

## CHAPTER IV TAXES ON VEHICLES

### 4.1. Results of Audit

Test check of the records of the offices of the Motor Vehicles Department conducted in audit during 2003-04 revealed short/non-levy of tax/fees, incorrect exemption, etc., amounting to Rs 11.22 crore in 83 cases, which may broadly be categorised as under.

(In crore of rupees)

Sl. No.	Category	Number of cases	Amount
1.	Short/non-levy of tax	55	2.37
2.	Incorrect classification of vehicles	23	0.16
3.	Other lapses	4	0.14
4.	<b>Review on Receipts of Motor Vehicles Department</b>	1	8.55
	<b>Total</b>	<b>83</b>	<b>11.22</b>

During 2003-04, the Department accepted underassessments of Rs 94.09 lakh involved in 111 cases of which 10 cases involving Rs 3.01 lakh were pointed out in audit during 2003-04 and the rest in earlier years. At the instance of Audit, the Department recovered an amount of Rs 23.80 lakh in 89 cases during the year.

A few illustrative cases involving Rs 75.87 lakh and results of a review on **'Receipts of Motor Vehicles Department'** involving Rs 8.55 crore are given in the following paragraphs.

## **4.2. Review on Receipts of Motor Vehicles Department**

### **Highlights**

- *Arrears of vehicle tax on transport vehicles(excluding arrears of Rs 275.21 crore due from KSRTC) alone aggregated Rs 46.73 crore as on 31 March 2003*
- *No action was taken to realise Rs 46.78 lakh in 18 cases, though they were shown as Revenue Recovery cases. (Paragraph 4.2.5)*
- *Vehicle tax not demanded/realised amounted to Rs 6.02 crore in 6,029 cases. (Paragraph 4.2.6)*
- *Registration was granted to 29 vehicles without proof of payment of entry tax amounting to Rs 36.05 lakh (Paragraph 4.2.8)*
- *Compounding fees amounting to Rs 41.16 lakh, due on account of various offences detected, was not realised (Paragraph 4.2.10)*

### **4.2.1. Introduction**

The Motor Vehicles Department which administers the provisions of the Motor Vehicles Act, 1988 (MV Act), in the State is one of the major revenue earning departments of the State. Levy of vehicle tax is governed by the Kerala Motor Vehicles Taxation Act, 1976 (KMVT Act). Tax on non-transport vehicle is to be paid in cash and on transport vehicle by crossed demand draft. On payment of tax, the Taxation Officer shall issue a tax licence and make requisite endorsement in the certificate of registration regarding the details. Motor vehicles brought from other States and liable to registration in Kerala are subject to tax under the Kerala Tax on Entry of Goods into Local Areas Act, 1994.

### **4.2.2. Organisational Set up**

The Department is headed by the Transport Commissioner (TC). A Deputy Transport Commissioner (DTC) is in charge of each of the four zones (South Zone, Central Zone I, Central Zone II and North Zone). There are 18 Regional Transport Offices (RT offices) including one exclusively for Nationalised Sector (NS) and 42 Sub Regional Transport Offices (SRTO) each headed by Regional Transport Officer (RTO) and Joint Regional Transport Officer (JRTO) respectively who are assisted by Motor Vehicle Inspectors (MVI) and Assistant Motor Vehicle Inspectors (AMVI) for the enforcement of the Acts and Rules. In addition, there are 12 check posts located in the borders with the neighbouring States of Tamil Nadu and Karnataka.

### **4.2.3. Audit Objectives**

A review on the assessment and collection of vehicle tax, fees for various services rendered by the Department and compounding fees for offences detected, etc., during the period from 1998-99 to 2002-03 was conducted

between November, 2003 and March 2004. Records maintained in the TC's office, all the four DTC offices, 13<sup>1</sup> out of 18 RT offices, 11<sup>2</sup> out of 42 SRTOs and 5<sup>3</sup> out of 12 Motor Vehicle Check Posts were test checked with a view to

- ascertain the extent of correctness of compliance of provisions of relevant Acts and Rules
- see whether timely action was taken by the Department to realise tax dues; and
- ensure that proper internal control mechanism existed for the enforcement of provisions in the Acts and Rules.

