

**Chapter IV**  
**Taxes on Vehicles**

## CHAPTER-IV TAXES ON VEHICLES

### 4.1 Tax administration

The receipts from the Transport Department are regulated under the provisions of the Central and the State Motor Vehicle Acts and rules made thereunder. The Transport Department functions under the administrative control of the Transport Commissioner. The levy and collection of tax in the State are governed by the Motor Vehicles (MV) Act, 1988, Central Motor Vehicles (CMV) Rules, 1989 and the Kerala Motor Vehicles Taxation (KMVT) Act, 1976.

### 4.2 Internal audit

Finance Officer attached to the office of the Transport Commissioner (TC) conducts annual audit of offices of the Deputy Transport Commissioners and Regional Transport Offices (RTOs). The Senior Superintendents attached to the office of the Deputy TC conduct internal audit of Sub Regional Transport Offices (SRTOs). Internal Audit team in the office of the Transport Commissioner is comprised of two Accounts Officers and two Senior Superintendents. The internal audit function of the Deputy TC's offices in four zones is looked after by eight Senior Superintendents and eight clerks (two each in each zones). No special training has been imparted to the personnel of the Internal Audit Wing (IAW). An annual inspection programme schedule is prepared well in advance and the internal Audit is being conducted as per the schedule and when an inspection is scheduled, a team is constituted by deploying officials from other sections of the office due to shortage of staff in the Inspection Wing. The periodicity of audit of all offices is 'annual' but the Department could not achieve the target due to lack of proper training. Against the target of 86 units, 52 units were audited during 2013-14. The Department has not prepared a separate Internal Audit Manual. At the end of March 2014, 1,397 paragraphs involving ₹ 125.32 lakh relating to 271 IRs were outstanding. The IAW could clear only 5.80 *per cent* of the outstanding paras during the year.

During 2012-13, against the target of 86 units, 72 units were audited, whereas during 2013-14, only 52 units were audited against the target of 86 units.

### 4.3 Results of audit

Test check of records of 70 units in 2013-14, relating to token tax, registration fee, permit fee, driving license fee, conductor license fee, penalties and composite fee under National Permit Scheme showed under-assessment of tax and other irregularities involving ₹ 22.51 crore in 392 cases which fall under the following categories as given in **Table - 4.1**.

**Table - 4.1**

(₹ in crore)			
Sl. No.	Categories	Number of cases	Amount
1.	Non/short levy of tax	157	2.28
2.	Non/short levy of tax due to irregular exemption	3	0.02
3.	Other lapses	232	20.21
	<b>Total</b>	<b>392</b>	<b>22.51</b>

During the course of the year, the Department accepted under-assessment and other deficiencies amounting to ₹ 19.42 crore in 309 cases which were pointed out by Audit. An amount of ₹ 3.03 crore was realised in 152 cases during the year 2013-14. A few illustrative cases involving ₹ 10.69 crore are discussed in the following paragraphs.

## Compliance Audit observations

### 4.4 Loss of revenue due to non-collection of advertisement fee

Advertisement fee as prescribed in the statutes was not collected.

(RTO (NS), Thiruvananthapuram)

**As per Rule 191 of the Kerala Motor Vehicles Rules, 1989, advertisements shall be exhibited on transport vehicles only with the sanction of the State Government or the Regional Transport Authority and on payment of fee<sup>1</sup> of ₹ 10 per 100 sq.cm for a period of one year or part thereof for each vehicle. The advertisement fee due for a year is payable in advance.**

Scrutiny of the details of advertisements sanctioned by the Regional Transport Office (Nationalised Sector), Thiruvananthapuram, revealed that the Kerala State Road Transport Corporation (KSRTC) had not collected the advertisement fees for 2011-13 for advertisements exhibited on 4,800 vehicles by the licensee M/s Koushik Group, Hyderabad (a private firm) on a total area of 4434.76 lakh sq.cm. Though, the licensee violated the agreement conditions that the licensee shall be liable for the payment of advertisement tax or other taxes/rates, if any that may be levied by the Government, KSRTC did not take any action to realise the amount. As the licence period has expired (March 2013) and the licensee left the field, the non-collection of advertisement fee has resulted in loss of revenue of ₹ 8.87 crore.

The KSRTC/Department has not taken any action to realise the fees from the private firm, instead it has appealed (November 2012) to the Government to exempt the firm from payment of advertisement fees, which was not in order.

When this was pointed out (June 2013), the Department stated (June 2013) that the Managing Director, KSRTC had been asked to remit the advertisement fees. Further report about the action taken against the defaulters for the loss of ₹ 8.87 crore has not been received (October 2014).

