

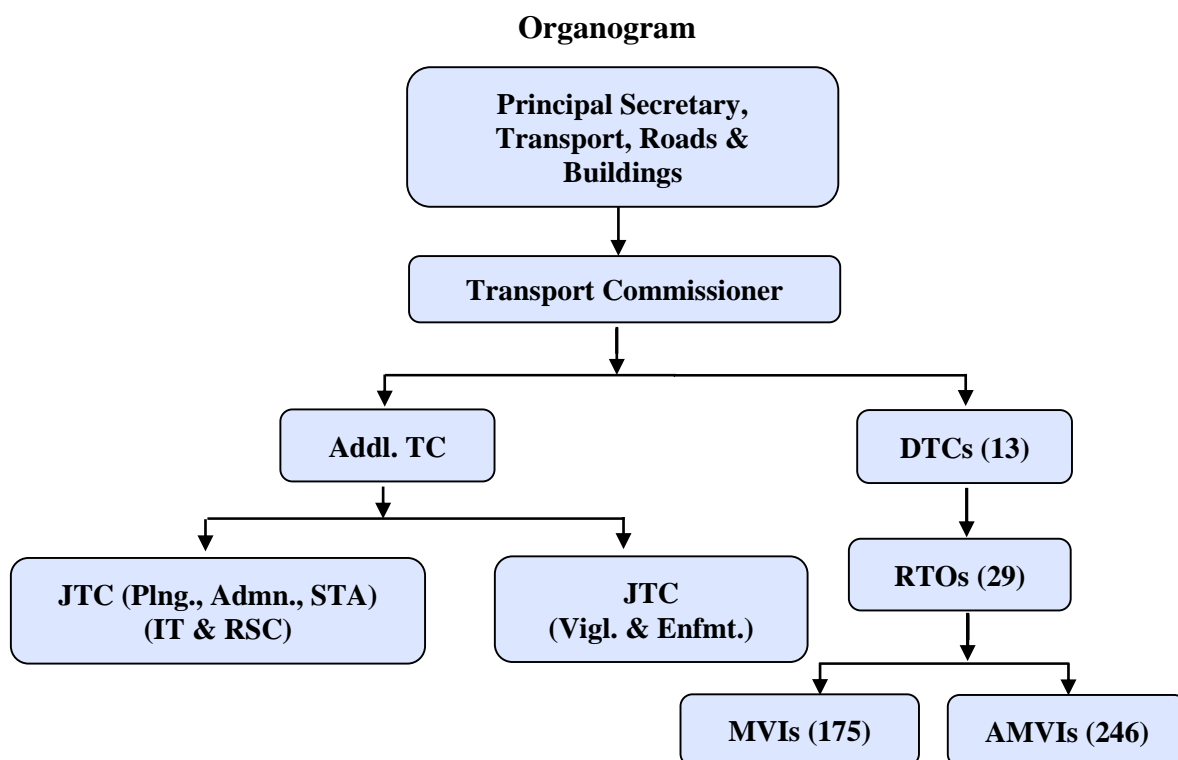
CHAPTER V
TAXES ON VEHICLES

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5.1 Tax Administration

The Transport Department of Government of Andhra Pradesh is governed by Motor Vehicles (MV) Act, 1988, Central Motor Vehicles (CMV) Rules, 1989, Andhra Pradesh Motor Vehicles Taxation (APMVT) Act, 1963, Andhra Pradesh Motor Vehicles Taxation Rules, 1963 and Andhra Pradesh Motor Vehicles Rules, 1989. The Transport Department is primarily responsible for enforcement of provisions of Acts and Rules framed thereunder. These Acts/ Rules include provisions for collection of taxes, fees, issue of driving licences, certificates of fitness, registration of motor vehicles, grant of permits to vehicles.

The organizational hierarchy is given below:



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 framework. There was no system of internal audit in the Department to ascertain compliance with Rules/ Government Orders by the Department.

