

CHAPTER-V
TAXES ON VEHICLES

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5.1 Tax administration

The Transport Department of Government of Telangana¹⁵¹ is governed by Motor Vehicles (MV) Act, 1988, Central Motor Vehicle (CMV) Rules, 1989, Telangana Motor Vehicles Taxation (TMVT) Act, 1963, Telangana Motor Vehicle (TMV) Rules, 1989. The Transport Department is primarily responsible for enforcement of provisions of Acts and Rules framed thereunder which, inter alia, include provisions for collection of taxes and fees, issue of driving licences and certificates of fitness to transport vehicles, registration of motor vehicles and granting regular and temporary permits to vehicles. At Government level, Principal Secretary (Transport, Roads and Buildings Department) heads Transport Department. Transport Commissioner (TC) is in charge of the Department. At district level, there are Deputy Transport Commissioners (DTC) and Regional Transport Officers (RTOs) who are in turn assisted by Motor Vehicles Inspectors (MVIs) and other staff.

5.2 Internal audit

Internal audit provides a reasonable assurance of proper enforcement of laws, rules and departmental instructions, and this is a vital component of the internal control frame work. There was no system of internal audit in the Department to ascertain compliance with Rules/Government orders by the Department. When this was pointed out in the Report of the Comptroller and Auditor General of India (Revenue Receipts) for the year ended 31 March 2009, Department assured that internal audits would be conducted in future. However, Department did not furnish any information/records in respect of its implementation (January 2016).

5.3 Results of audit

In 2014-15 test check of records of 13 units relating to token tax, special road tax, registration fee, permit fee, driving licence fee, conductor licence fee, penalties and composite fee under the National Permit Scheme showed under-assessments of tax and other irregularities involving ₹ 14.57 crore in 61 cases, which fall under the following categories:

¹⁵¹ Government of Telangana vide G.O.Ms.No.2,Transport, Roads & Buildings (Tr-I) Department, dated 17 June, 2014 issued Telangana Adaptionof Motor Vehicles law order 2014 and ordered to substitute the word Telangana for the word Andhra Pradesh throughout the State Transportation laws. In view of the above, the word Andhra Pradesh has been substituted by Telangana.

Table 5.1 : Results of audit

(₹ in crore)

Sl.No.	Category	No. of cases	Amount
1.	Non-realisation of fee due to non-renewal of Fitness Certificates	11	1.13
2.	Non-levy of Quarterly Tax and penalty	11	12.76
3.	Non/Short levy of Life Tax	13	0.19
4.	Non-finalisation of action on VCRs under Section 200	10	0.20
5.	Non-levy and collection of Green Tax	11	0.11
6.	Other irregularities	5	0.18
Total		61	14.57

During 2014-15 the Department accepted short levy and other deficiencies of ₹ 17.03 lakh in eight cases pointed out during 2014-15. A few illustrative cases involving ₹ 14.46 crore are mentioned in the succeeding paragraphs.

5.4 Non-levy of quarterly tax

Section 3 of Telangana Motor Vehicles Taxation (TMVT) Act, 1963 stipulates that every owner of a motor vehicle is liable to pay tax at rates specified by Government. Section 4 of the Act specifies that tax shall be paid in advance either quarterly, half yearly or annually within one month from commencement of quarter. Under Section 6 of TMVT Act read with Rule 13(1) of Telangana Motor Vehicles Taxation (TMVT) Rules, 1963, penalty for belated payment of tax shall be levied at the rate equivalent to quarterly tax demanded, if tax is paid within two months and at twice the rate of quarterly tax if tax is paid beyond two months from beginning of quarter on cases detected.

Audit noticed (between December 2014 and February 2015) during test check of data in the offices of six Deputy Transport Commissioners (DTCs)¹⁵² and five Regional Transport Officers (RTOs)¹⁵³ that quarterly tax of ₹ 4.23 crore was neither paid by the owners of 2644 transport vehicles nor demanded by the Department. Besides, penalty of ₹ 8.45 crore was also to be levied at twice the rate of quarterly tax for delay exceeding two months in payment of tax. There was non-realisation of tax and penalty amounting to ₹ 12.68 crore.

After Audit pointed out these cases, DTCs Warangal, Adilabad, Karimnagar and RTOs Mahabubnagar, Mancherial, Hyderabad (West Zone) replied (between December 2014 and February 2015) that the details of vehicles would be verified and action taken under intimation to Audit. The remaining DTCs and RTOs replied (January and February 2015) that the matter would be examined.

The matter was referred to the Department in June 2015. Replies have not been received (January 2016).

¹⁵² Adilabad, Karimnagar, Medak, Nalgonda, Nizamabad and Warangal.

¹⁵³ Hyderabad (South Zone), Hyderabad (West Zone), Khammam, Mahabubnagar and Mancherial.

