

CHAPTER IV TAXES ON VEHICLES

4.1 Results of audit

Test check of the records of offices of Transport Department conducted during the year 2006-07 revealed non/short levy of taxes and loss of revenue amounting to Rs. 697.53 crore in 43 cases, which broadly fell under the following categories:

(Rupees in crore)

Sl. No.	Nature of irregularity	No. of cases	Amount
1.	Assessment, levy and collection of taxes on motor vehicles: (A review)	1	155.54
2.	Non-assessment of tax on APSRTC besides non-collection of tax and penalty	2	494.84
3.	Non-levy of quarterly tax and penalty on road rollers	1	41.79
4.	Short levy of driving licences fee	1	2.90
5.	Non-levy of tax/penalty on transport vehicles	6	1.42
6.	Unauthorised retention of fines and penalties collected by APSRTC	1	0.62
7.	Non-levy/collection of compounding fee	27	0.36
8.	Non-conversion of fair weather routes into all weather routes	4	0.06
Total		43	697.53

During the year 2006-07, the department accepted underassessments and other deficiencies of Rs. 135.48 crore in 28 cases, of which Rs. 2.66 crore was collected in 22 cases.

A few illustrative cases involving Rs. 3.23 crore and a review of "**Assessment, levy and collection of taxes on motor vehicles**" involving Rs. 155.54 crore are mentioned in the following paragraphs.

4.2 “Assessment, levy and collection of taxes on motor vehicles”

Highlights

- Lack of a system of reconciliation of figures between the amounts paid by e-seva centres and the figures being reflected in the departmental server resulted in variation of Rs. 210.29 crore and loss of interest of Rs. 9.36 lakh.

(Paragraph 4.2.7)

- Absence of a time limit to finalise the assessment after submission of final accounts by the assessee coupled with absence of penal provisions for belated payments resulted in non-realisation of Rs. 26.47 crore.

(Paragraph 4.2.8)

- Non-levy of quarterly tax and penalty of Rs. 106.50 crore on transport vehicles.

(Paragraph 4.2.12)

- Short collection of penalty of Rs. 20.29 crore for belated payment of taxes.

(Paragraph 4.2.13)

- Non-levy of life tax and penalty of Rs. 2.19 crore on omni buses.

(Paragraph 4.2.14)

4.2.1 Introduction

The assessment, levy and collection of receipts from motor vehicles is governed by the Motor Vehicles Act, 1988 (MV Act), as applicable to the State of Andhra Pradesh, Central Motor Vehicles Rules, 1989 (CMV Rules), Andhra Pradesh Motor Vehicles Taxation Act, 1963 (APMVT Act) and rules made thereunder. The major receipts of the Transport Department comprise tax on motor vehicles and fee for registration, issue of driving licence and road permit etc. Taxes are collected by way of demand drafts at the departmental counters and in cash at the e-seva centres¹. The e-seva centres in turn make payment to the Transport Department by way of demand drafts/cheques.

Audit reviewed the assessment, levy and collection of taxes on motor vehicles in the Transport Department. It revealed a number of system and compliance deficiencies, which are mentioned in the succeeding paragraphs.

¹ Centres run by the Government of Andhra Pradesh in collaboration with private agencies for providing various services like payment of utility bills/different taxes, registration of births/deaths, issue of bus passes, at convenient places in the state

4.2.2 Organisational set up

The receipts from motor vehicles are administered by the Transport Commissioner (TC) under the administrative control of the Secretary to Government, Transport, Roads and Buildings Department. He is assisted by one Additional Transport Commissioner (ATC) and four Joint Transport Commissioners (JTCs). Each district is headed by the Deputy Transport Commissioner (DTC)/Regional Transport Officer (RTO), except Hyderabad which is headed by a JTC. The JTCs and the DTCs/RTOs are under the administrative control of the ATC. One of the JTCs in the commissionerate acts as the Secretary, State Transport Authority (a statutory body that co-ordinates and regulates the activities and policies of the regional transport authorities (RTA)). The DTC/RTO at district headquarters acts as the Secretary, RTA (a statutory body responsible for issue of permits and formulates policy matters at the district level).