5.3 Audit Methodology and Results of Audit

The Transport Department of Andhra Pradesh uses an IT application, 'Citizen Friendly Services in Transport Department (CFST)', for providing online services to the public. The core functions of the department, i.e., issue of driving licenses, registration of vehicles, collection of all revenues, granting of permits, checks of motor vehicles etc., have been computerized in CFST. Thus, CFST contains a comprehensive database of vehicles and license holders.

There are six modules in the CFST covering all the functions of the department as per the relevant Act and Rules:

1. License: Driving licenses and all related transactions.
2. Registration: Registration of the vehicles and related issues.
3. Permits: Issue of permits,
4. Tax: Tax collection
5. VCR: (Vehicles Check Report) mapping of enforcement activities,
6. FC: Issue of fitness certificates (FC).

The CFST currently has service-oriented architecture (SOA) with a central server located with the Transport Commissionerate and the field offices accessing it with web enabled application. The Regional Transport Authorities (RTAs) are connected to the Data Centre (Transport Commissionerate) through Andhra Pradesh State Wide Area Network (APSWAN). The public (citizens) can access the CFST application through the department's website and through CSCs (Citizen Service Centers) like Mee-Seva, AP Online etc.). The service access is also available at each RTO.

Since April 2014, the CFST data in the form of CSV/PSV files is received from the Commissionerate. The data was first utilised for selection of high risk audit units. A total of 17 (10 for regular compliance Audit and 7 for thematic audit) were selected for audit during the year 2017-18. The following risk parameters are considered while selecting units for compliance audit:

1. No of vehicles (registrations & entry from other states) Vs Tax collections
2. Detection Cases identified
3. Offices having check posts (for the Thematic Audit)
4. Year of last audit

The data was further utilised to detect exceptions by analysis of 100 *per cent* of the transactions of the selected audit units. The data files of the units are imported into IDEA and audit analysis is done using functions like extraction, appending, Joining, summarization etc. The audit teams visit the field offices for regular establishment audit, verification of receipts with treasuries and issue Audit Enquiries based on the Audit analysis of the CFST data. The following are the type of audit checks made on the CFST data.

1. Extraction of cases where lesser than applicable rates or zero rates are levied based on data available in Registration table with tax collection tables.
2. Extraction of cases where penalty levied is lesser than applicable rates based on data available in Vehicle Check Reports and Fine amount collected tables.
3. Extraction of cases where there is no levy of tax based on data in permit tables and tax collected tables.
4. Analysis of accumulated or pending arrears based on data in Tax collection tables and demand tables.
5. Other similar analysis on Green tax, additional tax, life tax and any other applicable taxes.

During 2017-18, Audit was conducted in 17 out of 29 units (59 *per cent*) of the Transport Department in which 63,19,673 Vehicles (out of the total registered vehicles of 1,07,89,654) were registered to the end of March 2018. Revenue collected in the test checked 17 units was ₹ 2,095 crore which constituted 69 *per cent* of the total revenue of ₹ 3,039 crore. Audit noticed underassessment of tax and other irregularities involving ₹ 20.72 crore in 2,65,520 cases (approximate 4.2 *per cent* of sampled cases). This related to non/ short realisation of MV tax/ additional tax, non/ short realisation of penalty on belated payment of tax, non/ short realisation of fees on Fitness test and other irregularities which are categorised as given in **Table 5.1**.

Table 5.1: Results of Audit

(₹ in crore)			
Sl. No.	Category	No. of cases	Amount
1.	Detailed compliance audit on “Operation of check posts”	1	5.74
2.	Non-monitoring of validity of Registration Certificates	6	10.12
3.	Non-levy of quarterly tax	9	2.49
4.	Non-renewal of Fitness Certificates	9	1.24
5.	Non-levy of green tax	9	0.51
6.	Non-disposal of Vehicle Check Reports	8	0.34
7.	Short levy of Life Tax	5	0.03
8.	Other irregularities	11	0.25
Total		58	20.72

During the year 2017-18, the Department accepted underassessments and other deficiencies of ₹ 2.23 crore in 11 cases. Irregularities involving 24 cases amounting to ₹ 2.36 crore and a detailed compliance audit on “operation of check posts” involving ₹ 5.74 crore, are discussed in the succeeding paragraphs.