#### 4.2.4. Trend of revenue

During the year 1998-1999 to 2002-2003 receipts under KMVT Act, ranged between 80.79 and 90.50 *per cent* of the total receipts of the Department. Receipts under MV Act, such as fees for registration of vehicles, grant of permits, driving licenses, certificate of fitness, etc ranged between 9.46 and 16.05 *per cent* and other receipts contributed 0.04 to 3.16 *per cent*. Actual collections came between 76.07 and 94.89 *per cent* of budget estimates as detailed below:

(In crore of rupees)

Year	No. of registered vehicles	Budget estimates	Actual collection				Percentage of collection to the total collection of the Department			Percentage of collection to budget estimates
			Tax	Fee	Other receipts	Total	Tax	Fee	Other Receipts	
1998-99	17,08,938	425.00	292.61	30.57	0.13	323.31	90.50	9.46	0.04	76.07
1999-00	19,10,237	431.00	336.65	43.79	0.39	380.83	88.40	11.50	0.10	88.36
2000-01	21,11,885	460.85	341.50	52.92	0.43	394.85	86.49	13.40	0.11	85.68
2001-02	23,15,372	491.17	377.70	62.97	11.51	452.18	83.53	13.93	2.54	92.06
2002-03	25,52,171	540.81	414.62	82.37	16.21	513.20	80.79	16.05	3.16	94.89

Increase in the number of vehicles registered has contributed to the increase in the revenue receipts.

#### Non/partial compliance of Act/Rules /Orders

#### VEHICLE TAX ARREARS

#### 4.2.5. Arrears pending collection.

Under the Kerala Motor Vehicles Manual (KMV Manual), RTOs and JRTOs are required to maintain in respect of transport vehicles, a DCB register showing tax due, collected and balance for every quarter including previous arrears. The head of the office is required to check the correctness of the entries in the register with reference to the respective tax files.

As per DCB statements as on 31 March 2003 vehicle tax of Rs 46.73 crore was pending collection under the following categories:

<sup>1</sup> RT Offices Alappuzha, Attingal, Ernakulam, Kannur, Kasaragod, Kollam, Kottayam, Kozhikode, Malappuram, Palakkad, Thiruvananthapuram, Thiruvananthapuram(NS) and Thrissur

<sup>2</sup> SRTOs: Aluva, Changanassery, Chengannur, Guruvayur, Kottarakkara, Neyyattinkara, Perumbavoor, Tirur, Thalsserry, Thiruvalla and Thodupuzha

<sup>3</sup> Amaravila, Gopalapuram, Sultan Bathery, Velanthavalam and Walayar

(In crore of rupees)

Category	Amount
Reported for Revenue Recovery action	6.87
Stay by Courts	4.72
Stay by Government	0.31
Stay by Department	0.16
Want of service verification reports	34.67
<b>Total</b>	<b>46.73</b>

Age of arrears could not be ascertained due to the absence of year-wise breakup of the arrears with the Department.

The above arrears did not include vehicle tax of Rs 275.21 crore due from Kerala State Road Transport Corporation (KSRTC) as well as dues from non-transport vehicles, which may be substantial. It was also not possible to monitor the arrears on non-transport vehicles, as tax on non transport vehicles could be remitted in any of the transport offices/Friends Janasevana Kendrams and as no DCB registers are required to be maintained on them.

#### **Incorrect reporting of arrears**

Under the KMVT Act and the Rules made thereunder, the registered owner of a motor vehicle who intend to avail tax exemption for non use of a vehicle in a quarter is required to give an intimation to the RTO in Form 'G' within a week from the commencement of the quarter. The KMV Manual Volume III provides for maintenance of a register of tax exemptions for noting the details of prescribed forms. These intimations are to be sent to the concerned circle officers within 10 days from the beginning of the quarter, who in turn, after making necessary inquiries should submit the reports in respect of all ineligible cases by the first week of the second month of the quarter, so that steps for recovery of arrears can be initiated early in such cases. Reports on service verification in respect of eligible cases should be submitted in the first week of the succeeding quarter.

- The time limit prescribed for obtaining such service verification reports was not adhered to, with the result that Rs 34.67 crore was kept as arrears for want of service verification reports.
- Detailed scrutiny of the files on DCB statement, registers and files on non use intimations in 11 offices<sup>4</sup> revealed that arrears of Rs 62.42 lakh were shown in the DCB statement for want of service verification reports for the quarter ending 31 March 2003 whereas as per Tax Exemption Register the arrears were shown as Rs 5.37 lakh only. This resulted in over reporting of Rs 57.05 lakh towards arrears for want of service verification in DCB statement. The Department, however, failed to furnish reasons for such variation in figures. This is a clear indication of the incorrect reporting of facts to higher authorities.