In the exit meeting (November 2014) Secretary to Government, Transport Department accepted the contention of Audit and assured that the decision on the points highlighted in the audit observation would be taken at the earliest. Final reply has not been received.

<sup>1</sup> SRO No. 65/94 dated 17.7.1994

#### **4.5 Non-imposition of fine in cases of overloaded vehicles**

Fine as prescribed in the Act was not realised on overloaded vehicles.

(12 RTOs/20 SRTOs<sup>2</sup>)

**As per Section 79 of the Motor Vehicles (MV) Act, 1988 while issuing goods carriage permit, the authority shall mention the maximum gross vehicle weight of the vehicles used in the permit. As per Section 113 of the MV Act, 1988, no person shall drive any motor vehicle or trailer, the laden weight of which exceeds the gross vehicle weight specified in the certificate of registration. The power to have a vehicle weighed is entrusted with the officers of the Motor Vehicles Department as per Section 114 of the Act. As per Section 194 of Act, whoever drives a motor vehicle or causes or allows a motor vehicle to be driven in contravention to the provisions of Section 113 shall be punishable with minimum fine of ₹ 2,000 and an additional amount of ₹ 1,000 per tonne of excess load together with liability to pay charges for off loading the excess load.**

Audit scrutiny in 32 RTOs/SRTOs revealed that as per Check Reports, 475 vehicles were found carrying weight in excess of limit prescribed in the registration certificates issued under the MV Act, 1988. Audit found that the officers who inspected the above vehicles allowed them to proceed without levying the fine prescribed in the Act and without offloading the excess weight. This resulted in non-levy of fine of ₹ 27.66 lakh in 475 cases as shown in **Appendix VII**.

Inaction on the part of the designated inspectors not only resulted in their failure to comply with the provisions of the Act and resultant non-realisation of penalty but possible damage of roads entailing extra expenditure on the repair, etc.

On these being pointed out (between December 2012 and November 2013), the Department stated (between July 2013 and October 2013) that ₹ 27,000 had since been realised in seven cases and action would be taken to realise the fine in remaining cases.

In the exit meeting (November 2014) Secretary to Government, Transport Department accepted and endorsed the views of Audit that Government may think

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<sup>2</sup> **RTOs:** Alappuzha, Attingal, Ernakulam, Kannur, Kasargod, Kottayam, Kozhikode, Malppuram, Muvattupuzha, Palakkad, Thiruvananthapuram and Thrissur  
**SRTOs:** Alathur, Changanassery, Cherthala, Guruvayur, Kanjirappally, Kayamkulam, Kazhakuttom, Kodungallur, Koduvally, Kothamangalam, Mannarkkad, Mavelikkara, Nedumangad, Pattambi, Perumbavoor, Ranni, Thiruvalla, Tirur, Vandiperiyar and Wadakkancherry.

about fixing responsibility in cases where such deficiencies were noticed. Final reply has not been received.

#### 4.6 Short levy of one time tax on migrated/reclassified vehicles

One time tax realised on reclassified/migrated vehicles was less than those prescribed as per the statutes.

(15 RTOs/28 SRTOs)<sup>3</sup>

**Section 3(1) of the Kerala Motor Vehicles Taxation Act, 1976 (KMVT Act, 1976) as amended by Finance Act 2007 and Finance Act 2010 stipulates that one time tax is leviable in the case of vehicles such as motor cycles, three wheelers, PSVs (non transport), construction equipment vehicles and motor cars which are originally registered in other States on or after 1 April 2007 and migrated to Kerala State and vehicles registered on or after 1 April 2007 and reclassified from the category of transport vehicles depending on the age of vehicle from the month of original registration.**

During the audit of 43 RTOs/SRTOs, it was noticed that the registering authority short levied one time tax in 927 vehicles migrated from other States/reclassified during the period between April 2010 and May 2013 due to incorrect adoption of age of vehicles. This resulted in short levy of tax of ₹ 1.26 crore in 927 cases as shown in **Appendix VIII**.

On these being pointed out (between December 2012 and November 2013) the Department stated (between July 2013 and November 2013) that in 48 cases, ₹ 8.89 lakh has been collected and action would be taken to realise the short collection in the remaining cases. Further report has not been received (October 2014).

In the exit meeting (November 2014) Secretary to Government, Transport Department accepted and endorsed the views of Audit that Government may think about fixing responsibility in cases where such deficiencies were noticed. Final reply has not been received.