4.2.3 Audit objectives

The review was conducted with a view to ascertain:

- the adequacy and effectiveness of the CMV/APMVT Acts and the Rules made thereunder;
- effectiveness and efficiency of the system/mechanism for proper assessment, levy and collection of taxes, fees etc., in accordance with the Acts and Rules; and
- adequacy and effectiveness of the internal controls.

4.2.4 Scope and methodology of audit

Test check of the records of all the 38 offices of the department for the years 2001-02 to 2005-06 was conducted between May 2006 and February 2007. The department is fully computerised with effect from May 2000 and data relating to collection of tax and penalty were extracted using SQL² queries and analysed.

4.2.5 Acknowledgement

Indian Audit and Accounts Department acknowledges the co-operation of the Transport, Roads and Buildings Department in providing necessary information and records for audit. The draft review was forwarded to the Government and department in June 2007 and was discussed in the meeting of the Audit Review Committee held on 18 October 2007. The Government was represented by the Deputy Secretary to the Government and the department was represented by the ATC and two JTCs. The view point of the Government has been incorporated in the report.

² Structured query language

Audit findings

System deficiencies

4.2.6 Trend of revenue

Andhra Pradesh Budget Manual stipulates that the estimates should take into account only such receipts including arrears expected to be actually realised during the budget year.

The budget estimates (BE), receipts, variations in receipts over BE and percentage of variation for the years 2001-02 to 2005-06 are mentioned below:

(Rupees in crore)

Year	BE	Receipts	Variation of actuals over BE	Percentage of variation
2001-02	868.82	939.18	(+) 70.36	(+) 8.10
2002-03	1,032.76	929.47	(-) 103.29	(-) 10.00
2003-04	1,138.00	1,067.76	(-) 70.24	(-) 6.20
2004-05	1,395.80	1,168.64	(-) 227.16	(-) 16.27
2005-06	1,612.17	1,355.74	(-) 256.43	(-) 15.91

The large variations between BEs and actual receipts year after year indicate the need for streamlining the budgeting process to make the BEs realistic. The department stated (November 2007) that the decrease was due to non-realisation of arrears of tax and non-collection of penalty due from the Andhra Pradesh State Road Transport Corporation (APSRTC).

4.2.7 Variation between e-seva figures and departmental database figures and delay in payments by e-seva resulting in loss of interest

Rule 13-A of the APMVT Rules provides for collection of taxes at the e-seva centres run by the Government of Andhra Pradesh. The receipts collected are paid to the Transport Department periodically by way of cheques and demand drafts along with the consolidated abstract of collections made under the various categories. **There is no system of reconciliation of figures between the amounts paid by e-seva centres and the figures being reflected in the departmental server.**

4.2.7.1 Audit consolidated the collection particulars/amounts paid to the department by the e-seva centres in the State which amounted to Rs. 567.74 crore for the year 2005-06. Against this a report on “collections paid in e-seva” generated in the departmental system revealed that only

Rs. 357.45 crore had been paid to the department. Thus, there was a variation of Rs. 210.29 crore as mentioned below:

(Rupees in crore)

Name of the office/offices	Amount as per e-seva	Amount as per departmental server	Difference
JTC, Khairatabad ³	261.95	46.46	215.49
DTC, Rangareddy ⁴	19.56	19.63	(-) 0.07
Other offices ⁵	286.23	291.36	(-) 5.13

Such large differences which indicate a failure in the system to update the database in any of the RTA servers are fraught with the risk of misappropriation of Government revenue. There is a need for reconciliation of the two sets of figures especially the very large difference relating to JTC, Khairatabad.

4.2.7.2 The receipts collected by e-seva were paid to four DTCs⁶ and one RTO⁷ belatedly. The delay ranged between two and 27 days. The delay in depositing the collections in the Government account resulted in loss of interest of Rs. 9.36 lakh.

After the cases were pointed out, the department/Government stated in October 2007 that it would be shifting to three tier architecture shortly which would take care of the problem. The features of the proposed application include enhanced security, Management Information System Reports, centralised database, biometric authentication, identification of duplicate records, etc.