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<sup>4</sup> RTOs Attingal, Kasargod, Kollam, Kozhikode, Malappuram, Palakkad and Thrissur and SRTOs Aluva, Guruvayoor, Tirur and Thalassery

During discussion in April 2004, TC admitted that the arrears shown under the head 'Service Verification' was exaggerated and did not reflect the actual state of affairs.

### **Revenue Recovery**

Under the KMV Manual, Revenue Recovery Registers (RR Registers) should be maintained in all RT/SRT Offices. It should be reviewed periodically to ensure deletion of cases disposed of and adding new cases. The entries in the register should be reconciled with the entries in the register maintained by the concerned Revenue Authorities. If Revenue Recovery requisition is returned by the revenue authorities, the Department should either rectify the defects pointed out or take further action including seizure of vehicle.

- Rupees 6.87 crore was shown under revenue recovery action (RR action) in the DCB statement as on 31 March 2003. Its correctness could not be verified by Audit in the absence of RR registers in 11 offices. In 12 offices<sup>5</sup> where RR registers were produced to Audit, the amount reported for RR action as per RR register amounted to Rs 93.08 lakh, against Rs 64.04 lakh shown in the DCB statement resulting in under reporting of arrears of Rs 29.04 lakh. This indicates that the RR registers were not reviewed periodically to ensure that the amount under RR shown in the DCB agreed with the DCB figure.

TC agreed with the audit observations and stated that the Department would take action for proper maintenance and updating of registers.

- As per the existing instructions, RR action should be initiated against those who fail to remit tax within 15 days of issue of demand notices. In four offices<sup>6</sup>, RR action was not initiated for realising arrears of Rs 6.88 lakh in 23 cases, demands of which were raised between April 1998 and August 2003 till date (March 2004).

TC stated that action would be taken for realisation of arrears.

- In RT Office, Kozhikode, the tax arrears of Rs 46.78 lakh on 18 contract carriages was shown as under revenue recovery in the RR registers and DCB statements. A crosscheck revealed that none of the 18 cases was pending with Revenue Department. Tahsildar (RR), Kozhikode, returned 15 cases to the RTO in 2001-02 on the ground that the defaulters could not be identified as per the addresses in the RR requisitions. In two cases the matter was to be considered afresh and decided by the RTO himself, as ordered by the Hon'ble High Court of Kerala and the remaining case was not even forwarded to the Revenue Department.

TC agreed to conduct an enquiry by the DTC Kozhikode and take further action for the recovery of Rs 46.78 lakh.

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<sup>5</sup> RT Offices Ernakulam, Kozhikode, Palakkad and Thrissur and SRTOs Aluva, Guruvayur, Kottarakkara, Neyyattinkara, , Thalassery, Thiruvalla, Tirur and Thodupuzha

<sup>6</sup> RT Offices Alappuzha, Kottayam and Palakkad and SRTO, Thodupuzha

#### **4.2.6. Non demand of vehicle tax**

- ***Tax on interstate contract carriages***

Under the KMVT Act, Government prescribed tax for inter-state contract carriages at a rate higher than that for intra-state contract carriages from 1 April 1994. The Hon'ble High Court of Kerala held on 11 December 1995 that inter-state contract carriages were liable to be taxed at the same rates as for intra-state contract carriages. On appeal by the State the Hon'ble Supreme Court upheld on 10 August 1999 the validity of the revised rates but directed that the State should not demand the enhanced tax from the respondents for the period from 11 December 1995 to 10 August 1999. The TC in September 1999 has given instructions to the RTOs/JRTOs to take effective steps for the recovery of balance tax.

In seven offices<sup>7</sup>, demand notices were not issued in 174 cases involving Rs 1.04 crore and in 56 cases involving Rs 1.13 crore demands were raised between June 2000 and May 2002. However in none of the cases recovery has been effected by actions such as revenue recovery, seizure of vehicle under KMVT Act etc. This resulted in non-realisation of Rs 2.17 crore in 230 cases.

TC stated that Department would take urgent action to realise the balance tax of Rs 2.17 crore.

- ***Vehicles registered without collection of one time tax***

Under KMVT Act, one time tax for the period from date of purchase of the vehicle till renewal is leviable on motor cars, motor cycles and three-wheelers from 1 April 1998 onwards which is to be paid at the time of registration at the rates specified in the Act.