5.4 Detailed Compliance Audit on “Operation of check posts”

5.4.1 Introduction

Government established check posts at different places of the State for better implementation of various provisions of the Motor Vehicles’ Acts. The Interstate vehicular traffic is regulated through check posts which are essentially meant to regulate the motor vehicles of other States entering in the State of

Andhra Pradesh without permit and payment of taxes etc. There are three¹⁵⁸ interstate check posts covering National Highways and five¹⁵⁹ border check posts covering State/ National Highways and, seven¹⁶⁰ newly formed border check posts (established in the borders of the Andhra Pradesh and Telangana States).

Each check post is headed by a supervisory MVI assisted by AMVIs. The jurisdictional Regional Transport Officer/ Deputy Transport Commissioner monitors the administration of check posts.

5.4.2 Trend of revenue

The revenue from check posts constitutes six *per cent* of the total revenue of Transport Department during 2017-18. The revenue growth in the year 2017-18 was 26 *per cent* over 2016-17. The reason for increase was due to increase in vehicular traffic, imposition of penalties on road safety and increased enforcement activity on other state vehicles entering the state. The details of transport and check post revenue are detailed in **Appendix 5.1 and Table 5.2**.

Table 5.2: Trend of Revenue

(₹ in crore)

	2015-16	2016-17	2017-18
Total Transport revenue	2,082	2,467	3,039
Check Post Revenue	133.22	138.18	173.56
Increase over previous year	-	4 <i>per cent</i>	26 <i>per cent</i>

5.4.3 Audit objective and scope

Detailed compliance audit was conducted for the period 2015-16 to 2017-18. Audit was conducted between May and July 2018 with a view to assess whether the existing system of operations of check posts were effective and in accordance with Acts and Rules.

Seven¹⁶¹ out of 15 check posts were covered during the audit. Besides, check posts data¹⁶² provided by TC was also analysed.

Audit findings

The following deficiencies in the operations of Check Posts were noticed:

¹⁵⁸ B.V. Palem, Purushottampuram and Naraharipet.

¹⁵⁹ Garikapadu, Palamaneru, Penukonda, Renigunta and Tetagunta.

¹⁶⁰ Chinturu, Dachepalli, Jeelugumilli, Macherla, Panchalingala, Srisailam and Tiruvuru.

¹⁶¹ Naraharipeta (Chittoor), Jeelugumilli (West Godavari), Purushottapuram (Srikakulam), Sullurupeta (SPS Nellore), Chinturu (Rajamahendravaram), Penukonda (Hindupur) and Dachepalli (Narasaraopeta).

¹⁶² Data contains details of offences detected by check post officials and disposal thereof.

5.4.4 System of granting of permits /Interstate permits

Section 87 of MV Act prescribes the procedure for granting of temporary permits to other state transport vehicles for the purposes: (a) conveyance of passengers on special occasions (b) seasonal business, (c) to meet a particular temporary need, (d) pending decision on an application for the renewal of a permit, by collecting tax, permit fee and service charge at applicable rates. As per Section 4 (4) of APMVT Act and Rule 145 of APMV Rules, temporary licence for a period not exceeding thirty days could be granted by MVI/ AMVIs of check posts.

Government also issued notification¹⁶³ for granting Temporary Permits (TPs)/ licences to other State goods vehicles and to contract carriages¹⁶⁴ including Maxi cabs by collecting short term licence fee for a period of 7 days and 30 days.

5.4.5.1 Grant of temporary permits beyond permissible limit

Check post officials granted permits beyond permitted days in violation of Rules.