5.5 Non-renewal of fitness certificates resulting in non-realisation of fitness certificate fee

As per Section 56 of the Motor Vehicle (MV) Act, 1988, a transport vehicle shall not be deemed to be validly registered, unless it carries a certificate of fitness (FC) issued by the prescribed authority. As per Rule 62 of the Central Motor Vehicle (CMV) Rules, 1989, the certificate of fitness in respect of the transport vehicles shall be renewed every year. Rule 81 of CMV Rules prescribes the fee for conducting test of a vehicle for grant and renewal of the certificate of fitness.

Audit noticed (between December 2014 and February 2015) during test check of the records relating to grant of fitness certificates and analysis of data of offices of six DTCs¹⁵⁴ and five RTOs¹⁵⁵ that during the years 2012-13 and 2013-14, FCs of 31087 vehicles had not been renewed although their status was active as per CFST¹⁵⁶ database. Active status implies that the vehicle has all the requisite certificates. Non-renewal of FC, which is issued after testing of the vehicle for fitness, jeopardized public safety besides resulting in non-realisation of FC fee of ₹ 1.13 crore.

It was replied by nine offices¹⁵⁷ (between December 2014 and February 2015) that the FCs were being renewed whenever the owners approached the offices and that the vehicles plying without FCs would be intercepted by enforcement officers. DTC Medak and RTO Hyderabad (South Zone) replied (January 2015) that the matter would be examined.

However, under Section 56 of MV Act, it is mandatory to renew FC. Presumption that vehicles without FCs would be invariably checked by enforcement authorities and that vehicles not so detected were not plying on the roads is fallacious. Absence of an in-built mechanism in CFST package to give alerts regarding validity of FC while making payment of quarterly tax, led to non-monitoring of fitness of vehicles.

The matter was referred to the Department between May and June 2015. Replies have not been received (January 2016).

¹⁵⁴ Adilabad, Karimnagar, Nalgonda, Nizamabad, Medak at Sangareddy and Warangal,

¹⁵⁵ Hyderabad (South Zone), Hyderabad (West Zone), Khammam, Mahabubnagar and Mancherial .

¹⁵⁶ IT system “Citizen Friendly Services of Transport Department”.

¹⁵⁷ DTCs - Adilabad, Karimnagar, Nalgonda, Nizamabad and Warangal.
RTOs - Hyderabad (West Zone), Khammam, Mahabubnagar and Mancherial.

5.6 Non-realisation of compounding fee

As per Section 200 of MV Act read with Government Order¹⁵⁸, dated 18 August 2011, officers of Transport Department not below the rank of Assistant Motor Vehicle Inspectors (AMVIs) can compound certain offences¹⁵⁹ noticed during checking of vehicles by collecting compounding fee at the rates specified by the Government. The offences noticed are to be noted in the Vehicle Check Reports (VCRs). In case the offences are not compounded on the spot, these VCRs are to be sent to the concerned Regional Transport Authorities (RTOs/DTCs) for taking action against the registered owners of those vehicles.

Audit noticed (between December 2014 and February 2015) during test check of data analysis of VCRs for the years 2012-13 and 2013-14 of offices of five DTCs¹⁶⁰ and four RTOs¹⁶¹ that in 809 cases the offences were neither compounded nor prosecution taken up. This resulted in non-realisation of compounding fee of ₹ 19.64 lakh.

After Audit pointed out these cases, DTC, Nizamabad replied (January 2015) that compounding fee would be collected as and when the owners approach the office for release of vehicle or for any other transaction. RTO Mahabubnagar replied (December 2014) that compounding fee was levied on some of the vehicles in the list and action would be taken in respect of the remaining vehicles. The RTO, however, did not produce any evidence in support of the reply. In the remaining cases, the transport authorities replied (January and February 2015) that action would be taken to dispose of VCRs and intimated to Audit.

The matter was referred to the Department in May 2015. Reply has not been received (January 2016).

5.7 Short levy of life tax in respect of second and subsequent non-transport vehicles owned by individuals

As per Section 4(1)(aa) of TMVT Act, the motor vehicle tax levied under the second proviso to Section 3(2) of the Act shall be for the lifetime of the motor vehicle and shall be paid in advance in lump sum by the registered owner of the motor vehicle or any other person having possession or contract thereof.

Third, Sixth and Seventh Schedules to the TMVT Act (Act 11/2010) prescribe rates of life tax for vehicles. For first vehicle, if it is a two wheeler, the applicable tax rate is nine *per cent*; if it is a four wheeler, if the cost of the vehicle is less than ₹ 10 lakhs the rate is 12 *per cent*; otherwise 14 *per cent*. For second and subsequent non-transport vehicles having up to seating

¹⁵⁸ G. O.Ms.No.108, R&B(TR-I) dated 18 August 2011.

