers requiring renewals.

Department replied that the suggestion of Audit for generation of reports of expiry of driving licences would be implemented in CFST application.

- iii) Licenses suspended during the period 2019-20 to 2021-22 were entered without capturing critical information details such as reason, offense nature, section etc., in 787 cases. This would impact the integrity of data available for review and evaluation by the Department. Department replied that CFST Application would be modified suitably to capture all the details while suspending the licences.
- iv) Under the Motor Vehicles Act¹³, a police officer or any other person authorised by Government shall seize the driving licence held by the driver if he has committed any offence¹⁴ and forward his Reports in the form of Vehicle Check Reports (VCRs) to the licensing authority for initiating disqualification or revocation proceedings¹⁵.

Analysis of VCR reports data (Transport Department) revealed that 5,641 offences¹⁶ were committed by drivers of motor vehicles. However, licenses of the drivers were seized in 288 cases. Data further revealed that details of driving licenses were not captured in 545 cases. Non-capture of the licenses of drivers would have impact on monitoring the second and subsequent offences committed by the licence holders.

Department replied that the validation for automatically capturing the offence '***Without Driving Licence / Driving Licence not produced***' would be implemented in CFST when the details of Driving Licence are not available. However, the Department did not offer any remarks on non-seizure of licences.

¹² Only 57,957 transactions against the total 54,55,348 licenses issued during the audit period.

¹³ Section 206 (4) of MV Act, 1988.

¹⁴ under any of Sections 183, 184, 185, 189, 190, 194C, 194D or 194E of the MVT Act.

¹⁵ under Section 19 of MVT Act.

¹⁶ Section 183 - Driving at excessive speed / Section 189 Racing and trials of speed (94 cases); Section 184 - Driving dangerously (2,619 cases); Section 185 - Driving by a drunken person or under the influence of drugs (7 cases); Section 190 - Using vehicle in unsafe condition (222 cases); Section 194D - not wearing protective headgear (2,699 cases).

5.7.6.2 Registration of Vehicles

Section 39 of MV Act, 1988 stipulates that unless the vehicle is registered in accordance with provisions of the Motor Vehicles Act, no person shall drive any motor vehicle and no owner of a motor vehicle shall cause or permit the vehicle to be driven without a registration mark. As per provisions¹⁷, the owner of a motor vehicle shall apply (in Form 20) for temporary registration to any registering authority or at a MeeSeva centre or to a dealer recognised by the Transport Commissioner dealing with the sale of new motor vehicles within a period of seven days from the date of taking delivery of the vehicle and such authority shall issue a temporary certificate and temporary registration mark in accordance with such Rules as may be made by the Central Government. A certificate of permanent registration in Form 23 or 23 A should be issued within a period of 30 days from the date of issue of Temporary Registration.

As per Rule 52(3) of Central Motor Vehicle Rules 1989, 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.

During the period 2019-20 to 2021-22, 30,07,729 Registration certificates were issued by the Department. Scrutiny of CFST data and relevant registration files of vehicles revealed the following.

- i) Although the grace period (30 days) had lapsed, 2,94,952 temporarily registered vehicles were not permanently registered in the jurisdictional DTO offices. Further analysis revealed that as of May 2023, 83,709 vehicles were only permanently registered of the above unregistered vehicles. Thus, balance 2,11,243 vehicles were yet to be registered permanently (May 2023) in the respective jurisdictional offices. Out of these, 15,140 are transport vehicles and exemption was given to 2,588 vehicles. In respect of the remaining 12,552 vehicles, non-registration resulted in revenue being foregone towards quarterly tax¹⁸ up to ₹5.45 crore.
- ii) Data analysis further revealed that out of 24,84,892 vehicles sold during the period from April 2019 to March 2022, there was time lapse ranging from 31 days to 1,114 days between the date of temporary registration and permanent registration in respect of 9,47,204 vehicles with consequential delay in realisation of quarterly tax amounting to ₹2.63 crore in respect of 29,812 transport vehicles. Further the due date for renewal also correspondingly gets extended which will have further consequential effects on revenue as indicated below:
 - ❖ Due date for collection of Green tax¹⁹ also gets extended by the number of days the permanent registration gets delayed.

¹⁷ Section 43 of MV Act read with Rule 84 (1) TSMV Rules; Rule 47 and 48 of CMV Rules.

¹⁸ Quarterly tax is collected on each class of transport vehicles on the basis of gross vehicle weight, unladen weight, seating capacity etc.

¹⁹ Green Tax (GT) shall be levied on Transport vehicles and non-transport vehicles that have completed seven years of age and 15 years of age respectively from the date of registration.

- ❖ In case of vehicles moving to other States due to change of residence of the owner or transfer of ownership, refund of life tax²⁰ is given based on the age of the vehicles which is calculated from the date of permanent registration instead of the date of temporary registration, which may result in excess refund of life tax.

Department replied that Quarterly tax for transport vehicles was being collected with penalty from the period when the last tax was paid, and furnished details to this effect to Audit. However, on further examination of data, Audit noticed that payment particulars of Quarterly tax dues amounting to ₹26.28 lakh out of ₹2.63 crore pointed out above were not traced in the CFST data.

- iii. Permanent registration and other details are maintained in CFST. However, required enclosures such as sale certificate, valid insurance certificate, proof of address (residential proof), road worthiness etc., are manually checked, but not uploaded in CFST. Manual records are prone to destruction and loss. In the absence of feature for uploading the documents in CFST, retrieval of records becomes difficult.
- iv. In 10 sampled offices, renewal of registration certificate (as on 31 March 2022) for 79,953 non-transport vehicles was not done and registration certificate renewal fee on these vehicles worked out to be ₹7.07 crore. CFST does not have a feature for automatic generation of reminders / alerts.

Recommendation 2:

Provision may be made in CFST for automated generation of reminders / alerts to vehicle owners for renewal of registration certificates as well as to the Department for tracking such vehicles.

Department while accepting the observation and recommendation stated that SMS alerts were being sent to the owners of the vehicles to get their registrations renewed before expiry of registration. Considering huge number of pendency of cases of renewal of registration certificates of vehicles, Audit suggested during exit conference to consider suspension and cancellation of these registrations. Department accepted the suggestion.

- v. From the records of Unit offices, it was noticed that 6,376 cases of other States vehicles were not reassigned with Telangana State (TS) Registration mark even though these other States vehicles were staying beyond 12 months in the State. This is in violation of the provisions of Section 47 of MV Act. As no provision was made in CFST for alerting such cases to the vehicle owners, an amount of ₹72.51 lakh towards re-assignment fees remained unrealised.