In 19 offices<sup>8</sup>, one time tax on 815 vehicles registered between 1 April 1998 and 14 November 2001 was not demanded. This resulted in non-realisation of tax amounting to Rs 1.37 crore.

TC in April 2004 stated that Department would take action to collect the amount due on these vehicles expeditiously.

#### **Default by vehicle owners availing instalment facility**

Though the KMVT Act does not empower Government to grant instalment facility to the defaulters, the Government has been granting the facility to the vehicle owners who fail to remit quarterly tax within the prescribed periods on the condition that they should remit the arrears within a stipulated period in specified number of instalments.

In 11 offices<sup>9</sup>, in 134 cases, the defaulters either failed to pay any instalment or stopped payment after one or two instalments. The Department did not take

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<sup>7</sup> RT Offices, Ernakulam, Kannur, Kasargod, Kozhikode, Palakkad and Thiruvananthapuram and SRTO Thodupuzha

<sup>8</sup> RT Offices Alappuzha, Attingal, Ernakulam, Kannur, Kollam, Kottayam, Kozhikode, Malappuram, Palakkad and Thrissur and SRTOs Aluva Changanassery, Chengannur, Guruvayur, Kottarakkara, Neyyattinkara, Perumbavoor, Thalassery and Thiruvalla

<sup>9</sup> RTOs Alappuzha, Attingal, Ernakulam, Kannur, Kasargod, Kottayam, Malappuram, Thiruvananthapuram and Thrissur SRTOs Neyyattinkara and Thalassery

any action to realise the balance tax by initiating RR action and seizure of vehicles, etc. This resulted in non-recovery of Rs 79.61 lakh relating to the period from April 1998 to March 2003.

#### Non raising of demand

Tax prescribed in the schedule to the KMVT Act is to be paid in advance and within the period prescribed in the Kerala Motor Vehicles Taxation Rules, 1989. In cases of non-payment, demand notice shall be issued not later than the end of the quarter.

- In nine offices<sup>10</sup>, tax for the period from October 1998 to March 2003 on 406 goods vehicles were not remitted within the prescribed time. No demand was also raised by the Department. This resulted in non-raising of demand of Rs 39.49 lakh.

- *Non-levy of tax on goods vehicles of other states.*

As per bilateral agreements entered into with the Governments of Karnataka and Tamil Nadu, specified number of goods vehicles based in those states were allowed to operate in Kerala on countersigned permits on payment of tax in home state but free of tax in the reciprocating state. However, the Governments decided to allow the State Transport Authority (STA) of the reciprocating State to collect tax of Rs 1,500 *per annum* up to March 1999 and Rs 3,000 *per annum* thereafter. Though the permit counter-signed is for five years, tax is to be collected on yearly basis. In cases of non-operation in subsequent year(s), the owner is required to surrender the counter-signed permit and that fact is to be noted in the register of counter-signature. If tax is not paid on vehicle with valid permit, action such as issuing demand notice, initiating RR action, seizure of vehicle etc., should be taken.

Verification of registers on countersignature and collection of tax maintained in the State Transport Authority revealed that though tax on 365 to 1,408 goods vehicles remained unremitted each year between 1998-99 and 2002-03, no action was taken to realise it. Moreover, there was no mention of surrender of countersigned permits in these registers. This resulted in non-levy of tax of Rs 1.28 crore as shown below:

(In crore of rupees)

Year	No. of vehicles having valid permit			No. of vehicles on which tax was		Non-levy of tax
	Karnataka	Tamil Nadu	Total	collected	Uncollected	
1998-99	1,344	2,531	3,875	3,510	365	0.05
1999-00	1,344	3,687	5,031	4,402	629	0.19
2000-01	1,344	4,341	5,685	4,277	1,408	0.42
2001-02	1,344	4,343	5,687	4,500	1,187	0.36
2002-03	1,327	4,836	6,163	5,309	854	0.26
<b>Total</b>	<b>6,703</b>	<b>19,738</b>	<b>26,441</b>	<b>21,998</b>	<b>4,443</b>	<b>1.28</b>

TC stated that the Department would take action to collect the amount.

<sup>10</sup> RTOs Alappuzha, Kasargod, Kottayam, Malappuram and Palakkad, SRTOs Changanassery, Kottarakkara, Neyyattinkara and Thiruvalla.

