



**Chapter III**  
**Taxes on Vehicles**



## CHAPTER - III TAXES ON VEHICLES

### 3.1 Tax Administration

The Kerala Motor Vehicles department is primarily established for enforcement of provisions of Motor Vehicle Act, 1988, Kerala Motor Vehicles Taxation Act, 1976 and the rules framed thereunder. The Kerala Motor Vehicle department is entrusted with the responsibility of providing registration of vehicles in Kerala, issuance of Driving licence, issuance of various permits, collection of road taxes and control of vehicular pollution. Safe Kerala Wing of MVD is for road safety activities and enforcement of Motor Vehicles Act. Through these regulatory activities, the Motor Vehicles department is one of the major sources of revenue for the State exchequer.

### 3.2 Internal Audit

Audit of the State Transport Authority, Regional Transport Offices (RTOs) and offices of the Deputy Transport Commissioner of each zone is conducted by the Senior Finance Officer of the Motor Vehicles department. Internal audit of Sub Regional Transport Offices (SRTOs) and Motor Vehicle Check Posts of department are conducted by the Senior Superintendents attached to the office of each of the Zonal Deputy Transport Commissioners. The Internal Audit team is comprised of one Accounts Officer, nine Senior Superintendents and 11 Clerks. Against the target of 110 units, 50 units were audited during 2022-23. Department stated that the periodicity of audit of all offices is annual, but it could not achieve the target due to shortage of staff in Internal Audit Wing, lack of proper training and audit software. During 2022-23, department cleared 32 paragraphs which was 0.59 *per cent* of the outstanding 5,400 paragraphs.

### 3.3 Results of Audit

There were 91 auditable units in Motor Vehicles department out of which 41 units were selected for Audit during 2022-23. The audit is conducted through direct scrutiny by visiting the field offices, and also by analysing the data extracted from the VAHAN<sup>36</sup>. Test check of records revealed short/ non-levy/ payment of tax, fees, fines and penalties related to registration/ fitness of motor vehicles and other irregularities during the year 2022-23. Audit had 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. There is a need for Government to improve the internal control system including strengthening of internal audit so that recurrence of such cases can be avoided. Short/ non-levy of tax and other irregularities involving ₹85.84 crore in 407 cases fall under the following categories are given in **Table – 3.1**.

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<sup>36</sup> The computerised software with integrated solutions for vehicle registration, fitness, taxes, permits & enforcement.

**Table – 3.1: Details of under assessment of tax and other irregularities**

Sl. No.	Categories	Number of cases	Amount (₹ in crore)
1	Short levy of tax	123	6.92
2	Non levy of tax	239	41.44
3	Others	45	37.48
<b>Total</b>		<b>407</b>	<b>85.84</b>

During the course of the year, department accepted non/ short-levy of tax and other deficiencies of ₹85.84 crore in 407 cases, which were pointed out by Audit. An amount of ₹14.47 crore pointed out was realised in 74 cases during the year.

The Motor Vehicles department fully automated its functions by implementing application software ‘SMARTMOVE’ with effect from January 2007, which was replaced by ‘VAHAN’ with effect from 2019 to automate the RTO operations related to Vehicle Registration, Permit, Taxation and Enforcement. A few illustrative cases observed on audit scrutiny of the functions of the RTOs and SRTOs, involving ₹13.53 crore are given in the succeeding paragraphs. It may be mentioned that the paragraphs below are based on the data extracted from VAHAN, SMARTMOVE and physical verification carried out in 41 audit units out of the total audit units of 91 i.e., 45 per cent.

### 3.4 Non-renewal of Certificate of Fitness of Transport Vehicles

**Non-realisation of Penalty and Additional fee on expiry of Certificate of Fitness/ belated renewal of Certificate of Fitness of Transport vehicles resulted in a non/ short levy of ₹8.82 crore.**

Certificate of fitness is a document that certifies that the vehicle is fit in all respects to ply on the road. As per Rule 62(1) of the Central Motor Vehicles Rules, 1989, a certificate of fitness in respect of a transport vehicle under Section 56 of the Motor Vehicles Act, 1988 when granted or renewed shall be valid for a period of two years for vehicles up to eight years old and one year for vehicles older than eight years. Further, as per Section 55 of the Motor Vehicles Act, 1988, if a motor vehicle has been destroyed or has been rendered permanently incapable of use, the owner shall, within fourteen days report the fact to the registering authority and shall forward to that authority the certificate of registration of the vehicle.

A Transport vehicle shall not be deemed to be validly registered unless it carries a certificate of fitness<sup>37</sup>. To ensure effective control over the fitness of vehicles, Rule 105(5) of Kerala Motor Vehicles Rules provides for imposing penalty for non-renewal of certificate of fitness. Thus, if a vehicle is not produced for the renewal of the certificate of fitness on or before the date of expiry, a penalty at the prescribed rate<sup>38</sup> shall be charged for every calendar month or part thereof. Government of India has introduced<sup>39</sup> an additional fee of ₹50 for each day of delay after the expiry of the certificate of fitness.