Since significant portion of the tax collections are made by e-seva, it is recommended that day-wise collection particulars be retrieved from the system and verified with the database of e-seva. Amounts collected and remittances made by e-seva should be monitored on day-to-day basis to ensure that the payments are received without any delay.

4.2.8 Non-raising of final demand on APSRTC

The Andhra Pradesh State Road Transport Corporation (APSRTC) is the only assessee in the State who pays tax under Section 6-A of the APMVT Act, which specifies that every registered owner, who owns or keeps in his possession or control more than 2,000 motor vehicles for plying on hire or reward, shall pay in respect of all such motor vehicles tax at the prescribed percentage of gross traffic earnings⁸ (GTE). Based on the declaration of provisional GTE for each financial year to be furnished by the registered

³ Bahadurpura, Dilsukhnagar, Khairatabad, Mehdipatnam and Secunderabad

⁴ Rangareddy and Uppal

⁵ Adilabad, Anantapur, Eluru, Guntur, Kakinada, Karimnagar, Khammam, Kurnool, Medak at Sangareddy, Nizamabad, Ongole, Tirupati, Vijayawada, Vizianagaram and Warangal

⁶ Adilabad, Eluru, Medak at Sangareddy, Nizamabad

⁷ Vizianagaram

⁸ The total amount collected towards, fares, freight including luggage charges and amount collected towards hire or reward by or on behalf of such registered owner either directly or indirectly in respect of all motor vehicles as may be determined in the manner prescribed

owner by 15 April of that year, the licensing authority shall make provisional assessment before 30 April of that year. The assessee should submit the final declaration of GTE by 30 June of the succeeding year based on which, the licensing authority shall finally determine the amount of tax leviable. **There is no provision in APMVT Act/Rules prescribing a time limit to finalise the assessment after submission of final accounts by the assessee and there are no penal provisions to discourage delay in submission of accounts by the assessee.**

During the audit of the office of the TC, it was noticed that APSRTC submitted final declaration of GTE for the year 2003-04 in September 2006 after a delay of 26 months. Similarly the final declaration of GTE for 2004-05 was submitted in September 2006 with a delay of 14 months. However, the order of final assessment of tax amounting to Rs. 4.59 crore for 2003-04 and Rs. 21.88 crore for 2004-05 (being the difference between provisional assessment and final assessment of tax for the two years respectively) was not made and communicated to the APSRTC. **Absence of a time limit to finalise the assessment after submission of final accounts by the assessee coupled with absence of penal provisions for belated payments resulted in non-realisation of Rs. 26.47 crore.**

After the case was pointed out, the State Transport Authority finalised the assessments and raised additional demands of Rs. 26.47 crore in December 2006.

The Government may consider incorporating necessary provisions in the Act prescribing the time limit for finalisation of assessment after submission of accounts by the assessee. It may also consider incorporating penal provisions in the Act to discourage delay in submission of accounts.

4.2.9 Uncollected revenue

The department generates periodic reports relating to demand, collection and balance (DCB) of Government dues. In addition, vehicle-wise tax position is also generated. **However, the DCB position relating to any previous period cannot be generated from the computer system.** An analysis of the DCB reports and non-payment lists generated from the computer system revealed the following failures.

In two DTCs⁹ and two RTOs¹⁰, tax liability of Rs. 8.54 lakh was computed for 54 vehicles for which fitness certificates/ temporary permits were obtained/ renewed but were paying taxes with other registering authorities. Similarly, in two DTCs¹¹ and RTO Mancherial, tax liability of Rs. 3.54 lakh was computed by the system for 13 vehicles, which were exempted from payment of tax. This resulted in inflation of DCB figures by Rs. 12.09 lakh. **Though there is a provision in the system for making such transactions inactive, it was not**

⁹ Kakinada and Visakhapatnam

¹⁰ Mancherial and Rajahmundry

¹¹ Kakinada and Visakhapatnam

followed resulting in inflation of DCB. There is no monitoring at any level to ensure that such transactions are made inactive. Therefore, the figures of the arrears mentioned in the DCB register are not reliable.