• **4.2.7. Short levy due to non-reclassification of omnibuses**

Government of India, Ministry of Surface Transport clarified in July 1998 that, omnibuses registered in the name of public/private firms, companies, institution, organisations etc. could be classified as ‘omnibuses for private use’ on the basis of an undertaking regarding the use of the vehicles for private purposes only. The above clarification was revoked in March 2000. Hence all those vehicles are to be reclassified as “private service vehicles” which attract higher rate of tax.

In 14 transport offices<sup>11</sup>, 184 omnibuses registered in the name of companies which were originally registered as omnibus for private use on the strength of earlier clarification were not re-classified and taxed as private service vehicles. This resulted in short levy of Rs 14.06 lakh from April 2000 to March 2003.

TC stated that action would be taken to realise the amount after examining each case.

**4.2.8. Registration of vehicles without payment of entry tax**

The Kerala Tax on Entry of Goods into Local Areas Act, 1994 provides for the levy of a tax on entry into any local area of the State for use or sale therein of any motor vehicle which is liable for registration in the State under the MV Act, 1988. Vehicles registered in other States 15 months prior to their registration in Kerala, vehicles of Central Government and vehicles used exclusively for defence purposes are exempted from the tax. The registration authority shall not register the vehicles unless payment of tax by the person concerned is ensured by production of proof.

In the RT Office (NS) two VOLVO buses purchased from outside the State and 27 buses, bodies of which were built on ‘chassis of motor vehicles’ purchased from outside the State, were registered in the State without payment of entry tax. This has resulted in non-realisation of entry tax amounting to Rs 36.05 lakh.

TC stated that Department had to take action to collect the entry tax.

**4.2.9. Non /short collection of fees**

• **Non/short collection of fees for exhibition of advertisements.**

• As per KMV Rules, any advertisements, writings or figures can be exhibited on transport vehicles only with the sanction of the STA/RTA and on payment of an annual fee of Rs 10 per 100 cm<sup>2</sup> of the area covered. On obtaining the sanction, the vehicles are to be produced before the circle officer, for measurement of the area and determination of fees due.

In five offices<sup>12</sup>, failure to measure the area and collect the required fee on 57 advertisements, display of which were sanctioned between April 1998 and March 2003 resulted in non levy of fee of Rs 5.28 lakh.

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<sup>11</sup> RT Offices Ernakulam, Kannur, Kottayam, Kozhikode, Malappuram, Muvattupuzha, Palakkad, Pathanamthitta, Thiruvananthapuram and Thrissur and SRTOs Aluva, Parassala, Paravur and Neyyattinkara

<sup>12</sup> RT Offices Ernakulam, Kollam, Kottayam, Thiruvananthapuram and Thrissur

TC stated that action would be taken to collect the amount after examining each case.

- One time tax applicable for 15 years is payable on newly registered motor cars, whereas tax for one/two year only is payable on vehicles registered as motor cabs/tourist motor cabs. Some vehicle owners evade the payment of one time tax by obtaining motor cabs/tourist motor cabs permits for their newly registered cars and get it altered as motor cars by surrendering the permits within months.

In 12 offices<sup>13</sup> revenue deferred on 165 such cases amounted to Rs 28.30 lakh which could have been avoided by making provisions for collecting differential tax for the balance period while sanctioning alteration.

#### 4.2.10. Inadequacy of field checking

- *Delay in disposal of check reports*

With a view to detect offences of non compliance to the provisions of the MV Act, 1988, KMVT Act, and the rules made thereunder, the Executive Wing of the Department is conducting checking of vehicles. Under the MV Act, the officers are empowered to compound the offence for such amount as the State Government by notification specify. In the cases not compounded on the spot the check reports are to be forwarded to the concerned RTO/JRTO for further action. The charge memos on these check reports are required to be issued within seven days of receipt of reports in the office. The check reports are closed after collecting compounding fee. The action on the reports should be completed within two months of the date of check.