Data on temporary permits (TPs) granted in six check posts¹⁶⁵ (except Chinturu being operated manually), for the period from 2015-16 to 2017-18 revealed that check post officials granted 2,90,137 temporary permits. Analysis of this data with existing Rules as mentioned above revealed that 1,156 TPs were granted beyond the permissible limits under two slabs (beyond seven days and thirty days). 778 permits (pertaining to 7 day permits), were issued for a period ranging from 8 to 30 days and 378 permits (pertaining to 30 day permits), were issued for a period beyond 30 days ranging from 31 to 1,832 days. It was noticed by Audit that though the TPs were generated through CFST, user at the check post was allowed to enter the validity of the TP instead of auto prompting the permissible two slabs and system did not prevent the user from entering excess number of days than prescribed. System validations were insufficient and need to be rectified. Grant of permits for excess days had resulted in loss of revenue of short term licence fee, tax and service charges amounting to ₹ 66.12 lakh.

(₹ in lakh)

up to 7 days permits	No. of Permits granted	Loss of Revenue
8 days to < 14 days	149	2.74
15 days to 21 days	207	9.64
22 days to 29 days	414	28.96
above 29 days	8	0.32
Total (A)	778	41.66

¹⁶³ G.O.Ms.NO. 231, Transport Roads and Buildings (Tr.1) dated 18 August 2008.

¹⁶⁴ G.O.Ms.NO. 140, Transport Roads and Buildings (Tr.1) dated 12 August 2002.

¹⁶⁵ DTCs Nellore, Eluru, Chittor and Srikakulam and RTOs of Narasaraopet and Hindupur.

(₹ in lakh)

8 to 30 days permits	No. of Permits granted	Loss of Revenue
> 1 to < 2 months	79	1.45
> 2 to < 5 months	5	0.03
> 6 months	294	22.98
Total (B)	378	24.46
Grand Total (A+B)	1156	66.12

Commissioner replied (January 2019) that there was provision in CFST to select TP for 7/30 days; in few cases, option of special permit was selected by mistake. Department had assured that software would be modified to avoid such discrepancies in future.

5.4.5.2 Vehicles passing through check posts without valid countersignature permits

Cross verification of permits with the offences booked by check post officials disclosed that permits of 1,421 vehicles had expired prior to March 2018. The check post officials did not notice the fact of expiry of permit and non payment of bilateral tax.

Inter State vehicular traffic of Goods vehicles is regulated by bilateral agreements with neighbouring States under provisions of MV Act and Rules made thereunder. As per Section 88 of the Act, permit granted by Regional Transport Authority¹⁶⁶ (RTA) of any one region shall not be valid in any other region, unless countersigned by the RTA of that other region and permit granted in any one State shall not be valid in any other State unless countersigned by the State Transport Authority¹⁶⁷ (STA) of that other State or by RTA concerned.

Government issued order¹⁶⁸ for levy of bilateral tax of ₹ 5,000 per annum (under APMVT Act) on every goods carriage registered in States of Odisha, Karnataka, Maharashtra and Tamilnadu covered by countersignature permits. Bilateral tax shall be paid in advance in lumpsum before 15th of April every year failing which an additional sum of ₹ 100 for each calendar month shall be chargeable as penalty.

A total of 17,643 permits were granted by 11 STAs/ RTAs in respect of vehicles belonging to States of Karnataka, Odisha, Maharashtra and Tamilnadu. Cross verification of above permits with the offences booked at all the check posts revealed that 1,421 vehicle owners (whose permits expired prior to March 2018) were liable to pay bilateral tax. However, check post officials did not notice the fact of expiry of permit and non-payment of bilateral tax.

¹⁶⁶ RTA is a body consisting of District Collector as chairman, RTOs and other nominated officials as members for approving new route, permits and taking decisions on road safety matters.

¹⁶⁷ State transport Authority is a body consisting of Principal Secretary as chairman with Transport Commissioner and other nominated officials as members for granting interstate route, permits and for entering into interstate agreements.

¹⁶⁸ G.O.Ms.No.362, Transport, Roads and Buildings (Tr. II) Department dated 16 December 2008.

Audit test checked three interstate /border check posts¹⁶⁹ and observed that an amount of ₹ 28.95 lakh towards bilateral tax and penalty was liable to be paid by 329 vehicle owners. This was on account of CFST software not being able to generate demand notice on expiry of the validity of the bilateral tax.