After the cases were pointed out, the department replied in October 2007 that major portion of the arrears relates to APSRTC and the department would be shifting to three tier architecture shortly which would take care of all the system deficiencies pointed out by audit.

4.2.10 Non-disposal of seized vehicles

The TC prescribed a monthly periodical return relating to submission of details of seized vehicles by each office. **The return furnished was incomplete and did not contain the particulars of tax liability/compounding fee involved, dates of issue of show cause notices. In the absence of this vital information, monitoring of the disposal of the vehicles by the department was weak.**

Audit noticed that there were 1,366 seized vehicles in the State as on 31 March 2006. Of these, 1,107 vehicles were under seizure for more than six months. The deficiencies found in the returns were not pointed out by the TC at any stage.

After the issue was pointed in December 2006, the TC replied in October 2007 that the department is taking all steps to dispose the seized and unclaimed vehicles.

It is recommended that the return which is an important tool in the hands of administration for monitoring disposal of seized vehicles should be revised and details like particulars of tax liability/compounding fee involved, dates of issue of show cause notices etc., should be included in it.

4.2.11 Internal audit

Internal audit, which provides reasonable assurance of proper enforcement of laws, rules and departmental instructions, is a vital component of internal control. It is generally defined as the control of all controls to enable an organisation to assure itself that the prescribed systems are functioning reasonably well.

It was, however, noticed that internal audit was conducted quarterly/annually upto December 2002 and thereafter no internal audit of the unit offices was conducted till June 2006.

After the issue was pointed out, the department replied in October 2007 that internal audit was revived in June 2006.

Compliance deficiencies

4.2.12 Non-levy of quarterly tax and penalty on transport vehicles

Section 3 of the APMVT Act stipulates that every motor vehicle owner is liable to pay tax at the rates specified by the Government from time to time. Section 4 of the APMVT Act specifies that tax shall be paid in advance either quarterly, half-yearly or annually within one month¹² from the commencement of the quarter. In case of failure to pay the tax within the stipulated time, penalty shall be imposed under Section 6 of the Act read with Rule 13, by issuing an order in writing. As per Section 7 of the Act, tax, penalty or fine due may be recovered as arrears of land revenue. Section 8 further empowers the authorities to seize and detain motor vehicles in case of non-payment of tax.

During the audit of the offices of JTC, Khairatabad, 17 DTCs¹³ and 20 RTOs¹⁴, it was noticed from the data available in the system that tax of Rs. 35.50 crore was not paid by the owners of 16,986 vehicles for the period from April 2001 to March 2006. There was nothing on record to show whether these vehicles owners had filed stoppage reports or vehicles were transferred to the jurisdiction of other registering offices. The registering authorities had not imposed penalty amounting to Rs. 71 crore for non-payment of tax and initiated action to recover it by invoking the provisions of the Revenue Recovery Act or seized/detain the vehicles. This resulted in non-realisation of tax of Rs. 35.50 crore in addition to non-levy of penalty of Rs. 71 crore.

After the case was pointed out, the department/Government replied in November 2007 that tax and penalty in respect of 1,126 vehicles amounting to Rs. 2.16 crore was collected, registration certificates of 8,216 vehicles were cancelled and action would be taken in respect of the remaining vehicles.

4.2.13 Short levy of penalty for belated payment of tax

Section 6 of the APMVT Act read with Rule 13 framed thereunder, as amended vide Government order¹⁵ dated 7 July 2003, envisages levy of penalty at 100 *per cent* of the tax due, if the tax is paid in the second month of the quarter and at 200 *per cent*, if the tax is paid beyond two months from the beginning of the quarter. In contravention of the provisions of the Act/Rules,

¹² Vide notification issued under Section 9(1)

¹³ Adilabad, Anantapur, Chittoor, Eluru, Guntur, Kadapa, Kakinada, Karimnagar, Kurnool, Medak at Sangareddy, Nellore, Nizamabad, Rangareddy, Srikakulam, Vijayawada, Visakhapatnam and Warangal

¹⁴ Anakapalli, Bhimavaram, Gudivada, Hindupur, Hyderabad East, Hyderabad West, Hyderabad North, Hyderabad South, Khammam, Mahaboobnagar, Mancherial, Nalgonda, Nandyal, Narasaraopet, Ongole, Rajahmundry, Rangareddy East, Siddipet, Tirupati and Vizianagaram

¹⁵ G.O.Ms.No.110 TR&B dated 7 July 2003

the TC issued a circular¹⁶ for levy of penalty at the rate of 25 per cent and 50 per cent of the tax due for belated payment of tax by one month and beyond one month respectively of the quarter in which it was due.