#### 3.4.1 Non-realisation of Penalty and Additional fee on expiry of Certificate of Fitness from Transport vehicles

Audit analysed (during 2022-23) the VAHAN database for the certificate of fitness issued to transport vehicles in 12 RTOs and 23 SRTOs during the period 2021-22. It was noticed that in six RTOs and 14 SRTOs, validity of certificate of fitness in respect of 8,333 active transport vehicles had expired during the period 2021-22 and the vehicles were not produced for re-examination for the issue of certificate of fitness. Despite the availability of information in VAHAN, the Enforcement wing of department neither initiated any action to cancel the registration/ permit of these vehicles nor issued any notice to defaulting vehicle owners. As a result, penalty and additional fee in respect of 8,333 vehicles amounted to ₹7.38 crore were not levied as detailed in **Appendix – VI**.

On this being pointed out (July 2024) Government stated (October 2024) that the matter has been intimated to the responsible RTOs and JRTOs<sup>40</sup> and final report would be furnished at the earliest.

<sup>37</sup> As per Section 56 of the Motor Vehicles Act, 1988.

<sup>38</sup> Penalty at the rate of ₹100 in the case of a two/ three-wheeler, at the rate ₹150 in the case of a motor cab and at the rate of ₹200 in the case of other transport vehicles, vide Gazette Notification No.1913 dated 18 July 2019.

<sup>39</sup> Vide Gazette Notification No G.S.R. 1183 (E) dated 29 December 2016.

<sup>40</sup> Joint Regional Transport Officers.

### **3.4.2 Non-imposition of penalty for belated renewal of Certificate of Fitness of Transport vehicles**

Audit analysed (during 2022-23) the VAHAN database for the certificate of fitness issued to transport vehicles in 12 RTOs and 23 SRTOs during the period 2021-22. It was noticed that in three RTOs and six SRTOs, 3,987 vehicles were produced for fitness check after the expiry of specified date, and it was seen that penalty was not/ short imposed on these 3,987 transport vehicles. This has resulted in non/ short imposition of penalty for belated renewal of Certificate of Fitness of Transport vehicles to the tune of ₹1.44 crore as detailed in **Appendix – VII**.

On this being pointed out (July 2024) Government stated (October 2024) that the matter has been intimated to the responsible RTOs and JRTOs and final report would be furnished at the earliest.

*It is recommended that Government may put in place a proper monitoring mechanism to realise requisite fee and penalty in respect of belated renewal or non-renewal of Certificate of Fitness of transport vehicles. Responsibility must be fixed in cases of noncompliance with the relevant provisions of the Motor Vehicles Act.*

### **3.5 Non-collection of service charge for permits issued in check post**

#### **Non-realisation of service charge for the issuance of temporary permit and special permit for all classes of vehicles amounting to ₹4.24 crore.**

A temporary permit<sup>41</sup>, as per Section 87 of the Motor Vehicles Act, 1988, and a Special permit<sup>42</sup>, as per Section 88(8) of the *ibid* Act, can be granted by the State Transport Authority/ Regional Transport Authority for inter-state transport vehicles. Transport department had fixed the service charge for issuance of temporary permit (all classes) and special permit (all classes) as ₹105 as per GO (RT) No. 422/2018/Trans. dated 24 September 2018.

Audit analysed (during 2022-23) from the SMARTMOVE database, the details of temporary/ special permits issued during the period 2019-22, through 13 check posts under the control of seven RTOs audited, and found that, 1,77,687 temporary permits and 2,25,993 special permits were issued during the period. It was noticed that the prescribed service charge was not collected by the department. Non collection of service charge is worked out to ₹4.24 crore as detailed in **Appendix – VIII**.

On this being pointed out (July 2024) Government stated (October 2024) that the matter has been intimated to the responsible RTOs and JRTOs and final report would be furnished at the earliest.

<sup>41</sup> Permit issued for short duration for interstate transportation.

<sup>42</sup> Permit issued temporarily for special purposes for interstate transportation.

*It is recommended that department may avoid such failures by ensuring strict adherence to the provisions of the relevant Acts. Responsibility may be fixed for non-imposition.*

### 3.6 Non-levy of Green Tax

**Non collection of Green tax at the time of renewal of the certificate of registration/ certificate of fitness, amounting to ₹17.25 lakh.**

As per Section 3A of the Kerala Motor Vehicles Taxation Act, 1976, green tax shall be levied and collected on the motor vehicles specified below in **Table – 3.2** for the purpose of implementation of various measures to control air pollution.

**Table – 3.2: Green tax leviable**

Sl. No.	Class and age of vehicle	Rate of Green Tax (₹)	Incidence of levy
1	Non-Transport Vehicles having four or more wheels and completed 15 years from the date of its 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

Source: Kerala Motor Vehicles Taxation Act, 1976.