Recommendation 3:

Provision may be made in CFST for alerting the vehicle owners for reassignment after the completion of 12 months stay in the State and raise demands for collection of fees.

²⁰ Life tax is a lumpsum tax collected during the registration of non -transport vehicles.

Department accepted the observation and recommendation and stated that they would enforce on the vehicles staying beyond the stipulated period, book the cases and ensure completion of reassignments.

- vi. As per amendment to CMV Rules²¹, every transport vehicle manufactured on or after 1 October 2015 shall be equipped or fitted by the vehicle manufacturer, either at the stage of manufacturing or dealership stage, with a speed governor (Speed Limiting Device (SLD) or Speed Limiting Function).

Data analysis revealed that in 49,219 out of 3,82,291 transport vehicles manufactured on or after the 1 October 2015, SLD Serial numbers were captured. Thus, in respect of 3,33,072 transport vehicles either the owners had not complied with the provision of speed governors in their vehicles or the details of speed governor device were not captured in the system. Hence there is likelihood of risk that these vehicles would be plying in violation of road safety.

Department replied that instructions were issued to all the District Transport Offices / Regional Transport Offices / Unit Offices to ensure strict compliance with regard to capturing of data on speed governors.

- vii. Other cases of incomplete data and data inconsistencies are as discussed below:
- a) Engine and chassis numbers are unique identifications of a vehicle. In 1,603 cases²² same engine number or same chassis number was captured against two or more than two vehicles. CFST did not have adequate control to check duplicate entries in the data field of engine and chassis number.

Recommendation 4:

CFST may be equipped with adequate controls to validate entry of engine number and chassis number to avoid duplicate entries and to ensure data integrity.

Department replied that the above cases pertained to legacy data and, hence controls would be placed in CFST for entering backlog data to avoid entry of duplicate chassis / engine number.

- b) In 7,909 cases, it was noticed from the CFST database that the unladen weight of transport vehicles was greater than maximum gross vehicle weight or laden weight. This indicates data inconsistencies and compulsion of manual intervention to arrive at accurate tax calculation since the basis for tax calculation is laden / unladen weights for most of the vehicles like Goods carriage, Articulated vehicle²³ and Education Institution buses etc.

Recommendation 5:

CFST system may be strengthened to avoid inconsistencies in capturing the data relating to weight of vehicles that give scope for manual intervention in arriving at tax liability.

²¹ Rule 118 of CMV Rules vide G.O.M.s No 50, Transport, Roads & Buildings (TR-1) Dated 9 November 2015.

²² 333 cases same engine number; 1,270 cases same chassis numbers.

²³ Articulated vehicle means a motor vehicle to which a semitrailer is attached.

Department replied that adequate controls would be placed in CFST to restrict the entry of the cases where the unladen weight of the vehicle is more than the gross vehicle weight.

- c) In 21,764 cases there was mismatch between the data pertaining to class of vehicle captured at the dealer's point during temporary registration and final registration in Road Transport Authority. Out of these vehicles, in 2,901²⁴ vehicles the tax liability changed from taxable to exempt due to change of class of vehicle. Similarly, there were mismatches in the data captured for the type of fuel used in 869 vehicles. Inconsistencies in data relating to class of vehicle may result in incorrect computation of tax liability, as the tax rates vary with each class of vehicle.

Recommendation 6:

Provision may be made in CFST for alerting the cases of mismatches in the data pertaining to the class of vehicles and type of fuel used in vehicles for reconciliation and review.

Department, while clarifying that the 2,901 vehicles were officially converted from commercial category to exempted category (agricultural purpose - tractor trailers), stated further that the controls would be placed in CFST application to restrict change in fuel.

- d) Custom clearance details in respect of imported vehicles are not captured / maintained in CFST, as there is no provision. In the absence of this provision, the procedure is solely dependent on the discretion of the registering authorities. It is pertinent to mention that without Customs clearance, there is a risk of not applying the actual cost of the imported vehicle for levy of lifetime tax.

Recommendation 7:

CFST may also be equipped with adequate controls to capture Customs clearance details of the imported vehicles to avoid manual intervention at the time of registration of the vehicle and also to collect correct amount of tax.

Department accepted the observation and assured that provision would be made in CFST to capture the custom clearance details of imported vehicles.

5.7.6.3 Fitness certificates

As per Section 56 of MV Act, 1988 a transport vehicle shall not be deemed to be validly registered unless it carries a Fitness Certificate. According to Rule 62 of CMV Rules, 1989 as amended from 1 April 2021, Fitness Certificate in respect of a transport vehicle is valid for a period of two years if the age of vehicle is less than eight years and one year for vehicles older than eight years. However, as per erstwhile Rule *ibid*, the period of Fitness certificate shall be two years if it is new transport vehicle and thereafter, renewal of the

²⁴ Motorcycle for hire changed to motorcycle -2,589; Trailer for Commercial use changed to trailer for agriculture purpose- 249; Goods changed to other exempt vehicle- 63.

certificate will be required to be done every year. Rule 81 of CMV Rules prescribes fees for conducting test of a vehicle for grant and renewal of Fitness Certificate.

The total 10,55,156 Fitness Certificate cases processed during the period 1 April 2019 to 31 March 2022 include 7,40,972 cases of renewals, 2,92,923 cases of new issues and other cases of suspension, cancellation, revocation etc. Analysis of Fitness Certificates data revealed incomplete data capture / inadequate validity controls as evident from the following observations.

- i. Renewal of Fitness Certificate shall be granted only after conducting tests specified under Rule 62 such as tests on spark plug, safety glass, braking system, steering gear, etc., by the Inspecting Officer. CFST does not have provision to capture the test results carried out by inspecting officers in the format prescribed under Rule 62 of CMV Rules. In the absence of required fields, the procedure is solely dependent on the discretion of the Motor Vehicle Inspector while issuing Fitness Certificates.

Recommendation 8:

Provision may be made in CFST for capturing the test results carried out by inspecting officers in the prescribed format to avoid manual intervention in issuing Fitness Certificates.

Department replied that a provision would be made in CFST to capture the test results carried out by the Inspecting Officers in the format prescribed under CMV Rules.