¹⁵⁹ Offences like over loading, driving without Licence, Registration Certificate, Fitness Certificate, under age driving, driving at excessive speed, wrong parking etc.

¹⁶⁰ Adilabad, Karimnagar, Nalgonda, Nizamabad and Warangal.

¹⁶¹ Hyderabad(South Zone), Hyderabad(West Zone), Khammam and Mahabubnagar.

capacity of 10 in all, owned by individuals, the tax rate is 14 *per cent*. The above provisions came into operation with effect from 02 February 2010.

Audit noticed (between December 2014 and February 2015) during scrutiny of data of offices of five DTCs¹⁶² and four RTOs¹⁶³ that life tax in respect of 388 second or subsequent non-transport vehicles owned by individuals was collected at rates applicable to first vehicles, resulting in short levy of life tax amounting to ₹ 18.31 lakh during the years 2012-13 and 2013-14.

After Audit pointed out these cases, DTCs Warangal, Karimnagar, Adilabad and RTOs Mahabubnagar, Hyderabad (West Zone) replied (January and February 2015) that list of vehicles would be verified and action taken accordingly. In the remaining cases, the DTCs/RTOs replied (between December 2014 and February 2015) that the matter would be examined.

The matter was referred to the Department in June 2015. Replies have not been received (January 2016).

5.8 Non-realisation of bilateral tax and penalty

Interstate vehicular traffic of goods is regulated by bilateral agreements under the provisions of MV Act and Rules made there under. In terms of Section 88 of the MV Act, a permit granted by State Transport Authority (STA)/Regional Transport Authority (RTA) of any State/Region shall not be valid in any other State/Region, unless the permit has been countersigned by the STA of that State or by the RTA concerned.

As per Government Order¹⁶⁴ dated 16 December 2008, bilateral tax of ₹ 5000 per annum (under TMVT Act) shall be levied on every goods carriage covered by countersignature permit which is registered in the State of Maharashtra and is plying in Telangana area. Tax shall be paid in advance in lumpsum before fifteenth of April every year failing which an additional sum of ₹ 100 for each calendar month of default shall be charged as penalty.

Audit noticed (February 2015) during test check of the tax watch registers and analysis of data of the office of DTC, Adilabad that bilateral tax for the years 2012-13 and 2013-14, amounting to ₹ 12.30 lakh, besides penalty of ₹ 4.34 lakh, was not collected in respect of 130 vehicles registered in Maharashtra, which were granted countersignature permits.

Further, there was no mechanism to monitor payment of bilateral tax after granting countersignature permits and the office was collecting the tax only when the owners approach for payment of tax.

After Audit pointed out these cases, DTC replied (February 2015) that the matter would be verified and action taken accordingly.

¹⁶² Adilabad, Karimnagar, Nalgonda, Nizamabad and Warangal.

¹⁶³ Hyderabad(South Zone), Hyderabad (West Zone), Khammam and Mahabubnagar.

¹⁶⁴ G.O.Ms.No.362, TR&B (TR.II) Department, dated 16 December 2008.

The matter was referred to the Department in May 2015. Reply has not been received (January 2016).

5.9 Non-levy of green tax

Government by an order dated 23 November 2006¹⁶⁵, ordered that “green tax” be levied on the transport vehicles and non-transport vehicles completing seven years and 15 years of age respectively from the date of registration. The rate of tax is ₹ 200 per annum for the transport vehicles, it is ₹ 250 per annum for motorcycles and ₹ 500 for other vehicles for every five years.

Audit noticed (between December 2014 and February 2015) during scrutiny of Green Tax table and analysis of CFST data of the offices of four DTCs¹⁶⁶ and three RTOs¹⁶⁷ that green tax aggregating to ₹ 10.35 lakh, on 3337 transport vehicles and 859 non-transport vehicles which had completed seven years and 15 years of age respectively, was not levied and collected for the period from April 2012 to March 2014.

After Audit pointed out these cases, DTCs Nizamabad, Sangareddy, Nalgonda and RTO Hyderabad (West Zone) and Mahabubnagar replied (between January and February 2015) that Green Tax would be collected as and when the owners approach the office for any transaction. DTC Warangal and RTO Hyderabad (South Zone) replied (January 2015) that the matter would be examined. However, taking action on the cases pointed out by Audit as a result of test check would not be sufficient, suitable action is required to be taken to plug such lapses also.

The matter was referred to the Department in May 2015. Replies have not been received (January 2016).

¹⁶⁵ G.O.Ms.No.238, (TR&B)(TR.I) Department dated 23 November 2006.

¹⁶⁶ Medak, Nalgonda, Nizamabad and Warangal.

¹⁶⁷ Hyderabad (South Zone), Hyderabad (West Zone) and Mahabubnagar.