

CHAPTER-III: TAXES ON MOTOR VEHICLES

3.1 Tax administration

The provisions of the Karnataka Motor Vehicle Taxation (KMVT) Act, 1957 and rules made thereunder govern the levy and collection of taxes on motor vehicles. The levy of taxes on motor vehicles is administered by the Transport Department headed by the Commissioner for Transport who is assisted by Joint Commissioners of Transport. There are 55 Regional Transport Offices (RTOs)/Assistant Regional Transport Offices (ARTOs) and 15 checkposts in the State.

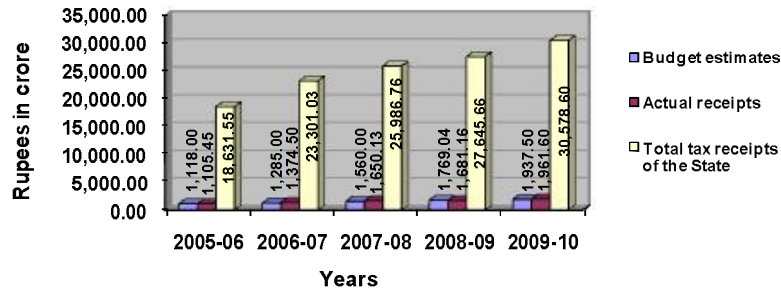
3.2 Trend of receipts

Budget Estimates (BEs) and actual receipts from taxes on motor vehicles during the years 2005-06 to 2009-10 along with the total tax receipts during the same period is exhibited in the following table and graphs.

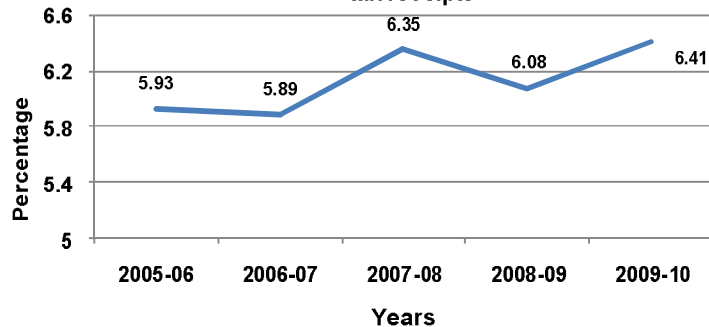
(Rupees in crore)

Year	Budget estimates	Actual receipts	Variation excess(+)/shortfall(-)	Percentage of variation	Total tax receipts of the State	Percentage of actual receipts vis-à-vis total tax receipts
2005-06	1,118.00	1,105.45	(-) 12.55	(-) 1.12	18,631.55	5.93
2006-07	1,285.00	1,374.50	(+) 89.50	(+) 6.96	23,301.03	5.89
2007-08	1,560.00	1,650.13	(+) 90.13	(+) 5.78	25,986.76	6.35
2008-09	1,769.04	1,681.16	(-) 87.88	(-) 4.97	27,645.66	6.08
2009-10	1,937.50	1,961.60	(+) 24.10	(+) 1.24	30,578.60	6.41

Graph 1 : Budget estimates, Actual receipts and Total tax receipts



Graph 2: Percentage of Actual receipts vis-à-vis Total tax receipts



It is seen from the graphs that there was no significant variation in the actual receipts as compared to the BEs in all the years. The variation between the BEs and actuals ranged between (-) 4.97 per cent and (+) 6.96 per cent. The percentage of actual receipts to total tax receipts remained consistent at around six per cent during the five year period from 2005-06 to 2009-10.

3.3 Analysis of arrears of revenue

The arrears of revenue furnished by the Department as on 31 March 2010 amounted to ₹ 4.27 crore, of which ₹ 1.40 crore were outstanding for more than five years. The Department has not furnished details of opening balance of arrears, amount collected during the year and closing balance of arrears for the period 2005-06 to 2009-10, despite being requested (August 2010).

3.4 Cost of collection

The gross collection of taxes on motor vehicles, expenditure incurred on collection and the percentage of such expenditure to gross collection during the years 2007-08, 2008-09 and 2009-10 along with the relevant all India average percentage of expenditure on collection to gross collection for the respective preceding years were as follows:

Year	Gross collection	Expenditure on collection	Percentage of cost of collection to gross collection	All India average percentage for the preceding year
	(Rupees in crore)			
2007-08	1,651.82	29.39	1.78	2.47
2008-09	1,682.90	34.84	2.04	2.58
2009-10	1,962.62	36.35 ¹	1.85	2.93

As seen from the above, the percentage of cost of collection to the gross collection was lower than the all India average percentage for all the three years.