- ii. Out of 7,40,972 Fitness Certificates renewed between 1 April 2019 and 31 March 2022, 1,34,928²⁵ (18 per cent) Fitness Certificates were renewed for more than the prescribed period of one year. Department accepted the observation.
- iii. Fitness Certificate issued in 41,630 vehicles out of 10,55,156 cases without valid Registration certificate. This indicates that CFST lacks adequate controls to enforce that Fitness Certificates be granted to only vehicles having valid Registration Certificate.

Department may ensure that penalty under section 192 of the Motor Vehicle Act is imposed on these vehicle owners for using the vehicle without valid Registration certificate.

Recommendation 9:

CFST may be equipped with adequate controls to grant Fitness Certificates only to vehicles having valid Registration Certificates.

Department accepted the recommendation during exit conference.

- iv. Data analysis revealed that out of 7,65,703 transport vehicles, Fitness Certificates of 1,34,717 vehicles had expired as on 31 March 2022. Of these, 98,085 vehicles are less than eight years old and 36,632 vehicles are more than eight years old. Plying of these

²⁵ 1,34,088 renewed between 1 April 2019 and 31 March 2021; 840 cases renewed between 1 April 2021 and 31 March 2022.

vehicles may risk road safety besides loss of revenue towards renewal fee. Scrutiny of Fitness Certificate records / data in 10 sampled offices revealed that renewal was not done in respect of 93,834 transport vehicles with renewal fee of ₹7.68 crore.

Though the Department had replied that SMS alerts were being given 15 days before the expiry date of Fitness Certificate and seizure of vehicles was done during enforcement check, the pendency of cases in renewal of fitness certificates of vehicles is significantly high.

- v. As per Government orders²⁶, transport vehicles registered on or before 1 October 2015 are to be equipped / fit with speed governor / Speed Limiting Device (SLD). In respect of old vehicles, Unique Identification Number (UIN) of SLD with make / model should be endorsed²⁷ at the time of issue of Fitness Certificate. Transport Commissioner instructed (June 2019) further to capture UIN in respect of SLD before approval of Fitness Certificate. Audit noticed that SLD numbers and details of model, manufacturer *etc.*, were not captured while issuing Fitness Certificate in respect of 1,84,062 transport vehicles.

Department replied that instructions had been issued to all the District Transport Offices / Regional Transport Offices / Unit Offices to capture relevant information on speed governors and ensure strict compliance in capturing the required data and uploading accordingly in CFST.

- vi. As per CMV Rules, fare meter number and fare meter maker details are to be captured in respect of Autorickshaws and a provision to this effect has been made in CFST. Audit, however noticed that,
 - a. A total number of 1,94,411 Fitness certificates were issued during the audit period. However, the details of fare meters were not captured in CFST in respect of 1,40,975 (73 *per cent*) Autorickshaws whose Fitness Certificates issued during 2019 to 2022, despite having provision in CFST for the same.
 - b. Further, out of 53,436 Fitness Certificates issued where fare meter numbers were captured, duplicate Fare meter number was noticed in 52,322 (98 *per cent*) cases. This indicated that fare meter number was captured correctly only in 1,114 vehicles. There is also a risk that duplicate fare meters in the Autorickshaws may be tampered with to cheat the passengers.

Department accepted the observation and stated that provision for capturing the fare meter maker would be made in CFST along with validation control to avoid duplicate entries.

- vii. CFST does not have provision to capture inputs like retro-ID²⁸, nature / volume of smoke emission and exhaust gas during fitness tests, which are critical for effective redressal of road safety and vehicular pollution control. Department replied that the testing process of Pollution Under Control (PUC) was automated, and all the emission

²⁶ G.O.Ms.No 50, Transport, Roads & Buildings (TR-1) dated 9 November 2015.

²⁷ G.O.Rt.No 6, Transport, Roads & Buildings (TR-1) dated 25 February 2019.

²⁸ ID number of Retro fitment kit used in vehicles converted into electrical vehicle.

values were recorded in the central server. However, the Department did not clarify about the non-capture of PUC details while granting fitness certificate.

Recommendation 10:

Provision may be made in CFST to capture correct fare meter numbers/maker details, inputs like retro-ID, nature / volume of smoke emission and exhaust gas during fitness tests to ensure that the fitness certificate is given to eligible vehicle.

5.7.6.4 Transport Vehicles plying without valid permits

As per Section 66 of the Motor Vehicle Act, 1988 no owner of a motor vehicle shall use or permit the use of the vehicle as a transport vehicle in any public place without a valid permit. As per Section 81, a permit other than a temporary permit issued under Section 87 or a special permit issued under sub-section (8) of Section 88 shall be effective from the date of issuance or renewal thereof for a period of five years. Rule 195 of Telangana Motor Vehicles Rules, 1989 read with Government orders²⁹ prescribes fees for grant and renewal of permits other than temporary permits of various categories of transport vehicles.

Analysis of CFST permit data and reports generated from CFST in sampled unit offices revealed that 17,675 transport vehicles such as Contract Carriage, Educational Institutional Buses, Goods Carriage etc., were without valid permits (expired permits) while 9,413 transport vehicles were without permits. Audit further noticed in 13,880 cases (transport vehicles) that the tax validity as in tax payment records was up to date indicating that vehicles were still plying on roads. This resulted in loss of revenue towards issue / renewal of permits fee of transport vehicles.

Audit did not find any record showing the action taken by Department to issue / renew permits of the above-mentioned vehicles and the mechanism evolved to ascertain the position of vehicles plying on roads without valid permits since their road worthiness is at risk.

Though the Department mentioned that SMS alerts were being sent to the owners of vehicles and executive staff were seizing the vehicles plying without permit, pendency of cases in issue / renewal of permits is high.

Government may ensure that penalty under section 192A of the Motor Vehicle Act is imposed on these vehicle owners for using the vehicle without valid permits.

5.7.7 Assessment and Collection of Tax

Assessment of vehicular tax demand, collection and balance are automated in CFST along with checking of arrears of tax and fines for belated payments. During the audit period, the revenue collected by Department through various sources of taxes and fees is as indicated below.

²⁹ G.O.Ms. No. 334, Transport, Roads and Buildings (TR.1) Department dated 13 November 2008.