During the course of audit of all the 38 offices in the State, it was noticed that against a penalty of Rs. 26.95 crore leviable for belated payment of tax, the authorities levied penalty of Rs. 6.66 crore only, resulting in short levy of penalty of Rs. 20.29 crore for the period from October 2003 to March 2006.

After the case was pointed out, the Government replied in October 2007 that proposals submitted by the TC to approve the collection of penalty at lower rates were under examination. The reply is not tenable as penalty is required to be collected in accordance with the provisions of Act/Rules.

4.2.14 Non-levy of life tax on omnibuses

According to the provisions of the APMVT Act, tax was leviable at Rs. 189 per seat per quarter on omnibuses. The Government in their circular dated 21 June 2004 issued under the Act, directed all licensing authorities to collect life time tax on omnibuses with a seating capacity of 8 in all and 10 in all.

During the audit of offices of one JTC¹⁷, 13 DTCs¹⁸ and six RTOs¹⁹, it was noticed that 442 omnibuses registered upto 20 June 2004 were not brought into the ambit of life tax. They were, however, allowed to pay quarterly tax upto March 2005. There was nothing on record to indicate that these vehicles were declared off road or were not plying. Non-levy of life time tax for the period from 2004-05 to 2005-06 resulted in non-levy of tax of Rs. 2.19 crore including penalty.

After the case was pointed out, the department/Government replied in October 2007 that tax on 107 vehicles amounting to Rs. 40.75 lakh had been recovered, registration certificates of 58 vehicles cancelled and action was being taken for recovery of the balance amount of the tax.

4.2.15 Unauthorised retention of fines and penalties collected by APSRTC for offences under the Motor Vehicles Act

Under the provisions of the MV Act, ticketless travel is an offence and attracts levy of penalty. The Government had authorised the officials of the APSRTC to impose fines/penalties on ticketless passengers travelling in the public transport vehicles of the corporation. Fines and penalties so levied and collected should be remitted to the State exchequer.

It was observed from the records of APSRTC for the years from 2003-04 to 2005-06 that the corporation retained Rs. 62.12 lakh. The accumulated balance thus retained by APSRTC to the end of 31 March 2006 was Rs. 3.96 crore.

¹⁶ Circular Memo No.9693/R1/2003 dated 19 August 2003

¹⁷ Khairatabad

¹⁸ Anantapur, Attapur, Chittoor, Eluru, Guntur, Kadapa, Kakinada, Medak at Sangareddy, Nellore, Nizamabad, Vijayawada, Visakhapatnam and Warangal

¹⁹ Gudivada, Hyderabad North, Hyderabad South, Khammam, Nalgonda and Ongole

After the case was pointed out, the TC replied in October 2007 that the financial position of APSRTC was very bad and it was unable to remit the amounts.

4.2.16 Conclusion

Audit scrutiny revealed that the budgeting process in the Motor vehicles Department is flawed. Though significant portion of the tax collections are received through e-seva, there is no system of reconciliation of figures between the amounts paid by the e-seva centres and the figures being reflected in the departmental server. Amounts collected and remittances made by e-seva are also not monitored which has resulted in loss of interest. There is no provision in the APMVT Act/Rules prescribing a time limit for finalising the assessment after submission of the final accounts by the assessee and there are no penal provisions to discourage delay in submission of accounts by the assessees. The return for monitoring the disposal of seized vehicles is deficient and does not contain details like particulars of tax liability/compounding fee involved, dates of issue of show cause notices etc.