<sup>3</sup> **RTOs:** Alappuzha, Attingal, Ernakulam, Kannur, Kasargod, Kottayam, Kozhikode, Malappuram, Muvattupuzha, Palakkad, Pathanamthitta, Thiruvananthapuram, Thrissur, Vadakara and Wayanad

**SRTOs:** Alathur, Aluva, Angamaly, Changanassery, Chengannur, Cherthala, Guruvayoor, Irinjalakuda, Kanhangad, Kanjirappally, Karunagappally, Kayamkulam, Kazhakkuttom, Koduvally, Kothamangalam, Mannarkkad, Mattancherry, Mavelikkara, North Parur, Nedumangad, Neyyattinkara, Pattambi, Perinthalmanna, Perumbavoor, Tripunithura, Tirur, Vaikom and Wadakkanchery

#### **4.7 Short levy of one time tax on registration of new vehicles**

One time tax realised on vehicles was less than that prescribed as per the statutes.

(9 RTOs/10 SRTOs<sup>4</sup>)

**Section 3(1) of the Kerala Motor Vehicles Taxation Act, 1976 as amended by Finance Act 2007 and Finance Act 2010 stipulates that one time tax shall be levied on the purchase value of certain categories of vehicles at percentage basis. The rate of one time tax leviable with effect from 1 April 2010 in respect of vehicles having engine capacity of and above 1,500 cc is eight per cent and in respect of vehicles having engine capacity below 1,500 cc is six per cent of their purchase values respectively. As per the Kerala Finance Act 2012, with effect from 1 April 2012, one time tax shall be levied at the rate of six per cent, eight per cent, 10 per cent and 15 per cent respectively of value on vehicles having purchase value upto ₹ 5 lakh, more than ₹ 5 lakh and upto ₹ 10 lakh, more than ₹ 10 lakh and upto ₹ 15 lakh and more than ₹ 15 lakh respectively.**

During the audit of 19 RTOs/SRTOs, it was noticed that one time tax amounting to ₹ 14.69 lakh was short levied in 308 cases due to application of incorrect rate of tax or due to depiction of incorrect value of the vehicle as shown in **Appendix IX**.

On these being pointed out (between December 2012 and October 2013), the Department stated (September and November 2013) that ₹ 3.01 lakh had been realised in 64 cases and action would be taken to realise the short collection in the remaining cases.

In the exit meeting (November 2014) Secretary to Government, Transport Department accepted and endorsed the views of Audit that Government may think about fixing responsibility in cases where such deficiencies were noticed. Final reply has not been received.

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<sup>4</sup> **RTOS:** Attingal, Ernakulam, Idukki, Kasargod, Kozhikode, Palakkad, Thiruvananthapuram, Vadakara and Wayanad  
**SRTOs:** Changanassery, Karunagappally, Kayamkulam, Kazhakuttom, Nedumangad, Neyyattinkara, Tripunithura, Tirur, Vandiperiyar and Wadakkancherry

#### 4.8 Short levy of tax on stage carriages with mofussil<sup>5</sup> permits

Tax realised on stage carriages with mofussil permits was less than those prescribed as per the statutes.

(RTO Ernakulam, Kasargod and Kozhikode)

**As per Section 3(1) of Kerala Motor Vehicles Taxation Act, 1976 tax shall be levied at the rates prescribed in the Schedule. Rule 269 (1) of Kerala Motor Vehicles Rules, 1989 prescribes the minimum seating capacity of a stage carriage which shall be directly proportional to the wheel base of the vehicle. As per the Rule, the minimum number of seats may be reduced by one fifth in respect of stage carriages operating as city/town service.**

Audit observed in Regional Transport Offices, Ernakulam, Kasargode and Kozhikode, that tax was collected on the reduced seating capacity from nine stage carriages with mofussil permits. Those stage carriages with mofussil permits were allowed a reduction of one fifth of the total seats and tax was worked out based on the seating capacity arrived at as if they were stage carriages operating as city/town service. This resulted in short levy of tax of ₹ 13.26 lakh for the period 2003-2013 as shown in **Appendix X**.

The case was pointed out between July 2013 and November 2013; the Department stated that in two cases demand notices were issued and in four cases, vehicles were issued with city permits. In the remaining cases, it was stated that details would be intimated later.

In the exit meeting (November 2014) Secretary to Government, Transport Department accepted and endorsed the views of Audit that Government may think about fixing responsibility in cases where such deficiencies were noticed. Final reply has not been received.

<sup>5</sup> Places beyond the town/city limits