Check reports received in RT/SRT offices during the period 1998-1999 to 2002-2003 were not disposed of even after lapse of six years to one year. The amount held up in 12,375 pending check reports worked out to Rs 41.16 lakh as detailed below:

(In lakh of rupees)				
Nature of Offence	No. of Offices	No. of cases	Amount involved	Remarks
Overload	22 <sup>14</sup>	626	23.56	Minimum fine of Rs 2,000 plus Rs 1,000 for every tonne of excess load had not been collected on the spot. Besides, the requirement of unloading the excess load was also not complied.
Unauthorised exhibition of advertisement	12 <sup>15</sup>	92	5.94	Calculated at Rs 10 per 100 cm <sup>2</sup> of area covered by the advertisement.
Others	22 <sup>16</sup>	11,657	11.66	The offences are required to be compounded at varying rates. However, compounding fee was arrived at the minimum rate of Rs 100.
	<b>Total</b>	<b>12,375</b>	<b>41.16</b>	

<sup>13</sup> RT Offices: Alappuzha, Ernakulam, Kasargod, Kottayam, Kozhikode, Malappuram, Palakkad and Thrissur and SRTOs Chengannur, Perumbavoor, Tirur and Thalassery

<sup>14</sup> All RT/SRT Offices test checked except Thiruvananthapuram(NS) and Guruvayoor

<sup>15</sup> RTOs Ernakulam, Kannur, Kasargod, Kollam, Kottayam, Kozhikode, Malappuram and Thrissur, SRTOs Aluva, Neyyattinkara, Perumbavoor and Tirur

<sup>16</sup> All RT/SRT Offices test checked except Thiruvananthapuram(NS) and Thiruvananthapuram

TC stated that the Department would take action to dispose of the check reports and realise the amount expeditiously.

- **Levy of compounding fee at lesser amounts**

Under the MV Act, using vehicles without registration attracts a fine up to Rs 5,000 subject to a minimum of Rs 2000, with effect from 14 November 1994. Government authorised the officers to compound such offences for a compounding fee at rates less than the minimum specified in the Act. For non-transport and transport vehicles, it was Rs 100 and Rs 500 till 31 March 1998 and Rs 200 and Rs 1,000 up to 14 April 2002. From 15 April 2002 onwards, it was Rs 500 for both non-transport vehicles and two/three wheeler transport vehicles and Rs 1,000 for light motor transport vehicles. It was, however, observed that the executive officers of the MV department were collecting compounding fee at the rates, which were less than the minimum prescribed in the Act. The revenue forgone in 751 cases in 15<sup>17</sup> offices worked out to Rs 11.60 lakh.

TC stated that the matter of enhancing compounding fee to a level not less than the minimum prescribed in the MV Act would be taken up with the Government.

#### ***4.2.11. Inadequate supervision on the functioning of “Friends Janasevanakendram”***

Government have set up integrated service centre called ‘Friends Janasevana Kendrams’ to facilitate public to remit various fees through a single window. Motor Vehicle Department is the major participating Government department in the programme. TC had given instructions to all the RTOs to exercise supervision and control over the staff deputed from the Department and the activities related to the Department. RTOs were to ensure that the amount collected at the Kendram were credited to the revenue head of the Department within three days. The Kendram at Thiruvananthapuram started functioning in June 2000 and others in March 2001.

- In 9 Janasevanakendrams<sup>18</sup> delay up to 86 days was noticed in transfer crediting amounts ranging between Rs 0.43 lakh and Rs 12.77 lakh to the receipt head of the Department.
- Though the Kendrams were handing over statements of collections monthly to the RTO, reconciliation of the remittances with the treasury records as per Kerala Financial Code Volume I and Kerala Treasury Code Volume I was not done.
- RTOs were not ensuring supervision and control over the staff deputed to the Kendram and activities related to the Department. This led to defalcation of Rs 6.26 lakh in 140 cases during the period from March

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<sup>17</sup> RTOs Alappuzha, Kannur, Kasargod, Malappuram, Palakkad and Thrissur , SRTOs Changanassery, Chengannur, Guruvayur, Kottarakkara, Neyyattinkara, Tirur, Thalassery, Thiruvalla and Thodupuzha

<sup>18</sup> Alappuzha, Kottayam, Ernakulam, Thrissur, Palakkad, Malappuram, Kozhikode, Kannur and Kollam

2001 to September 2002 in Kozhikode Kendram. This was detected in September 2002 by audit in seven cases.

TC stated that delay in transfer crediting of motor vehicle tax etc., collected through 'Janasevanakendrams' would be taken up with Government.

#### **4.2.12. Non-reconciliation of remittances**

The Kerala Treasury Code, Vol. I and Kerala Financial Code Vol. I provide for periodical reconciliation of remittances into the treasury. In the Motor Vehicles Department the reconciliation is to be done every month and the reconciled statement of remittances should reach the DTC/TC office before the 20<sup>th</sup> of the succeeding month.