4.2.17 Summary of recommendations

The Government may consider implementation of the following recommendations for rectifying the system and compliance issues:

- streamlining the budget process to make the BEs realistic;
- reviewing and verifying the day-wise collection particulars retrieved from the system with the database of e-seva. Amounts collected and remittances made by e-seva should be monitored on day-to-day basis to ensure that the payments are received without any delay;
- incorporating necessary provisions in the APMVT Act prescribing the time limit for finalisation of assessment after submission of accounts by the assessee. It may also consider incorporating penal provisions in the Act to discourage delay in submission of accounts; and
- revising the return for monitoring disposal of seized vehicles and details like particulars of tax liability/compounding fee involved, dates of issue of show cause notices etc., be included in it.

4.3 Short levy of fee due to non-implementation of enhanced rate

As per Rule 32 of the Central Motor Vehicles Rules, 1989, driving licences are issued in forms 6²⁰ and 7²¹. The Government of India in May 2002²² enhanced the fee for licences in form 7 from Rs. 150 to Rs. 200.

During audit of the office of the Transport Commissioner it was noticed that fee towards 5,78,993 driving licences issued/renewed in form 7 during 2005-06 was levied at pre-revised rate. This resulted in short levy of fee by Rs. 2.90 crore.

After the cases were pointed out in December 2006, the Transport Commissioner replied in October 2007 that the department was not issuing driving licences in form 7 and that the card issued was without the computerised chip. Hence, the enhanced rate of fee of Rs. 200 was not applied. The reply is not tenable as licences were not issued in form 6 i.e., book form but were issued in laminated card type for which licence fee of Rs. 200 is applicable. Further, licence fee was collected at Rs. 150, which was applicable to form 7 for licences issued prior to May 2002. Also as per Rule 16(2) and Rule 16 (3) of CMV Rules, where the licensing authority has the necessary apparatus for issue of a laminated card type or smart card type driving licence, every driving licence issued or renewed by the licensing authority shall be in form 7 only.

The matter has been reported to the department in April 2007 and the Government in May 2007; their reply has not been received (December 2007).

4.4 Non-levy/collection of compounding fee

Under the provisions of the Motor Vehicles Act, 1988, the assessing authority may compound certain offences punishable under the Act by collecting compounding fee in lieu of penal action as prescribed by the Government. The Government in October 2001 prescribed²³ minimum rates of compounding fee for various offences. The checking officers of the Transport Department prepare vehicle check reports on motor vehicles checked by them and forward them to the regional transport officer for taking departmental action against the defaulting permit holders/owners of the concerned registered vehicles. These reports are to be noted in the register of vehicle check reports to take necessary action to suspend/cancel the licence/permit or to levy compounding fee.

²⁰ Form 6 is the licence issued in the book form of the size six cm, eight cm and attracts fee of Rs. 40

²¹ Form 7 is the licence issued in the form of smart card/laminated card and attracts fee of Rs. 150 upto May 2002 and Rs. 200 thereafter

²² GSR 400(E) dated 31 May 2002

²³ G.O.Ms.No.138, Transport, Roads & Buildings (TR-II) Department dated 31 October 2001

During audit of the offices of JTC, Khairatabad, 13 DTCS²⁴ and eight RTOs²⁵, it was noticed between May 2006 and February 2007 from the vehicle check registers for the years 2001-02 to 2005-06, 584 vehicles involved in compoundable offences like carrying overload. In all these cases, neither was penal action taken nor was compounding fee of Rs. 32.61 lakh levied and collected.

After the case was pointed out in May 2007, the Government replied in October 2007 that compounding fee of Rs. 9.26 lakh had been collected in respect of 170 vehicles. The reply in respect of the remaining vehicles, has not been received (December 2007).

²⁴ Ananthapur, Chittoor, Guntur, Kadapa, Kakinada, Karimnagar, Kurnool, Nellore, Rangareddy, Srikakulam, Vijayawada, Visakhapatnam and Warangal

²⁵ Anakapalli, Hyderabad East, Hyderabad West, Hyderabad North, Hyderabad South, Nandyal, Narasaraopet and Ongole