Table 5.5: Sources of Revenue to Transport Department

| (₹ in crore) | | | |
|------------------------------|-----------------|-----------------|----------------------|
| Source of Revenue collection | 2019-20* | 2020-21* | 2021-22 [#] |
| Life Tax on vehicles | 2,388.36 | 2,166.29 | 2,909.23 |
| Quarterly Tax | 643.86 | 450.69 | 450.47 |
| User charges | 137.21 | 110.99 | 119.37 |
| Registration Fee | 470.07 | 356.51 | 421.25 |
| Compounding Fee | 246.80 | 218.78 | 64.94 |
| Green Tax | 5.26 | 4.87 | NA |
| Others ³⁰ | 43.19 | 29.83 | NA |
| Total | 3,934.75 | 3,337.96 | 3,965.26 |

Source: *Actuals of 2019-20 and 2020-21 extracted from Budget Estimates for 2021-22 and 2022-23 (since Finance Accounts did not depict the sub-head wise figures)

[#]MIS Reports of Transport Department (as the Budget Estimates for 2023-24 are yet to be published). However, total receipts as per Finance Accounts were 4,380.61 crore.

Analysis of data and scrutiny of records in the test-checked offices revealed the following:

5.7.7.1 Incorrect assessment and short levy of life tax

As per the provisions³¹ of TSMVT Act, 1963, life tax for the lifetime of the motor vehicle shall be paid in advance in lumpsum by the registered owner of the motor vehicle or any other person having possession or control thereof. As per Section 3(2) of the same Act, life tax is payable at the time of registration at the rate of nine *per cent* of the cost of motor cycles and other vehicles specified in third schedule, 12 *per cent* in case of three or four wheeled motor vehicles specified in sixth schedule, and 14 *per cent* on non-transport vehicles specified in seventh schedule of the Act.

Analysis of registration data of new vehicles registered temporarily at the authorised dealers for the period 2019-20 to 2021-22, with class of vehicle (motorcycle and motor cars) revealed the following:

- Life tax of ₹4.77 crore (*Motorcycle - ₹0.98 crore and Motor Car - ₹3.79 crore*) on the invoice amount of ₹42.44 crore (*Motorcycle - ₹10.90 crore and Motor Car - ₹31.54 crore*) were not collected in respect of 2,147 vehicles, with owner type³² shown as “individual”, registered temporarily at the authorised dealers. Department replied that vehicles were registered on physically challenged persons, where life tax is exempted. Reply is not acceptable as the data did not indicate exemption on these vehicles to physically challenged persons as the vehicles were registered as motor car / motorcycle instead of adapted vehicles. In respect of cases where exemption on Life Tax was given on account of disability status of the registered owners, CFST does not capture details (like certificate issued by Government Medical Officers) to verify or authenticate the disability condition.

³⁰ Driving license fee, permit fees, Motor Vehicle tax from TSRTC etc.

³¹ Section 4(aa) of TSMVT Act 1963, the tax levied, under the second proviso to sub-Section (2) of Section 3.

³² In CFST, owner type of the vehicle such as ‘Government’, ‘Diplomatic’ etc., are exempt from tax while owner type ‘individual’, ‘Company’ etc., are not exempt from tax.

Recommendation 11:

Provision may be made in CFST to capture disability certificates issued by Government Medical officers to ensure the correctness of the claims of Life Tax exemptions.

Department replied that a provision would be made in CFST to capture the disability certificate in respect of the vehicles where the exemption of life tax is given to physically challenged persons.

- ii. As per the provisions³³ of TSMVT Act, life tax at 14 *per cent* (enhanced from nine / 12 *per cent* on two-wheeler / four-wheeler) of the cost of the vehicle shall be payable in respect of second and subsequent personal vehicles having seating capacity up to 10 persons in all, owned by individuals. Test check of the life tax payment records in 10 sampled offices, revealed that life tax collected was at a lesser rate than the prescribed rate of 14 *per cent* for second and subsequent personal vehicle. This resulted in short levy of life tax amounting to ₹19.94 lakh in respect of 160 cases.

Above points indicate gaps in the mapping of business rules and compliance to the provisions of MVT Act due to incomplete data capture and ineffective validation controls which resulted in incorrect assessment and short levy of Life Tax. Department replied that action would be taken to realise the life tax dues.

5.7.7.2 Non raising of Quarterly Tax demands - ₹7.78 crore

Section 4 of TSMVT Act specifies that tax³⁴ shall be paid in advance either quarterly, half yearly or annually within one month from commencement of quarter, half year or year. Under Section 6 of the Act read with Rule 13(1) of TSMVT Rules, penalty for belated payment of tax shall be leviable at the rate equivalent to quarterly tax demanded, if tax is paid within two months and at twice the rate of quarterly tax if tax is paid beyond two months from beginning of quarter on cases detected.

- i. From test check(s) of tax payment records of transport vehicles conducted in 10 sampled offices and cross checking of quarterly tax collections pertaining to 3,223 transport vehicles, Audit noticed that show cause notices were not issued to all the vehicle owners for not paying tax. Quarterly tax and penalty due in respect of these test checked vehicles is ₹7.78 crore for the years from 2018 to 2022.

This indicates lapse on the part of officials in raising of demand notices that resulted in pendency of collection of taxes. Further, issue of show cause notices to vehicle owners for tax dues were not automated in CFST.

Recommendation 12:

Automated provision may be made in CFST to alert the cases of Quarterly Tax dues for issuing show cause notices.

³³ Act 11/2010 applicable with effect from 2 February 2010.

³⁴ Every owner of Transport Vehicle is liable to pay tax under Section 3 of TSMVT Act.

Department replied that a provision is available in CFST Application to generate show cause notices to the defaulter after completion of every quarter. SMS alerts are also being sent to the quarterly tax defaulters every quarter after the grace period. Reply is not acceptable as show cause notices were not automatically generated as and when quarterly tax falls due. and the number of show cause notices issued were less. For instance, in respect of JTC Hyderabad Central Zone, only 696 show cause notices were issued as against 19,473 vehicles.

- ii. As per Government order³⁵ the rates of quarterly tax in respect of Contract Carriages plying within home district and any one contiguous district for every passenger other than driver is ₹1,207.50.

Analysis of Contract Carriage Permits and Demand, Collection and Balance data revealed that there was short levy of quarterly tax demand of ₹9.77 crore in respect of 1,092 vehicles having seating capacity with a range from 14 to 61 passengers.

Department replied that differential tax was collected. However, on verification of CFST data provided by the Department, Audit observed that the differential tax was not collected.