Audit reviewed (during 2022-23) through VAHAN database the tax remittance details pertaining to the period 2021-22 in respect of 12 RTOs and 23 SRTOs. It was revealed that in 11 RTOs and 23 SRTOs, green tax has not been collected for 2,886 vehicles, at the time of renewal of the certificate of registration/ certificate of fitness. This resulted in non-realisation of green tax amounting to ₹17.25 lakh as detailed in **Appendix – IX**.

On this being pointed out (July 2024), Government stated (October 2024) that the matter has been intimated to the responsible RTOs and JRTOs and final report would be furnished at the earliest.

*It is recommended that Government may put in place a proper mechanism to raise alerts for demanding green tax from vehicle owners whose vehicle completed the stipulated age and thus required to pay the Green Tax.*

### 3.7 Non-realisation of tax in respect of Motor Cab

**Non-collection of motor vehicle tax at the prescribed rate amounting to ₹11.20 lakh.**

According to Eighth proviso to Section 4(1) of Kerala Motor Vehicles Taxation Act, 1976, motor cabs<sup>43</sup> shall remit tax at the rate specified in item 7(i)(b) and 7(i)(c) of the Schedule. The rate specified in the Schedule is ₹350 per quarter for motor cab specified in item 7(i)(b) and ₹425 for tourist motor cabs specified in item 7(i)(c).

Audit analysed (during 2022-23) from VAHAN database, the tax remittance details pertaining to the period 2021-22 in respect of 12 RTOs and 23 SRTOs in the State. It was noticed that in four RTOs and 10 SRTOs, motor vehicle tax in respect of 800 out of the 16,792 Motor Cabs registered in the offices, had not been remitted till 31 March 2022. However, department had not taken any action to collect the tax, amounting to ₹11.20 lakh as detailed in **Appendix – X**.

On this being pointed out (July 2024), Government stated (October 2024) that the matter has been intimated to the responsible RTOs and JRTOs and final report would be furnished at the earliest.

*It is recommended that department may ensure that motor vehicle tax is collected at prescribed rates by ensuring strict adherence to the provisions of the relevant Acts and responsibility must be fixed for non-realisation of tax.*

### 3.8 Short collection of tax from the goods carriages fitted with tipping mechanism

**Tax on goods carriages fitted with tipping mechanism was not levied at the prescribed rate which resulted in a short collection of ₹10.24 lakh.**

Schedule 3 of Section 3(1) of Kerala Motor Vehicles Taxation Act, 1976, prescribes quarterly charges for goods carriages fitted with tipping mechanism.

Audit scrutinised (during 2022-23) the VAHAN database for the tax remittance details of goods carriages fitted with tipping mechanism in 12 RTOs and 23 SRTOs functioning in the State during the period 2021-22. It was noticed that in four RTOs and eight SRTOs, tax on goods carriages fitted with tipping mechanism was not levied at the prescribed rate. Out of the 8,877 goods carriages fitted with tipping mechanism registered, tax at higher rate was not levied for 559 goods carriages in these offices.

Thus, there was short collection of tax of ₹10.24 lakh due to the application of incorrect rate of tax in respect of these 559 goods carriages fitted with tipping mechanism as detailed in **Appendix – XI**.

<sup>43</sup> Motor vehicles plying for hire and used for transport of passengers and in respect of which permits have been issued under Motor Vehicles Act, 1988.

On this being pointed out (July 2024), Government stated (October 2024) that the matter has been intimated to the responsible RTOs and JRTOs and final report would be furnished at the earliest.

*It is recommended that department may issue necessary instructions to RTOs/ SRTOs to levy tax on vehicles fitted with tipping mechanism at the prescribed rates and fix responsibility for the failure on the officials responsible for it.*

### **3.9 Short levy of one-time tax on non-transport vehicles**

**Short collection of one-time tax at the time of first registration or at the time of renewal of registration or on the expiry of the lifetime tax already paid, amounting to ₹7.90 lakh.**

As per Second proviso to Section 3(1) of Kerala Motor Vehicles Taxation Act, 1976, in respect of a new motor vehicle, the purchaser has to pay one-time tax at the rate specified in Annexure I at the time of first registration of the vehicle, from the date of purchase of the vehicle. Thereafter, tax shall be levied at the time of renewal of registration or on the expiry of the lifetime tax already paid.

Audit analysed (during 2022-23) the VAHAN database for the tax remittance details of non-transport vehicles, pertaining to the period 2021-22, in respect of 12 RTOs and 23 SRTOs in the State. It was noticed that in six RTOs and 10 SRTOs, one-time tax paid in respect of 49 vehicles was less than that prescribed in the statutes. Short levy of tax by Regional Transport Officers in respect of 49 vehicles pertaining to the period 2021-22 resulted in short collection of ₹7.90 lakh as detailed in **Appendix – XII**.

In reply to the audit observation, Government stated (October 2024) that the matter has been intimated to the responsible RTOs and JRTOs and final report would be furnished at the earliest.

*It is recommended that department may strengthen the collection mechanism, so that one time tax on non-transport vehicles is collected promptly.*