It is however, noticed that in 10<sup>19</sup> out of the 29 offices test checked, the reconciliation was in arrears for periods of over three to six years and in six<sup>20</sup> offices the delay ranged from one to three years.

TC agreed to take action to complete the reconciliation.

#### **4.2.13. Internal control**

Internal controls are intended to provide reasonable assurance of proper enforcement of laws, rules and departmental instructions. They help in the prevention of frauds and other irregularities. Internal control also helps in the creation of reliable financial and management information system for prompt and efficient service and for adequate safeguards against evasion of Government revenue.

However, the system was not working effectively as revealed from the following:

- Biennial inspection of the RT/ SRT offices by the Internal Inspection Wings of the TC and DTC offices were in arrears. Inspection for the periods prior to 2000 was pending in 15 offices<sup>21</sup> of the State.
- Quarterly review of cases advised for RR action as prescribed in the KMV Manual, was not done properly by RTOs and JRTOs as indicated by absence of up to date entries in the RR registers. This resulted in accumulation of arrears.
- Entries in the DCB Registers were not verified periodically with reference to the tax files as was evident from the fact that tax files were not maintained in most of the offices. Thus the Department failed to ensure the correctness of the arrears and to monitor its collection.
- Though recovery of Rs 4.72 crore has been stayed by Courts of Law, Original Petition (O.P) registers prescribed by the Department to monitor

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<sup>19</sup> RT Offices: Alappuzha, Kozhikode, Kannur, Thiruvananthapuram (NS) and SRTOs Changanassery, Neyyattinkara, and Thalassery.

DTC Offices: Ernakulam and Kozhikode .

TC Office: Thiruvananthapuram.

<sup>20</sup> RT Offices: Ernakulam, Kottayam, Palakkad and Thiruvananthapuram. SRTO Guruvayur and DTC Thrissur.

<sup>21</sup> RTOs Alappuzha, Attingal, Ernakulam, Idukki, Kannur, Kasaragod, Malappuram, Palakkad, Pathanamthitta Thiruvananthapuram (NS) and Wayanad, SRTOs Nedumangad DTCs Ernakulam, Kozhikode and Thiruvananthapuram.

the progress of the Court cases were not maintained in 10<sup>22</sup> out of 24 offices, and hence the cases were not being effectively pursued.

#### **4.2.14. Recommendations and suggestions**

Government may ensure that

- DCB registers are maintained properly and clearance of arrears monitored effectively;
- Service verification reports of vehicles for which exemptions for non-use are claimed are completed in time.
- Reconciliation of remittances into treasury are done monthly as prescribed; and
- Internal control in the form of inspections and quarterly reviews need to be done effectively.

Government may also look into the deficiencies in the Act/Rules/Orders pointed out and initiate remedial measures. Steps may be taken to strengthen internal control system to make it more effective.

The above points were discussed with the Transport Commissioner in April 2004. His replies in some cases have been incorporated.

All the points were communicated to the Government in May 2004; their reply has not been received (December 2004).

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<sup>22</sup> RT Offices: Kasargod and Thiruvananthapuram, SRTOs Neyyattinkara, Kottarakkara, Chengannur, Thiruvalla, Changanassery, Aluva, Guruvayur and Tirur.

### 4.3. Non realisation of vehicle tax

Government in January 1994, prescribed a composite fee based on seating capacity on All India Tourist permit vehicles of other States/Union Territories authorised to ply in Kerala. Government rescinded the above order in October 2001 and reverted to a vehicle tax leviable on each seat. Consequently vehicles of 14 to 35 seats which were hitherto liable to a composite fee of Rs 12,000 per quarter became taxable at Rs 1,400 per passenger seat per quarter from 1 November 2001. However, the High Court of Kerala, in its interim orders on writ petitions (between November 2001 and February 2002) allowed the vehicle owners to pay the composite fee. Later in its final order the Court dismissed the petitions on 8 March 2002 and ordered that the petitioners should pay arrears of tax with interest at 15 *percent per annum* within a period of 15 days from the date of the judgement. This was later extended up to 30 March 2002. The Court also ordered that the non-payment thereafter would be treated as default and all consequences for the same would follow.