5.7.7.3 Non-payment of bilateral tax - ₹1.16 crore

Inter-State vehicular traffic of goods is regulated by bilateral agreements with neighbouring States under the provisions of MV Act and Rules made thereunder. As per Section 88 of the MV Act, permits granted by State Transport Authority / Regional Transport Authority of any one State / Region shall not be valid in any other State / Region, unless it has been countersigned by the other State Transport Authority / Regional Transport Authority.

Government orders³⁶ stipulate for levy of bilateral tax of ₹5,000 *per annum* on every goods carriage which is registered in the State of Maharashtra and Karnataka which were covered by countersignature permits. Tax shall be paid in advance in lumpsum before fifteenth of April every year failing which an additional sum of ₹100 for each calendar month of default shall be charged as penalty.

It was noticed from data analysis of CFST bilateral tax data for the period 2019-2022 that in respect of 1,145 vehicles, validity of countersignature permits had expired. However, bilateral tax payments and penalty were not paid on these vehicles for the renewal of countersignature permits. Inadequacy in monitoring of interstate movement of vehicles resulted in non-realization of bilateral tax and penalty to the tune of ₹1.16 crore.

Recommendation 13:

Provision may be made in CFST to alert the cases where countersignature permits had expired for monitoring interstate movement of vehicles and realising bilateral tax and penalties.

³⁵ G.O.M.s No 68, Transport, Roads and Buildings (TR.I) Department dated 13 April 2006.

³⁶ G.O.Ms.No.362, Transport, Roads and Buildings (TR. II) Department dated 16 December 2008.

Department replied that suitable provision would be made in CFST application to monitor the expired cases of counter signature permits and for realisation of bilateral tax and penalty.

5.7.7.4 Non collection of Green Tax- ₹ 1.66 crore

As per Government orders³⁷ issued in November 2006, an additional tax called Green Tax shall be levied on Transport and Non-Transport vehicles that have completed seven years of age and 15 years of age respectively from the date of registration.

Scrutiny of the Green Tax data of CFST for the period 2018-19 to 2021-22 pertaining to 10 sample offices revealed that Green Tax amounting to ₹1.66 crore was not levied in respect of 16,405 non-transport vehicles and 51,917 transport vehicles. Though CFST generates reports of non-payment of green tax, it lacks provision to give automated alerts to vehicle owners.

Recommendation 14:

Provision may be made in CFST to issue show cause notice to vehicle owners through alerts (mail / sms) for payment of green tax. It may also ensure that phone numbers / mail IDs of all the vehicle owners are captured / updated for sending alerts / reminders. Further, enforcement staff may be given targets to collect green tax dues on vehicular checks.

Department replied that provision would be made in CFST to send SMS alerts to the defaulters of green tax and generate show cause notices. Controls were already kept in CFST to collect green tax while collecting the other tax payments for transport vehicles. However, Audit noticed that though vehicle owners made payments towards vehicle taxes in 19,931 cases during 2019-22, Green Tax due was not collected on those vehicles indicating inadequate controls.

5.7.7.5 Collection of Motor Vehicle Tax from TSRTC - ₹692.58 crore

According to Section 6-A of TS MVT Act, 1963 read with Government Orders³⁸, every registered owner who owns or keeps in his possession or control more than 2,000 motor vehicles for plying on hire or for rewards shall pay tax in respect of all such vehicles as prescribed at the rate of seven *per cent* in Mofussil services and five *per cent* in city services on the Gross Traffic Earnings³⁹.

Audit noticed that there is no provision in CFST to assess the tax on Gross Traffic Earnings declared by Telangana State Road Transport Corporation (TSRTC). Details of tax dues from TSRTC based on the provisional declarations of Gross Traffic Earnings records in Form 5 for the years 2019-20 to 2021-22 are shown below.

³⁷ G.O. Ms No. 238, Transport, Roads and Buildings (TR-I), Department dated 23 November 2006.

³⁸ G.O Ms.No.118, Transport, Roads and Buildings (TR-II) Department dated 7 June 2005.

³⁹ Gross Traffic Earnings means total amount collected towards fares, freights, including luggage charges and any amount collected towards hire or reward by or on behalf of such registered owner, either directly or indirectly in respect of all the motor vehicles.

Table 5.6: Gross Traffic Earnings and the MV Tax assessed**(₹ in crore)**

| Year | Gross Traffic Earnings | MV Tax due |
|--------------|------------------------|---------------|
| 2019-20 | 4,405.48 | 282.92 |
| 2020-21 | 4,042.34 | 260.66 |
| 2021-22 | 2,239.55 | 149.00 |
| Total | 10,687.37 | 692.58 |

However, details of the tax payments by TSRTC for the above period were not forthcoming. This indicates that the department has not made any serious efforts to collect the dues of ₹692.58 crore.

Recommendation 15:

Provision may be made in CFST to assess the tax on Gross Traffic Earnings declared by Telangana State Road Transport Corporation for effective monitoring on tax dues. Urgent action may also be taken to collect tax dues from TSRTC.

Department replied that the matter would be taken up with TSRTC officials to enable the provision in CFST.

5.7.7.6 Vehicle Check Reports of overloading offences

Under Rule 217 of Telangana MVT Rules, 1989 the Transport Authorities are authorised to compound offence under Section 113 (3) of the MV Act, 1988 by collecting the fee as prescribed by the Government. Further, as per the instructions⁴⁰ of Transport Commissioner, the checking officer who makes Vehicle Check Reports⁴¹(VCR) shall enter the details in the proforma into the CFST software on the same day or the next working day in their respective offices.

During the audit period, department issued 2,43,775 VCRs. Data analysis of VCRs on overloading offences booked against different categories of vehicles for commercial use for the period 2019-22 revealed the following:

Out of 7,660 overloading cases, the total weight of the vehicle and excess load carried by the vehicle were shown as “errors” in 7,658 (99.9 *per cent*) and 1,103 cases respectively. In 2,352 cases the name of the Weighment Bridge and weighment slip date was shown as ‘Null’ indicating incomplete data capture. The chassis number of the vehicle was not captured in 306 cases and out of which 302 (98.6 *per cent*) were other State vehicles. In 252 cases, the gross vehicle weight did not tally with the same as per Registration details. This indicates that compounding fee levied on the excess load over the gross vehicle weight of the vehicle was erroneous and resulted in excess or short levy of Compounding Fee.

⁴⁰ Circular No. 0168/DTC/(IT)/2013, Dated 14 June 2013.