3.5 Impact of Audit Reports

During the last five years, through our audit reports, we had pointed out non/short levy of tax with revenue implication of ₹ 5 crore in 14 paragraphs. Of these, the Government/Department had accepted audit observations involving ₹ 4.71 crore in 14 paragraphs and had since recovered ₹ 61.23 lakh. The details are shown in the following table:

(Rupees in lakh)

Year of Audit Report	Paragraphs included		Paragraphs accepted		Amount recovered	
	Number	Amount	Number	Amount ²	Number	Amount ¹
2005-06	01	5.27	01	0.32	01	0.32
2006-07	03	199.82	03	191.81	02	0.24
2007-08	04	139.61	04	138.51	02	7.81
2008-09	04	135.39	04	135.39	04	48.56
2009-10	02	19.54	02	4.58	02	4.30
Total	14	499.63	14	470.61	11	61.23

¹ Indicates non-plan expenditure only. Plan expenditure for 2009-10 was ₹ 0.46 crore.

² Indicates the amount of acceptance and recovery in respect of individual cases included in the respective paragraphs.

As seen from the above table, the recovery made by the Department is only 13.01 *per cent* of the amount involved in the total accepted cases.

We recommend that the Government take measures to ensure expeditious recovery of revenue in respect of the accepted cases.

3.6 Working of internal audit wing

The Internal Audit Wing (IAW) is functioning in the Transport Department since 1960. As against the sanctioned post of nine First Division Assistants and one Accounts Superintendent for internal audit, three posts of First Division Assistants were vacant as of March 2010.

As per the information furnished by the Department, out of 63 offices due for audit during 2009-10, only 24 offices (38 *per cent*) were audited. Year-wise details of the number of objections raised and settled with tax effect and recoveries effected, as furnished by the Department, are as under:

(Rupees in lakh)

Year	Objections raised		Objections settled		Objections pending	
	Number of cases	Amount	Number of cases	Amount	Number of cases	Amount
Upto 2005-06	215	317.26	140	112.75	75	204.51
2006-07	183	104.56	658	105.69	-	-
2007-08	352	154.85	564	108.51	-	46.34
2008-09	09	7.17	02	576.00	07	7.16
2009-10	15	9.18	-	-	15	9.18
Total	774	593.02	1,364	902.95	97	267.19

The Department reported that the number of paragraphs and amount do not tally since the paragraphs pending and amount involved pertain from 1960 onwards, i.e from the inception of the IAW. This indicates that the department is not according due importance to internal audit and has not taken appropriate action to reconcile the above figures.

We recommend that the Department ensure adequate coverage of units for internal audit. Further, remedial action may also be taken for reconciliation of figures and also for speedy clearance of old outstanding objections.

3.7 Results of audit

We conducted a test check of the records of 57 offices of the Transport Department during the year 2009-10, which revealed underassessment of tax and other irregularities amounting to ₹ 91 crore in 124 cases, which fall under the following categories:

(Rupees in crore)

Sl. No.	Category	Number of cases	Amount
1.	Short levy of tax on fleet owners	02	8.27
2.	Delay in realisation of demand drafts	08	2.50
3.	Non-levy of quarterly tax	28	1.15

(Rupees in crore)

Sl. No.	Category	Number of cases	Amount
4.	Irregular grant of permits	05	0.48
5.	Non-levy of fee on registration with fancy numbers	15	0.35
6.	Non/short levy of lifetime tax	38	0.29
7.	Short levy of tax on battery operated cars	04	0.05
8.	Other irregularities	24	77.91
Total		124	91.00

During the course of the year 2009-10, the department accepted underassessments of ₹ 1.05 crore in 46 cases pointed out during the year. The department also recovered ₹ 1.05 crore in 83 cases pointed out in earlier years.

After issue of a draft paragraph, the Government reported (May 2010) recovery of ₹ 3.12 lakh in respect of 12 vehicles.

A few illustrative cases involving ₹ 19.54 lakh are mentioned in the succeeding paragraphs.

