

CHAPTER IV TAXES ON VEHICLES

4.1 Results of audit

Test check of the records of the offices of the Transport Department conducted during the year 2007-08 revealed non/short levy of taxes and loss of revenue amounting to Rs. 74.16 crore in 230 cases, which fall under the following categories:

(Rupees in crore)			
Sl. No.	Nature of irregularity	No. of cases	Amount
1	Non-levy of quarterly tax and penalty	43	28.33
2	Non-levy of green tax	36	20.45
3	Short collection of penalty	38	10.49
4	Non-levy of one time tax	32	7.38
5	Short levy of fee due to non-implementation of the enhanced rate	1	3.46
6	Non-levy of life tax and penalty	20	1.17
7	Loss of revenue due to non-conversion of fair weather routes into all weather routes	2	0.93
8	Non-levy/collection of compounding fee	30	0.79
9	Non-levy of differential tax on contract carriages, maxi cabs misused as stage carriages	9	0.57
10	Other irregularities	19	0.59
Total		230	74.16

During the year 2007-08, the department accepted underassessments and other deficiencies of Rs. 13.92 crore in 128 cases, of which 126 cases involving Rs. 13.92 crore were pointed out in audit during the year 2007-08 and the rest in the earlier years. Out of this, Rs. 3.43 crore was collected in 90 cases.

A few illustrative cases involving Rs. 63.18 crore are mentioned in the following paragraphs.

4.2 Non-levy of quarterly tax and penalty

Section 3 of the Andhra Pradesh Motor Vehicles Taxation (APMVT) Act, 1963, 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 month¹ from the commencement of the quarter. In case of failure to pay the tax within the stipulated time, penalty shall be imposed under the Act.

Test check of the records of the Joint Transport Commissioner, Khairatabad, 17² Deputy Transport Commissioners (DTCs) and 20³ regional transport officers (RTOs) between April and December 2007 revealed that quarterly tax of Rs. 7.74 crore for the year 2006-07 was neither paid by the owners of 7,948 vehicles nor demanded by the department. Besides, penalty of Rs. 15.49 crore though leviable was not levied. This resulted in non-realisation of tax and penalty amounting to Rs. 23.23 crore.

After the cases were referred to the Government in May 2008, the Government stated in August 2008 that tax and penalty amounting to Rs. 1.30 crore in respect of 991 vehicles was collected, show cause notices were issued to 4,194 vehicles and registration certificates of 506 vehicles were cancelled. The reply in respect of the remaining cases has not been received (November 2008).

4.3 Non-levy and collection of green tax

The Government ordered in November 2006⁴ levy of an additional tax called green tax 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. The rate of tax is Rs. 200 per annum for transport vehicles. In respect of non-transport vehicles, it is Rs. 250 for every five years in the case of motorcycles and other than motorcycles, it is Rs. 500 for every five years.

Test check of the records of JTC, Khairatabad, 17⁵ DTCs and 18⁶ RTOs between April and December 2007 revealed that green tax aggregating to Rs. 20.45 crore in respect of 1,63,643 transport vehicles and 5,46,160

¹ Vide notification issued under Section 9(1) of APMVT Act

² Adilabad, Anantapur, Chittoor, Eluru, Guntur, Kadapa, Kakinada, Karimnagar, Kurnool, Nellore, Nizamabad, Ranga Reddy, Sangareddy, Srikakulam, Vijayawada, Visakhapatnam and Warangal

³ Anakapalle, Bhimavaram, Gudivada, Hindupur, Hyderabad (East, South and West), Khammam, Mahaboobnagar, Mancherial, Nalgonda, Nandyal, Narasaraopet, Ongole, Rajahmundry, Secunderabad, Siddipet, Tirupati, Uppal and Vizianagaram

⁴ G.O. Ms. No. 238, Transport, Roads & Buildings (TR.I) dated 23 November 2006

⁵ Adilabad, Anantapur, Chittoor, Eluru, Guntur, Kadapa, Kakinada, Karimnagar, Kurnool, Medak at Sangareddy, Nellore, Nizamabad, Ranga Reddy, Srikakulam, Vijayawada, Visakhapatnam and Warangal

⁶ Anakapalle, Bhimavaram, Gudivada, Hindupur, Hyderabad (East and South), Khammam, Mahaboobnagar, Mancherial, Nalgonda, Nandyal, Narasaraopet, Ongole, Rajahmundry, Secunderabad, Siddipet, Tirupati and Vizianagaram

non-transport vehicles that had completed seven years and 15 years of age respectively was not levied and collected during the period from November 2006 to March 2007. This resulted in non-realisation of revenue of Rs. 20.45 crore.

After the cases were referred to the Government in May 2008, the Government stated in August 2008 that an amount of Rs. 1.14 crore was collected from 59,079 vehicles. The reply in respect of the remaining vehicles has not been received (November 2008).

4.4 Loss of revenue due to 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 order⁷ 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, the TC issued a circular⁸ 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.

Test check of the records of all the 38 transport offices between April and December 2007 revealed that penalty of Rs. 13.98 crore was leviable in accordance with the provisions of the Act for belated payment of tax, but the authorities levied penalty of Rs. 3.49 crore for the period from April 2006 to March 2007 in accordance with the TC's circular. Thus, issuance of a circular in contravention to the provisions of the Act resulted in a loss of revenue of Rs. 10.49 crore.

After the cases were referred to the Government in May 2008, the Government stated in August 2008 that proposals to amend the rule are pending with them.