⁴¹ Vehicle Check Report is a record of offence(s) committed by the vehicle owner / driver and issued by the Enforcement officials at the time of vehicular check.

Department replied that the above irregularities occurred due to manual selection by checking officer and would ensure that adequate controls would be placed in the capture of overloading offence.

In 136 cases, booked offences under 'overload' head captured in CFST, relevant permit violation fees was not levied as required under Rule 217 resulting in short levy of compounding fee of ₹12.44 lakh.

Recommendation 16:

Validation controls in CFST may be strengthened to avoid inconsistencies of data in Vehicle Check Reports and incorrect levy of compounding fee.

Department accepted the recommendation and stated that adequate controls would be placed in CFST to capture the details of permit violation for the cases booked under 'overload' offence.

5.7.7.7 Non-Receipt of Royalty / User charges on HSRP - ₹39.10 lakh

The Government issued orders in April 2013⁴² to levy royalty of 30 *per cent* on High Security Number Plates (HSRP) price for each category of vehicle. The royalty received was to be shared equally by Telangana State Road Transport Corporation (TSRTC) and Transport Department. Subsequently, the contract was awarded to M/s.Link Auto Tech Private Limited to sell and affix at the rates specified by Government⁴³. Accordingly, the royalty (later on called as user charges) had to be sent to the TSRTC by the contractor every month at the rate of 30 *per cent* of the HSRP collection amount and of which, Transport Department was to get their 50 *per cent* share.

Audit observed from the records pertaining to HSRP that as of July 2022, an amount of ₹78.20 lakh was due from the agency M/s Link Autotech Private Limited towards user charges for the period April 2019 to July 2022 to the TSRTC. Out of this amount, the share of the Transport Department was ₹39.10 lakh (50 *per cent* of ₹78.20 lakh).

Department replied that the Managing Director, Telangana State Road Transport Corporation was addressed on the issue and the reply was awaited. Also, a provision would be enabled in CFST for payment of user charges.

5.7.7.8 Refunds

As per Section 4(1) (bb) of TS MVT Act, 1963 where lumpsum tax has been paid, a refund of the tax is allowed in the case of removal of the vehicle to any other State on transfer of ownership or change of address. Further, as per Government orders⁴⁴, the vehicles for which lumpsum tax or life-time tax has been paid under the provisions of Act, a refund of tax amount after deducting eight *per cent* of the tax applicable to a new vehicle of the same

⁴² Government Memo No.15496/Tr.1/2001, dated 22 April 2013.

⁴³ GO Ms.No.110, Transport, Roads and Buildings (TR.I) Department, dated 2 December 2013.

⁴⁴ GO Ms No. 411, Transport, Roads and Buildings (TR-II), Dated 28 April 1987.

class for each financial year or part thereof of stay of the vehicle in the State shall be payable by the licensing officer. Scrutiny of records in test-checked offices revealed the following:

- i. In JTC, Khairatabad refund of ₹3.24 lakh was made citing the above orders in respect of two vehicles which were damaged beyond repair due to accident as detailed below:

Table 5.7: Refunds to the damaged vehicles

| Sl No | Vehicle No | Date of Registration / Temporary Registration | Date of accident / cancellation of Registration | Amount of Life tax paid | Amount of Life tax refunded | TBR No. /Date |
|-------|------------------|---|---|-------------------------|-----------------------------|--------------------------|
| 1 | TS09EP9720 | 10.10.2016 | 10.10.2017 | 1,73,460 | 1,45,700 | 2019000007 02.05.2019 |
| 2 | TS09BKTR75 85 | 17.02.2018 | 06.03.2018 | 1,78,640 | 1,78,640 | 2019000002 30.04.2019 |

However, neither the Act provisions nor the Government orders provide for refund of lumpsum tax paid for the damaged vehicle beyond repair but provide for refund only in respect of motor vehicles removed to any other State on transfer of ownership or change of address and in respect of motor cars converted into motor cabs. This indicates that refunds were sanctioned in ineligible cases, in violation of the provisions in force.

- ii. Test check of refund files further revealed that deduction of eight *per cent* of the tax per year, applicable to a new vehicle of the same class for each financial year or part thereof for the stay of the vehicle in the Telangana State was not applied. This resulted in excess refund of ₹1.87 lakh on nine vehicles.

All refund cases are processed manually and are prone to arithmetical inaccuracies that could have been avoided through automation in CFST.

Department replied that life tax refund mechanism would be taken up to automate in CFST to avoid inaccuracies.

Recommendation 17:

Provision may be made in CFST for processing the cases of Refunds online to ensure accurate computation of refund claims.

5.7.7.9 Inadequate integration of CFST with Police Department

As per Section 200 of Motor Vehicle Act, 1988 read with Government Orders⁴⁵ issued in August 2011, Government of Telangana authorised officers of the Police Department in uniform not below the rank of Inspector of Police and also Sub-Inspectors of Police (Traffic) wherever separate traffic police stations exist in Municipal Corporations (Metropolis) and Municipalities and the inspectors of police in other places to compound the offences under various sections of MV Act. The compounding fee collected by Police officials should be remitted into Treasury by Challan under the Head of Account “0041-

⁴⁵ G.O.M.s No. 108 of Transport, Roads & Buildings (TR.I) Department, dated 18 August 2011.

Taxes on vehicles;(101) Receipts under the Motor Vehicles Act – Receipts under the Indian Motor Vehicles Act-SH (03)-Compounding Fee under Section 86 and Section 200 of Motor Vehicles Act.

Audit observed that the details of offences booked by Police Officers and compounding fees collected were not available in CFST. It was stated by the Department that the collections made by Police Department were being credited to Government Account (Transport Department) directly.

In the absence of details of offences booked on vehicles and license holders by Police Department, Transport Department is unable to monitor multiple offences committed by vehicle users to implement penalty points on license holders. Further, Transport Department is not in a position to watch compounding fees collectable, collected and remitted by the Police Department.

Recommendation 18:

CFST may have the provision for adequate interface with the Police Department to access / receive details of offences booked by Police Officers and compounding fees collected by them to have control on multiple offenses of vehicles and realisation of revenue.

Department replied that the matter would be taken up with the Police Department and provision would be made in CFST for collecting the details of the cases booked by them along with the collections of compounding fee.

5.7.7.10 Mismatching reports of pending tax lists and collectible tax dues in CFST

According to Government notifications issued from time to time under Section 3 of TS MVT Act, 1963, tax is leviable on Transport vehicles at the rates specified therein which is based on seating capacity / laden / unladen weight, etc.

