

## CHAPTER III : TAXES ON MOTOR VEHICLES

### 3.1 Results of audit

Test check of the records of the Motor Vehicles Department, conducted during the year 2007-08, disclosed underassessment of tax amounting to Rs. 10.74 crore in 126 cases which fall under the following categories:

(Rupees in crore)

Sl. No.	Category	Number of cases	Amount
1.	Non/short collection of taxes	14	6.03
2.	Non/short levy of tax	91	3.27
3.	Other irregularities	21	1.44
<b>Total</b>		<b>126</b>	<b>10.74</b>

During the year 2007-08, the department accepted underassessment of tax of Rs. 8.29 crore in 113 cases and recovered Rs. 34 lakh in 50 cases pointed out in the earlier years.

A few illustrative cases involving Rs. 1.40 crore are mentioned in the succeeding paragraphs. Of this, Rs. 2.64 lakh has been recovered.

### **3.2 Non-levy of additional sum for default in tax payment by fleet owner**

Under the Karnataka Motor Vehicles Taxation (KMVT) Act, 1957 and the Rules made thereunder, the fleet owners are required to pay tax for each year in instalments, not exceeding 12, based on the provisional assessment, at the prescribed percentage of their estimated revenue from fares and freights as declared by them before the commencement of the year. The tax due on the final assessment is to be paid within 30 days from the date of receipt of the certificate of tax payable. For failure to do so, an additional sum at one *per cent* of such tax is to be paid, for each month of default.

Test check of the records of the Commissioner for Transport in November 2007 revealed that the tax due in respect of a fleet owner, namely, Karnataka State Road Transport Corporation for the years 2004-05 and 2005-06 was determined in October 2005 and July 2006 at Rs. 60.80 crore and Rs. 75.21 crore respectively. The amount of tax unpaid after the due date was Rs. 9.17 crore for 2004-05 and Rs. 9.78 crore for 2005-06. These amounts were paid after delays ranging from two to seven months. The additional sum payable by the fleet owner till the date of final payment was Rs. 86.80 lakh which was not demanded by the department.

After the case was reported to the Government in April 2008, the Government directed the Commissioner for Transport in September 2008 to send the proposal to adjust the additional sum payable by the fleet owner out of the excess amount paid by them during the year 2007-08.

### **3.3 Short levy of lifetime tax**

Under the KMVT Act, lifetime tax for non-transport vehicles is levied as per the rates prescribed in part A5<sup>1</sup> of the schedule at the time of registration. The rates of lifetime tax were revised from 1 April 2003 to be a percentage of the cost of the vehicle while the pre-revised rates were fixed amounts based on the engine capacity of the vehicle.

Test check of the records in 13<sup>2</sup> regional transport offices (RTOs), between March 2007 and January 2008 revealed that 218 vehicles registered as transport vehicles between September 1995 and June 2004 were converted as non-transport vehicles between June 2003 and May 2007. Lifetime tax of Rs. 39.06 lakh was levied at the pre-revised rates instead of the revised rates. This resulted in short levy of lifetime tax of Rs. 32.85 lakh.

After the cases were referred to the Government in March 2008, the Government directed the department in September 2008 to recover the objected amount from the vehicle owners.

<sup>1</sup> Part A5 – part of the schedule which prescribes lifetime tax for motor cars, omni buses and private service vehicles.

<sup>2</sup> Bagalkot, Bangalore (Central), Bangalore (East), Bangalore (Electronic City), Bangalore (North), Bellary, Bijapur, Davanagere, Dharwad, Madikeri, Puttur, Shimoga, Udupi.

### **3.4 Non-levy of tax**

Under the KMVT Act, tax is levied for all vehicles suitable for use on roads at the rates prescribed in the schedule to the Act. A motor vehicle of which the certificate of registration is current shall, for the purposes of this Act, be deemed to be a vehicle suitable for use on roads. Tax should be paid by the registered owner or person having possession or control of the vehicle for a quarter, half year or year within 15 days from the commencement of such quarter, half year or year. Non-payment of tax constitutes an offence for which it shall be lawful to pay 20 *per cent* of the arrears of tax due by way of composition for the offence.

Test check of the records in RTO, Bangalore (South), in August 2007 revealed that three vehicles registered in June 2002 were on lease agreement<sup>3</sup> with State Transport Undertaking, Bangalore Metropolitan Transport Corporation (BMTTC). BMTTC had intimated cancellation of lease agreement for these three vehicles from 15 April 2004. Since the lease agreement with BMTTC was cancelled, the registered owner of the vehicles was liable to pay tax from 16 April 2004. Tax of Rs. 8.71 lakh for the period 16 April 2004 to 31 March 2007 was neither paid by the registered owner nor demanded by the department. Besides, penalty at 20 *per cent* of the tax due amounting to Rs. 1.74 lakh was also leviable. The total of tax and penalty not levied amounted to Rs. 10.45 lakh.

After the case was pointed out in August 2007, the department reported in August 2008 that the registered owner was not residing in the said address and whereabouts of the owner not known. The Government directed the department in September 2008 to obtain the address of the owner from the BMTTC and the Karnataka State Finance Corporation who have financed the vehicle and further directed the department to take possession of the vehicles if found plying on road.

### **3.5 Non-levy of lifetime tax on battery operated vehicles**

Under the KMVT Act, lifetime tax at prescribed rates is levied at the time of registration of non-transport vehicles. By a notification dated 27 November 1993, the Government exempted lifetime tax for a period of five years from the date of registration in respect of motor vehicles operated with battery, solar energy and CNG.

Test check of the records in three<sup>4</sup> RTOs, between March and September 2007 revealed that 56 battery operated vehicles registered between August 2001 and September 2002 were exempted from payment of lifetime tax for a period of five years. However, the demands for the lifetime tax were not raised on expiry of the exemption period of five years. This resulted in non-levy of tax of Rs. 9.51 lakh.

After the cases were reported between May and October 2007 to the Commissioner for Transport, the department reported in August 2008

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<sup>3</sup> As per the KMVT Act, State Transport Undertaking is a fleet owner and shall pay tax in respect of vehicles placed at the disposal and control of such undertaking by the registered owner under any arrangement entered into between them.

<sup>4</sup> Bangalore (Central), Bangalore (East), Bangalore (South).

acceptance of audit observations in respect of 32 vehicles amounting to Rs. 5.52 lakh and recovered Rs. 2.64 lakh in 15 of them. Reply in respect of the remaining cases has not been received (November 2008).

After the cases were referred to the Government in March 2008, the Government directed the department in September 2008 to recover the dues in the remaining cases.