Commissioner accepted (January 2019) that 823 vehicles did not have valid permits and permits need to be verified in other cases.

5.4.5.3 Non-availability of check post at proper place

The establishment of check post 120 km away from the State border not only led to escape of the prescribed checks at AP check post, but also loss of revenue of ₹ 1.60 crore.

To perform all the required statutory checks on vehicles entering into the State, check posts are to be located at proper places. For checking the vehicles that entered AP from Karnataka, a check post was established at Penukonda, which is 120 km away from Karnataka border.

Audit examined the data of Baghepalli border check post in Karnataka State for the period from April 2017 to March 2018 and found that 71,011 vehicles had entered AP State as per their records. Only 13,964 vehicles, however had passed through Penukonda Check post. This indicates that 57,047 vehicles had entered the State through alternative routes as indicated in the map given below, bypassing the Penukonda check post and escaped required checks and duties/fee payable. Thus, the establishment of check post 120 km away from the State border not only led to escape of the prescribed checks at AP check post, but also loss of revenue of ₹ 1.60 crore calculated at minimum permit fee rate.



The department replied (January 2019) that the possibility of vehicles being without permits was only one per cent and as pointed out by the Audit, the

¹⁶⁹ Chittoor, Srikakulam and Hindupur.

number of vehicles plying without valid permits was not possible. Further, the department stated that vehicles' data would be verified.

In view of the reply, the department may review the need for having a check post at this location considering the low percentage of collection.

5.4.6 System of collection of compounding fee

5.4.6.1 Short collection of fine

Check Post official levied fine of ₹ 1,000 instead of ₹ 2,000 for second and subsequent offences. This had resulted in short collection of compounding fee of ₹ 10.45 crore.

According to Section 190 (2) of the MV Act, 'any person who drives or causes or allows to be driven, in public place, a motor vehicle which violates the standards prescribed in relation to road safety, control of noise and air pollution, shall be punishable for the first offence with a fine of ₹ one thousand and for second or subsequent offence with a fine of ₹ two thousand'.

Analysis of CFST data of all the check posts in the State for the period April 2016 to March 2018 revealed repetition of the above offence in 1,39,315 cases (78 per cent) out of total 1,79,278 cases booked. The re-occurrence of offences ranged from 2 to 21 times. The check post officials levied ₹ 1,000 on each offence instead of ₹ 2,000 on second and subsequent offences. This had resulted in short collection of compounding fee of ₹ 10.45 crore. In the test checked check posts (except Chinturu), short collection of ₹ 4.40 crore in 40,021 cases was observed.

Further, the objective of curbing the road accidents, noise and air pollution was defeated due to lenient view of the department in not imposing higher penalties.

The Commissioner replied (January 2019) that the cases booked by the check post officials under Section 190(2) were finalised, by collecting compounding fee of ₹ 1,000 under section 200(1). It was added that ₹ 2,000 on second and subsequent offence under section 190(2) could be levied only by courts, whereas the check post officials were collecting fine of ₹ 1,000 as per Government orders of 2011.¹⁷⁰

MV Act prescribed rates of fine for repeat offences booked under Section 190(2) of the Act. The check post authorities have neither settled the case by collecting fine of ₹ 2,000 as prescribed under Section 190 (2) nor initiated any prosecution to deter repeat offenders.

¹⁷⁰ G.O.Ms.No. 108.Transport, Roads & Buildings (Tr.I) Department dated 18 August, 2011.

5.4.6.2 Vehicles plying without valid driving licenses/ registration

According to Section 5 of MV Act, no owner or person in charge of a motor vehicle shall cause or permit any person who does not satisfy the provisions of valid licence/ registration to drive the vehicle. Allowing a person to drive a vehicle without a valid driving licence was an offence and an amount of ₹ 5,000 shall be collected on compounding the offence from person involved in the offence/ vehicle owner in terms of Government order of 2008¹⁷¹.