During the audit of sampled Unit offices and on scrutiny of data relating to non-payment of taxes list of vehicles relating to all the quarters to the end of 31 March 2022 and the relevant DCB statement of the respective unit, it was observed that there was mismatch between the number of vehicles fallen due for payment of Quarterly Tax. In five unit offices⁴⁶, the number of vehicles for which 'demand not collected' were shown as 67,946 in the DCB Statement for the year ending 31 March 2022 whereas the number of vehicles in the 'non-payment' report was shown as 85,267 resulting in short demand of collectable dues in 17,321 vehicles. Similarly, in the another five unit offices⁴⁷, the number of vehicles for which 'demands not collected' were shown as 83,607 in the Demand Collection and Balance Statement for the year ending 31 March 2022 whereas the number of vehicles in the 'non-payment' report was shown as 45,246 resulting in excess demand of collectable dues in 38,361 vehicles. In all the unit offices it was replied that the matter would be referred to Transport Commissioner.

⁴⁶ JTC and DTO, Hyderabad Central Zone, DTOs, Adilabad, Hanumakonda, Medchal Malkajgiri and Ranga Reddy.

⁴⁷ DTOs, Kamareddy, Karimnagar, Nizamabad, Vikarabad and Wanaparthy.

Department replied that the matter would be discussed with all the identified unit offices and reconcile the reports of DCB and non-payment to arrive at the correct DCB.

Recommendation 19:

Department may reconcile the Demand Collection Balance with non-payment reports of CFST to maintain consistencies in the report.

5.7.8 Internal Controls

5.7.8.1 Non maintenance of cash book

As per Sub-Rule 3 of Telangana Treasury Code-10, every DDO should maintain a cash book in Form No 5. On being called for the Cash Book in all sampled unit offices, it was replied that all transactions were being made online through Bank and CFST generates cash book reports daily. However, manual Cash Book was not maintained. The reply is not acceptable as the reports generated in CFST are not as per the prescribed format. The details of remittances, opening balance and closing balance are not available in the cash book in CFST. Cash book should record all the cash, demand drafts received and also their remittances. In the absence of maintenance of cash books, Department cannot monitor realisation of cash and demand drafts into Government account. Department replied that reports would be suitably generated in CFST as per Form No 5.

5.7.8.2 Reconciliation issues

For extending the services to the citizens, the RTA Officials facilitated MeeSeva⁴⁸ centres to receive the fees, taxes, service charges etc., by way of cash / demand drafts. The amounts received by MeeSeva shall be sent to RTA concerned immediately, possibly within four to six days for remittance into Government account. During the local audit of sampled unit offices in Districts the following were observed:

A. Delayed remittance by MeeSeva

Scrutiny of Demand Drafts entry Report⁴⁹ revealed that the MeeSeva officials are not remitting the revenue collected from the stakeholders to the respective RTA immediately but are remitting the consolidated receipts after a delay ranging from two weeks to three months of the transactions. Delayed remittance of MeeSeva Receipts took place in 1980 instances involving an amount of ₹194.54 crore during the period from April 2019 to March 2022. Department replied that the matter would be taken up with MeeSeva and ensure that the delay in remittances of MeeSeva receipts is avoided.

B. MeeSeva Reconciliation

- i. Though CFST has provision for generation of the Reports on MeeSeva reconciliation, the reports were not getting generated in the sampled unit office (except JTC, Hyderabad Central Zone). However, analysis of granular data obtained from Transport Commissionerate revealed variation between the collections in MeeSeva

⁴⁸ MeeSeva, formerly called as E-Seva, is a good governance initiative in Telangana State to provide delivery of Government Services using Information and Communication Technology.

⁴⁹ CFST generated report of Demand Draft submitted by MeeSeva authorities to concerned District Transport Office.

counters and the demand drafts submitted to the concerned DTO office for remittance into Government Account.

- ii. During the local audit of JTC, Hyderabad Central Zone it was observed that:
 - i. Entire State Online collections and MeeSeva collections of offices in twin cities (including all five zones) and District / unit Offices situated in Ranga Reddy District, Vikarabad and Parigi were remitted to Cyber Treasury.
 - ii. Reconciliation reports were generated only for the years 2019-20 and 2020-21 and same reports for 2021-22 were not available in CFST.
 - iii. As per MeeSeva Reconciliation reports of 2019-20 and 2020-21, there was variation of ₹33.60 lakh and 1,061 transactions between the figures of Department and MeeSeva.
- iii. The cross-checking mechanism available in CFST for identifying gaps between collections reflected in ESD (MeeSeva) reports and cyber treasury figures and reconciliation details in respect of the variation identified is yet to be furnished.

Department replied that the matter would be taken up with MeeSeva and ensure timely reconciliation.

C. Non-reconciliation of DD payments

As per Article 9 of the Telangana Finance Code (Vol. I), the departmental receipt figures have to be reconciled with those of the treasury every month to detect misclassification, spurious challans, etc., if any, and a certificate of reconciliation has to be obtained from the treasury officer. All the challans relating to payment of fees and taxes remitted through Demand Drafts (DDs) have to be posted in consolidated challans register with reference to which monthly reconciliation has to be done.

It was observed from the data / records of the office of the Transport Commissioner and sample unit offices that reconciliation work in respect of receipt amounts of DDs with those of treasury figures was not done resulting in non-compliance to the provisions mentioned above.

Recommendation 20:

Strict measures may be taken to ensure periodical remittance of collections by MeeSeva Agency into the Government account with due reconciliation of figures.

Department accepted the observation and stated that measures would be taken up to ensure remittances of collections into the Government account with due reconciliation.

5.7.8.3 Inadequate Driving Track infrastructure

As per Rule 15 of Central Motor Vehicle Rules 1989, the test of competence to drive referred to in sub-section (3) of Section 9 shall be conducted by the licensing authority or such other person as may be authorised in this behalf by the State Government in a vehicle of the type to which the application relates.

Government (erstwhile) of the combined State of Andhra Pradesh had provided funds between 2008 and 2012 towards construction of office buildings with scientific driving test tracks.