Records of check posts under Regional Transport Office Wayanad, Sub Regional Transport Office Kanhangad and TC, Thiruvananthapuram revealed that balance tax as a result of decision of the Honorable High Court was not collected from owners of 124 All India Tourist vehicles. This resulted in non-realisation of vehicle tax of Rs 51.77 lakh for the period from November 2001 to March 2002.

After this was pointed out by audit between July 2002 and January 2003, the Department accepted the audit observation and stated in August 2004 that Rs 2.28 lakh had been collected on six vehicles. Further reply was awaited (December 2004).

The matter was reported to Government in December 2003 and February 2004. Their reply was awaited (December 2004).

### 4.4. Short levy of composite tax

Under the KMVT Act, on goods carriage vehicles registered and usually kept in any other State or Union Territory in India and authorised to ply in the State of Kerala under a National Permit, composite tax at Rs 3,000 *per annum* or at the rate at which similar vehicle from Kerala is taxed in their home State, whichever is higher, shall be payable.

The rate of composite tax per vehicle is Rs 5,000 *per annum* for National permit goods carriages registered in the State of Kerala and plying in the states of Gujarat, Haryana, Maharashtra, Rajasthan and West Bengal and Union Territory of Delhi.

Test check of the records of the TC Office, Thiruvananthapuram revealed that 1,026 goods carriages registered in above states were authorised to ply in Kerala under National Permit during the year 2001-02 on payment of composite tax of Rs 3,000 *per annum* instead of at the rate of Rs 5,000 *per annum*. The tax was remitted half yearly in 81 cases instead of yearly. No

action was taken by the Department to demand and collect differential tax through the concerned State/Regional Transport Authorities. This resulted in short levy of composite tax of Rs 19.71 lakh.

After these cases were pointed out to the Department in January 2003, Department stated in August 2004 that STAs of concerned States were addressed to realise the tax and Rs 0.24 lakh from 11 vehicles had been realised. Further report had not been received (December 2004).

The matter was reported to Government in December 2003 and February 2004. Government stated between July and October 2004 that Rs 0.46 lakh had been collected in 24 cases. Further reply was awaited (December 2004).

#### **4.5. Short collection of tax on interstate contract carriages**

Under KMVT Act, tax on a motor vehicle shall be paid in advance for a quarter or year. However, only one tenth or one third of the quarterly tax is payable on All India Tourist permit vehicles registered in other states which enter Kerala and stay therein up to 7 days or 8 to 30 days respectively. TC in January 2002 clarified that the tax licences so issued are for one round trip only and subsequent entry into the State attracts further levy of tax.

In Regional Transport Offices, Kannur and Kasargod, five All India Tourist Permit vehicles were allowed multiple entries after paying one tenth and one third of the quarterly tax. This resulted in short levy of Rs 2.71 lakh.

After this was pointed out by audit to the Department in November 2002 and December 2003, the TC stated that instructions would be given to RTOs, Kannur and Kasargod to realise the dues. Further report had not been received (December 2004).

The matter was reported to Government in March 2004; their reply was awaited (December 2004).

#### **4.6. Non/Short levy of additional tax**

Under the KMVT Act, when any registered owner or any other person who has possession or control of any motor vehicle used or kept for use in the State has not paid tax within the prescribed period, he shall pay additional tax ranging from 10 to 50 *per cent* of the tax due, depending upon the period of delay. From May 1998 onwards, the counter clerk was entrusted with the work to assess additional tax, accept vehicle tax, make entry in registration certificate and issue tax licence without any counter check by Taxation Officer.

In eight Transport Offices<sup>#</sup>, additional tax for delay in payment of tax was not levied on 23 vehicles and it was short levied on 13 vehicles during the year 2002-03. This resulted in non/short levy of additional tax of Rs 1.68 lakh.

After this was pointed out to the Department by Audit between April and September 2003 the TC stated in August 2004 that concerned RTOs and Joint

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<sup>#</sup> Regional Transport Offices : Alappuzha, Idukki, Malappuram, Kottayam, Palakkad Thiruvananthapuram and Wayanad .  
Sub Regional Transport Offices: Irinjalakuda.

RTOs were being reminded to realise the balance additional tax and that Rs 0.49 lakh from 13 vehicles had been realised. Further report had not been received (December 2004).

The matter was reported to Government in February 2004. Government stated in four communications between July and October 2004 that Rs 0.72 lakh had been collected in 18 cases. Further reply was awaited (December 2004).