Analysis of data of all the check posts (except Chinturu) in the State revealed that the check posts officials had noticed 694 cases of violation of the offence. The officials, however, collected compounding fee at less than prescribed rate resulting in short collection of ₹ 21.31 lakh.

The Commissioner replied (January 2019) that penalty at lesser rates was collected according to Government notification of 2011¹⁷² issued under Section 200 of MV Act.

It was, however noticed in Audit that these cases were booked by the check post staff under Section 56¹⁷³ and 39¹⁷⁴ of MV Act for which Government Order No.332 of 2008 was applicable and higher rate of fine of ₹ 5,000 was to be collected.

5.4.6.3 Allowing other State vehicles to move without settlement of the offences

According to Section 158 of the MV Act, any person driving a motor vehicle in any public place shall produce on demand, the certificate of insurance, certificate of registration, driving licence and in case of a transport vehicle, the certificate of fitness and the permit, relating to the use of the vehicle.

The checks prescribed above had to be verified by the check post officials in respect of vehicles crossing the check posts. Analysis of data in respect of all the check posts of the State for the period from April 2016 to March 2018 revealed violation of the provision in 2,200 cases. An amount of ₹ 17.28 lakh was to be realised from compounding of these offences. These vehicles were, however released without impounding the documents or without collection of penalty.

The Commissioner accepted and replied (January 2019) that necessary instructions would be issued to restrict such vehicles to cross the check posts until the arrears of Compounding Fee was cleared and take necessary steps to impound the documents/ seize the vehicle wherever necessary.

¹⁷¹ G.O.Ms.No. 332.Transport, Roads & Buildings (Tr.I) Department dated 13 November 2008.

¹⁷² G.O.Ms.No. 108.Transport, Roads & Buildings (Tr.I) Department dated 18 August, 2011.

¹⁷³ Fitness related offences.

¹⁷⁴ Registration related offences.

5.4.7 Deficiency in collection and remittance of Government Revenue into Treasury

Serious flaws in maintenance of cash book like not noting details of collection, remittance, noting entry with pencil, alterations were noticed in manually operated Chinturu check post.

Government of Andhra Pradesh issued orders¹⁷⁵ on formation of new check posts in view of the bifurcation of the AP State as Andhra Pradesh and Telangana States. Accordingly, a new check post at Chinturu in East Godavari District was formed with effect from 02 June 2014. The check post was not provided with computerised services and is being operated manually (January 2019).

Check post operations are being conducted by staff (MVIs/ AMVIs) from offices of DTC Kakinada or RTO Rajamahendravaram on temporary (monthly) basis without sanction / posting of staff on permanent basis.

Verification of the details of revenue collections of the check post since its inception, for the test checked months¹⁷⁶ revealed the following:

- A daily cash collection register was to be maintained to record the revenue raised through check post operations with proper classification i.e. compounding fee, temporary permit fee etc. and the details of person from whom collected. The amount so collected had to be remitted into the treasury after completion of the cycle day¹⁷⁷. It was observed that a lump sum figure i.e. 1,000, 2,000, 3,000, etc. was recorded as collections on a particular day instead of recording full details of collection from whom the amount was collected, extent and purpose of collection. Further, the details of remittances into the treasury were also not recorded in the test checked months. Further, eight days collection was not entered in register during the period between December 2015 and January 2018¹⁷⁸. Therefore, the amounts stated to have been collected and remitted into the treasury could not be ensured by Audit.

The Commissioner replied (January 2019) that the amounts were collected through VCRs and were remitted into treasury at the respective office jurisdiction of MVI/AMVI without entering full details in the cashbook.

The reply was in contravention to the provisions of Check Post Manual which states that remittance particulars were to be noted in the cash book against their collection. In the absence of remittance particulars, there was no assurance that remittances were being deposited.

- It was further observed that some entries were altered and some were made in pencil leaving scope for alterations. For instance, on 12 October 2016,

¹⁷⁵ G.O.Rt.No.508 Transport, Roads and buildings, dated 20 May 2014.

¹⁷⁶ July 2014, April 2016, October 2016, October 2017 and January 2018.

¹⁷⁷ Cycle day is 8 am to 8 am.