However, audit observed that Government did not have any policy or guidelines for laying or developing driving track layouts. Government orders and Transport Commissioner's circular instructions prescribing standards / specifications pertaining to Driving track layout⁵⁰ were not available for conducting driving tests. CFST also did not maintain any database of the details and specifications of the driving tracks. No uniform procedure has been adopted for developing driving test tracks in the State for conducting competent driving test. For example, driving tracks were laid in metalled roads in unit offices (DTO Hyderabad Central Zone and DTO Ranga Reddy) located in and around Hyderabad city, whereas tracks were laid in unmetalled roads in other district offices (DTOs, Kamareddy, Vikarabad and Wanaparthy). In DTO Karimnagar, though metalled road track was laid it was not put to use and driving tests were conducted in the adjacent unmetalled track.

Absence of proper and uniform procedure for driving tracks in all unit offices may lead to incorrect assessment of the competence of the applicant to drive and risk road safety. Department replied that necessary measures were taken by the Department for establishing Driving Test Tracks at the District Transport Offices / Regional Transport Offices / Unit Offices which had inadequate driving track infrastructure, and to ensure uniformity in their development. However, Department did not furnish any policy or guidelines for laying or developing driving track layouts.

5.7.8.4 Non-maintenance of Driving Schools database

As per Section 12 of MV Act, Central Government may make rules for the purpose of licensing and regulating, by the State Governments, schools or establishments (by whatever name called) for imparting instruction in driving of motor vehicles and matters connected therewith. Rule 24 to 28 of CMV Rules prescribes provision for driving schools and establishment, grant, renewal, period of driving school licence, suspension and conditions to be observed by holder of driving licence.

Audit observed that driving school's database is not maintained in CFST. The process / documentation of grant, renewal and period of validity of licence for running driving schools is maintained manually in unit offices. Department replied that a module would be developed in CFST for monitoring of Private Driving Schools.

5.7.9 Conclusion

Citizen Friendly Services in Transport Department (CFST) was rolled out in 2000 (upgraded in 2013) primarily with objectives of providing online accessibility to citizens to avail services and improving efficiency and accountability in services offered by the Department through full-fledged computerisation.

Audit of CFST revealed gaps in data capture, inadequate controls and absence of inbuilt Motor Vehicle Act provisions in the system with regard to the services provided by the

⁵⁰ Road specifications in length / width / orientation / elevation along with specifications for "8" and "H" tracks.

Transport Department. Consequently, there was impact on revenue collections due to incorrect assessments and refunds of life tax and quarterly tax, non-payment of bilateral tax and green tax by vehicle owners and non-payment of tax on Gross Traffic Earnings by Telangana State Road Transport Corporation. Instances of non-renewal of fitness certificates of vehicles and non-installation of Speed Limiting Devices in transport vehicles were also noticed. These indicate lack of effective monitoring by Motor Vehicle Inspectors and non-compliance of the Motor Vehicle Act provisions towards road safety. Renewal of registration certificates for non-transport vehicles was not ensured in time and fitness was granted to vehicles without capturing critical details pertaining to vehicular pollution certificate. Overall lacunae in data capture and controls and absence of in-built provisions in CFST needs to be addressed for effective implementation and compliance of the provisions of the Motor Vehicle Act and Rules.

Though a major portion of tax revenue is collected online and through MeeSeva, reconciliation of receipts was not effective as reconciliation reports were not generated in unit offices and there was variation between MeeSeva receipts and remittances to the Department. Lack of timely reconciliation of revenue receipts between MeeSeva agency and the department would pose the risk of financial irregularities.

5.7.10 Recommendations

- *Provision may be made in CFST for uploading scanned documents of evidence produced at the time of issue of licenses to enable verification of age, address etc.*
- *Provision may be made in CFST for automated generation of reminders / alerts to vehicle owners for renewal of registration certificates as well as to the Department for tracking such vehicles.*
- *Provision may be made in CFST for alerting the vehicle owners for reassignment after the completion of 12 months stay in the State and raise demands for collection of fees.*
- *CFST may be equipped with adequate controls to validate entry of engine number and chassis number to avoid duplicate entries and to ensure data integrity.*
- *CFST system may be strengthened to avoid inconsistencies in capturing the data relating to weight of vehicles that give scope for manual intervention in arriving at tax liability.*
- *Provision may be made in CFST for alerting the cases of mismatches in the data pertaining to the class of vehicles and type of fuel used in vehicles for reconciliation and review.*
- *CFST may also be equipped with adequate controls to capture Customs clearance details of the imported vehicles to avoid manual intervention at the time of registration of the vehicle and also to collect correct amount of tax.*
- *Provision may be made in CFST for capturing the test results carried out by inspecting officers in the prescribed format to avoid manual intervention in issuing Fitness Certificates.*

- *CFST may be equipped with adequate controls to grant Fitness Certificates only to vehicles having valid Registration Certificates.*
- *Provision may be made in CFST to capture correct fare meter numbers / maker details, inputs like retro-ID, nature / volume of smoke emission and exhaust gas during fitness tests to ensure that the fitness certificate is given to eligible vehicle.*
- *Provision may be made in CFST to capture disability certificates issued by Government Medical officers to ensure the correctness of the claims of Life Tax exemptions.*
- *Automated provision may be made in CFST to alert the cases of Quarterly Tax dues for issuing show cause notices.*
- *Provision may be made in CFST to alert the cases where countersignature permits had expired for monitoring interstate movement of vehicles and realising bilateral tax and penalties.*
- *Provision may be made in CFST to issue show cause notice to vehicle owners through alerts (mail / sms) for payment of green tax. It may also ensure that phone numbers / mail IDs of all the vehicle owners are captured / updated for sending alerts / reminders. Further, enforcement staff may be given targets to collect green tax dues on vehicular checks.*
- *Provision may be made in CFST to assess the tax on Gross Traffic Earnings declared by Telangana State Road Transport Corporation for effective monitoring on tax dues. Urgent action may also be taken to collect tax dues from TSRTC.*
- *Validation controls in CFST may be strengthened to avoid inconsistencies of data in Vehicle Check Reports and incorrect levy of compounding fee.*
- *Provision may be made in CFST for processing the cases of Refunds online to ensure accurate computation of refund claims.*
- *CFST may have the provision for adequate interface with the Police Department to access / receive details of offences booked by Police Officers and compounding fees collected by them to have control on multiple offenses of vehicles and realisation of revenue.*
- *Department may reconcile the Demand Collection Balance with non-payment reports of CFST to maintain consistencies in the report.*
- *Strict measures may be taken to ensure periodical remittance of collections by MeeSeva Agency into the Government account with due reconciliation of figures.*