4.5 Non-levy of life tax and penalty

4.5.1 The Government amended the APMVT Act in September 2006 bringing motor cabs of the cost of Rs. 3.50 lakh and above under the purview of life tax with effect from 25 May 2006. The tax was leviable as a percentage to the cost of the vehicles that was based on the age of the vehicle. The age of the vehicle as on 25 May 2006 was to be reckoned for the purpose of calculation of the tax. Under Section 6 read with Rule 13 of APMVT Act, non-payment of life tax in time attracts penalty leviable at the rate of two *per cent* per month from the date on which the tax becomes due for payment.

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

⁸ Circular Memo. No.9693/R1/2003 dated 19 August 2003

Test check of the records of the JTC, Khairatabad, 15⁹ DTCs and 16¹⁰ RTOs between April and December 2007 revealed that life tax of Rs. 3.65 crore and penalty of Rs. 64.98 lakh thereon upto March 2007 was not levied and collected in case of 1,000 motor cabs costing Rs. 3.50 lakh and above. This resulted in non-realisation of tax and penalty of Rs. 4.30 crore during the year 2006-07.

After the cases were referred to the Government in May 2008, the Government stated in August 2008 that an amount of Rs. 81.44 lakh had been collected from owners of 217 vehicles and show cause notices were issued in respect of 497 vehicles. The reply in respect of the remaining vehicles has not been received (November 2008).

4.5.2 The Government amended the APMVT Act, bringing omnibuses with seating capacity between 8 and 10 (including driver) and their chassis under life tax from 10 April 2003. The TC issued instructions¹¹ in June 2004 to collect life tax from 21 June 2004 on omnibuses registered prior to 10 April 2003 also. Under Section 6 read with Rule 13 of the APMVT Rules, non-payment of tax in time attracts penalty payable at the rate of two *per cent* per month from the date on which tax becomes due for payment.

Test check of the records of 12¹² DTCs and eight¹³ RTOs between May and December 2007 revealed that life tax of Rs. 71.54 lakh from 21 June 2004 to March 2007 and penalty of Rs. 37.88 lakh thereon was not levied and collected in case of 239 omnibuses having seating capacity of 8 to 10 passengers. This resulted in non-realisation of the revenue of Rs. 1.09 crore.

After the cases were referred to the Government in May 2008, the Government stated in August 2008 that life tax on 51 vehicles amounting to Rs. 11.12 lakh had been collected, registration certificates of four vehicles were cancelled and show cause notices were issued to the registered owners of 91 vehicles. The reply in respect of the remaining vehicles has not been received (November 2008).

⁹ Adilabad, Anantapur, Chittoor, Eluru, Kadapa, Kakinada, Karimnagar, Medak at Sangareddy, Nellore, Nizamabad, Ranga Reddy, Srikakulam, Vijayawada, Visakhapatnam and Warangal

¹⁰ Anakapalle, Gudivada, Hindupur, Hyderabad (East and South), Khammam, Mahaboobnagar, Mancherial, Nalgonda, Nandyal, Ongole, Rajahmundry, Secunderabad, Siddipet, Tirupati and Vizianagaram

¹¹ Circular Memo No.3999/S2/2004 dated 21 June 2004

¹² Anantapur, Eluru, Kadapa, Karimnagar, Kurnool, Nellore, Nizamabad, Ranga Reddy, Sangareddy, Vijayawada, Visakhapatnam and Warangal

¹³ Mahaboobnagar, Nalgonda, Nandyal, Narasaraopet, Ongole, Siddipet, Tirupati and Vizianagaram

4.6 Short levy of fee due to non-implementation of the enhanced rate

As per Rule 32 of the Central Motor Vehicle Rules, 1989, driving licences are issued in form 6¹⁴ and 7¹⁵. The Government of India in May 2002¹⁶ enhanced the fee for licences in form 7 from Rs. 150 to Rs. 200.

Test check of the records of the TC in October 2007 revealed that fee towards 6,91,002 driving licences issued/renewed in form 7 during 2006-07 was levied at the pre-revised rate. This resulted in short levy of fee by Rs. 3.46 crore.

After the cases were referred to the Government in April 2008, the Government stated in August 2008 that the department was issuing driving licences in plastic cards and there was no short levy of licencee fee. The reply is not tenable as licences were not issued in form 6 i.e., book form but were issued in laminated card type i.e. form 7 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.

4.7 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 prescribed¹⁷ 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 RTO 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.

Test check of the vehicle check registers for the year 2006-07 of eight DTCs¹⁸ and nine RTOs¹⁹ between May and December 2007 revealed that 408 vehicles were involved in compoundable offences viz., carrying overload, excess passengers etc. In all these cases, neither any penal action was taken nor compounding fee of Rs. 16.11 lakh was levied. This resulted in short realisation of revenue of Rs. 16.11 lakh.

¹⁴ Form 6 is the licence issued in the book form of the size six cm x eight cm and attracts fee of Rs. 40

¹⁵ 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

¹⁶ GSR 400(E) dated 31 May 2002

¹⁷ G.O.Ms.No.138, Transport, Roads & Buildings (TR-II) Department, dated 31 October 2001

¹⁸ Eluru, Guntur, Kadapa, Kakinada, Kurnool, Ranga Reddy, Visakhapatnam and Warangal

¹⁹ Gudivada, Hyderabad (East and South), Khammam, Nalgonda, Nandyal, Narasaraopet, Tirupati and Vizianagaram

After the cases were referred to the Government in April 2008, the Government stated in August 2008 that compounding fee of Rs. 6.67 lakh was collected from 161 vehicle owners, registration certificates of 10 vehicles were cancelled and show cause notices were issued for 116 vehicles. The reply in respect of the remaining vehicles has not been received (November 2008).