3.8 Audit observation

Scrutiny of records in the offices of the Transport Department relating to revenue received from taxes on vehicles indicated several cases of non-observance of the provisions of the Acts/Rules resulting in non/short levy of tax/penalty and other cases as mentioned in the succeeding paragraphs in this chapter. These cases are illustrative and are based on a test check carried out in audit. Such omissions are pointed out in audit each year, but not only do the irregularities persist; these remain undetected till an audit is conducted. There is need for the Government to consider directing the department to improve the internal control system including strengthening internal audit so that such omissions can be avoided, detected and corrected.

• Non-observance of provisions of the Act/Rules

The KMVT Act, 1957 and the KMVT Rules, 1957 provide as under:

- *Section 3 for levy of tax on all vehicles suitable for use on road at the rates specified in the Schedule to the Act.*
- *Section 4 for payment of tax so levied to be paid in advance by the registered owners for a quarter or half year at his choice, within fifteen days from the commencement of such period.*
- *Section 8A for recovery by the taxation authority for the difference in tax payable for a motor vehicle after giving an opportunity of being heard to the owner, if at any time it is found that the amount of tax paid for any period in respect of any motor vehicle falls short of the tax payable under the Act.*
- *Section 12 for composition of offence for non-payment of tax in accordance with the provisions of the Act. The rates of composition are provided in the KMVT Rules.*

We noticed in seven RTOs that the above provisions were not fully followed by the concerned taxation authorities. This resulted in a number of discrepancies with short realisation of Government revenue amounting to ₹ 19.54 lakh. Of these, the Department accepted audit observations in respect of 31 vehicles involving ₹ 4.58 lakh and recovered ₹ 4.30 lakh in respect of 27 vehicles.

3.8.1 Non-demand of tax

Three RTOs

Non-payment/short payment of tax constitutes an offence and the KMVT Rules provide for composition of the offence on payment of a sum at 20 per cent of the arrears of tax due. This shall be recovered along with arrears of tax by the taxation authority concerned.

We noticed from a test check of 'B' registers³, conducted between August 2009 and December 2009, non-payment of tax of ₹ 22.18 lakh in respect of 62 vehicles for different periods between June 2005 and December 2009. The tax was not demanded by the concerned RTOs. After we pointed out these cases, the

³ Registers maintained in the RTOs in which tax payments are recorded.

Department reported that tax had already been paid within due dates in respect of 34 vehicles. This indicated that the Department was not regularly updating its 'B' registers. Non-demand of tax in respect of the balance 28 vehicles resulted in short realisation of revenue of ₹ 15.48 lakh including ₹ 2.58 lakh that could also have been earned by way of composition of the offences committed by the defaulters. The details are mentioned below:

(Rupees in lakh)				
RTO	Number of vehicles	Period during which tax due	Tax not demanded	Composition sum
Bidar	15	Between August 2007 and March 2009	4.62	0.92
Hospet	11	Between June 2005 and September 2009	2.74	0.55
Sirsi	02	Between September 2009 and December 2009	5.54	1.11
Total	28		12.90	2.58

After we forwarded these cases to the Department/Government in April 2010, the Government accepted (June 2010) audit observations in respect of eight vehicles involving ₹ 2.02 lakh and recovered the entire amount. We have not received the report on action taken in respect of the remaining vehicles (January 2011).

We recommend that the Department ensure prompt updation of its 'B' registers relating to payment of tax.

3.8.2 Non/short levy of lifetime tax

Four RTOs⁴

The rates of lifetime tax for non-transport vehicles were based on the engine capacity up to March 2003. Thereafter, the rates were fixed as a percentage of cost of vehicle.

We noticed between April 2009 and February 2010 that 47 vehicles were converted as non-transport vehicles between November 2004 and December 2007. The taxation authorities concerned had levied the tax at pre-revised rates instead of at the rates which existed on the dates of conversion. This resulted in short levy of lifetime tax of ₹ 6.64 lakh.

After we pointed out these cases, the Government and the Department accepted (June/August 2010) the audit observations involving ₹ 2.56 lakh in respect of 23 vehicles and recovered ₹ 2.28 lakh in respect of 19 vehicles. We have not received the report on action taken in respect of the remaining vehicles (January 2011).

⁴ Bangalore (Jnanabharathi), Mysore (West), Nelamangala, Tumkur.