

## CHAPTER IV

### Taxes on Motor Vehicles

#### 4.1 Results of audit

Test check of records of the Motor Vehicles Department, conducted in audit during the year 2002-2003, disclosed under-assessments of tax, non-levy of penalty, fees, etc. amounting to Rs.21.05 crore in 108 cases, under the following broad categories:

**(Rupees in crore)**

Sl. No.	Category	Number of cases	Amount
1	Non-levy/short levy of tax	76	1.39
2	Non-levy/non-collection of fees/penalty	28	19.62
3	Other irregularities	4	0.04
	<b>Total</b>	<b>108</b>	<b>21.05</b>

During the year 2002-2003, the Department accepted under-assessments in 115 cases involving Rs.21.26 crore and recovered Rs.0.60 crore involved in 38 cases which had been pointed out in audit in earlier years.

A few illustrative cases including certain cases noticed in earlier years which could not be included in previous Reports involving Rs.18.57 crore are given in the following paragraphs. Of this, Rs.0.49 lakh had been recovered.

#### 4.2 Delay in giving effect to revision leading to short levy of fees

Under the Motor Vehicles Act 1988, all rules made under it, unless some later date is appointed, come into force on the date of their publication in the Official Gazette. By a notification published under the Act in the Gazette of India Extraordinary on 28 March 2001, the Central Government promulgated the Central Motor Vehicles (1st Amendment) Rules 2001 revising the rates of fee prescribed in the Central Motor Vehicles Rules 1989 for various services such as, registration of vehicles, issue of driving licences, fitness certificates, etc.

During the audit of 17<sup>o</sup> Regional Transport Offices (RTOs), it was noticed that the fee for issue and renewals of licence, fitness certificate, registration certificate, etc., continued to be collected at the pre-revised rates from 28 March to 18 April 2001. This resulted in short levy of Rs.29.99 lakh.

RTOs stated that the enhanced rates were given effect to from the date of receipt of the notification from the Commissioner for Transport. The Commissioner stated that delay in collecting the enhanced rate of fee was only due to late communication by Government and that Government had been requested to sanction write off of the loss of revenue. The reply is not tenable as the draft of the notification indicating the proposed enhancement of rates of fees had been issued in December 2000 itself. The Department was aware of the impending revision, and should have taken prompt action to implement and realise the revised rates.

The matter was referred to Government in June 2003; their reply has not been received (January 2004).

### **4.3 Non-levy of tax**

Under the Karnataka Motor Vehicles Taxation (KMVT) Act 1957, the tax levied is to be paid in advance, for a quarter, half-year or year, within fifteen days from the commencement of such period. Non-payment of tax constitutes an offence which could be compounded on payment of penalty at 20 per cent of the arrears of tax due. The Act provides for seizure, detention and sale of vehicles in respect of which tax has not been paid, by empowered officers of Motor Vehicles Department/ Police Department. The tax dues are also recoverable as arrear of land revenue. In the case of transport vehicles, the validity of the permits for the vehicles would become ineffective during the period of default.

During test-check of records of 13<sup>o</sup> Regional Transport Offices (RTOs), it was noticed that for 77 vehicles, tax of Rs.11.59 lakh had not been paid for different periods between September 1994 and December 2002. No action had been taken by the Department to demand the taxes and to recover the taxes due by recourse to the various procedures at its command. On

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<sup>o</sup> Indiranagar (Bangalore-East), Jayanagar (Bangalore-South), Rajajinagar (Bangalore-West), Yeshwanthpur (Bangalore-North), Bellary, Chamarajanagar, Chitradurga, Davanagere, Dharwad, Gulbarga, Haveri, Madikeri, Mangalore, Mysore, Puttur, Sagar, Sirsi

<sup>o</sup> Bagalkot, Bhalki, Bidar, Bijapur, Chitradurga, Davanagere, Dharwad, Gulbarga, Haveri, Hospet, Karwar, Sirsi, Tumkur

composition of these cases, an additional sum of Rs.2.32 lakh was also realisable.

On this being pointed out, the Department reported acceptance of audit observations in respect of 14 cases of five<sup>v</sup> RTOs involving Rs.1.54 lakh, of which Rs.0.49 lakh has been recovered. Reply in respect of the remaining cases has not been received (January 2004).

The cases were referred to Government in June 2003; their replies have not been received (January 2004).

#### **4.4 Non-levy of tax on non-adherence to conditions of surrender**

Under the KMVT Act 1957, motor vehicles registered in the State are exempted from payment of tax for the period during which the vehicles are not intended to be used on roads. For obtaining the exemption, the registered owner of the motor vehicle is required to furnish to the registering authority a declaration of non-use specifying the place where it is garaged along with details of payment of taxes up to the date of surrender of the documents. The said exemption is not applicable if the vehicle is removed from the garage without prior permission of the registering authority. The KMVT Rules 1957 provide for composition of the offence on payment of 20 per cent of the arrears of tax due as penalty.

In Bijapur and Gulbarga Regions, declarations of non-use of six registered motor vehicles were accepted between June 1998 and August 2000 by the Department. However, during inspection between December 1999 and June 2002, the vehicles were not found at the declared place of garage. Consequently, they had become ineligible for the exemption from payment of tax of Rs.8.61 lakh, but no action was taken to demand/recover the same. Failure to do so resulted in non-levy of tax of Rs. 8.61 lakh covering the period between July 1998 and December 2002. Besides, penalty of Rs.1.72 lakh was also leviable on composition.

These cases were pointed out to the concerned Regional Transport Officers and the Commissioner for Transport between July 2002 and February 2003 and to Government in May 2003; their replies have not been received (January 2004).

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<sup>v</sup> Davangere, Dharwad, Gulbarga, Hospet, Sirsi

#### **4.5 Non-levy of additional sum for default in tax payment by fleet owners**

According to the KMVT Act 1957 and the Rules made thereunder, fleet owners are to pay tax for each year in instalments not exceeding 12 as specified by the Commissioner for Transport. The tax due is based on 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 after the close of the year is determined by the Commissioner with reference to the final declaration accompanied by audited accounts. The tax due on 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 defaulting month. The Act provides for recovery of unpaid tax as an arrear of land revenue, and for levy of penalty.

The taxes finally due in respect of two<sup>s</sup> State Government Undertakings, who were fleet owners, for the years 1996-97 to 1999-2000 were determined as Rs.297.13 crore. The notices issued between November 1997 and March 2001 after final assessment for each year did not indicate the requirement to pay additional sum in case of failure in paying the tax demanded by the due date. The additional sums due for every month of default were not demanded at the end of every month even after actual default occurred. After the non-raising of demand for additional sums was pointed out in audit in September/October 2001, the Commissioner issued fresh notices in September 2002 demanding the additional sums but without quantifying the amount due. Since the taxes paid by them were only Rs.233.86 crore, the balance taxes of Rs.63.27 crore remained outstanding for 18 to 58 months. On this, the additional sum due as on October 2002 worked out to Rs.18.03 crore. The non-raising of demands as and when they were due postponed their realisation.

Report of recovery have not been received as of January 2004.

The matter was referred to Government in June 2003; their reply has not been received (January 2004).



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<sup>s</sup> Karnataka State Road Transport Corporation (1996-97 to 1999-2000) and North West Karnataka Road Transport Corporation (1998-99 to 1999-2000)