¹⁷⁸ December 2015 (1), February 2016 (1), July 2016 (1), December 2016 (1), February 2017 (1), November 2017 (1) and January 2018 (2).

the total collection was first recorded as ₹ 9,000 and later altered as ₹ 6,000. Audit made efforts to cross check the collections from relevant receipt books, however, they were not made available.

The Commissioner admitted (January 2019) that there were alterations in entries and however, assured that all the amounts collected, by demand drafts only, by MVI/ AMVIs in check post through VCRs were remitted into treasury.

Due to non-availability of VCRs at check post and cash receipt books, collection particulars in cashbooks, correctness of remittances could not be verified by Audit.

- There was huge difference in daily remittances made by one batch of MVI/ AMVI when compared with other on next day. The average variation in remittance ranged between ₹ 3,670 to ₹ 10,450 per day in the month of July 2014.
- In some cases, the cash book was not signed in token of collection and remittances of the day.

Commissioner admitted the audit observation (January 2019) and stated that inspectors concerned were warned.

- Vehicles moving between Chhattisgarh and Andhra Pradesh pass through Paloncha check post (Telangana) and Chinturu check post (AP). The vehicles were to be given permits from both the States of Telangana and Andhra Pradesh on payment of permit fee, short term licence fee and service charge from the vehicle owners. The rates of taxes and compounding fee were same in the both states. Therefore, there ought not to be much variation in revenue collection by these check posts.

The total revenue collection in Paloncha (Telangana) check post during the period 2015-18 was ₹ 4.59 crore, whereas it was ₹ 1.50 crore at Chinturu (AP) check post during the same period, which was short by ₹ 3.09 crore.

As regards difference in revenue collections between Paloncha and Chintur check posts, department felt that vehicles that pass through Paloncha check post need not enter AP.

It was, however observed that vehicles coming from Chhattisgarh had to necessarily pass through Paloncha (Telangana) and Chinturu (Andhra Pradesh) check posts as no other alternative route is available.

The Department may further investigate the irregularities in collection of revenue and take appropriate action against the erring officials. The Department may also ensure strict compliance to the rules/ procedures by the officials for recording, accounting and remittance of the revenue so collected into the Treasury.

5.4.7.1 Non-reconciliation of revenue receipts

As reconciliation with treasuries was not being done regularly, the check posts were not in a position to ascertain the reliability of their remittances

As per Article 9 of the Andhra Pradesh Financial Code (APFC) Vol. I, departmental receipt figures have to be got reconciled with those of the treasury to detect misclassification, spurious challans etc. if any, and a certificate of reconciliation has to be obtained from the treasury officer.

Though, Check Post transactions were computerised in CFST module by way of granting permit, collection of revenue, generation of MIS reports etc., collection of revenue was remitted manually into the treasury by the check post staff and treasury challan number was entered into the CFST report viz., Check Post Cash Register manually.

During scrutiny of records relating to revenue collections, it was observed that in three¹⁷⁹ check posts, revenue collected was not reconciled (during the period April 2016 and March 2018) either by the check post officials or by jurisdictional DTC/ RTO offices. Verification of remittances by the Audit with the treasuries concerned disclosed that an amount of ₹ 1.49 crore (Sullurupeta: ₹ 41.17 lakh, Dachepalli: ₹ 59.70 lakh and Purshottapuram: ₹ 48.60 lakh) was not traceable.

The Commissioner replied (January 2019) that the details would be verified.

5.4.8 Monitoring

As per the Check post manual, the Secretary, RTA concerned shall visit every check post at least once in two months and record his/ her remarks/ instructions in the register of instructions to be maintained in the check post.

It was observed that there was shortfall in visits in three (out of seven) test checked check posts. The number of visits to be made and actually made by the officers concerned during 2015-18 was not as per norms. The shortfall is given below:

Table 5.3: Number of visits to Check Posts

Name of the check post	Number of visits		Short fall (in per cent)
	to be made	actually made	
Chinturu	18	2	16 (89)
Jelugumilli	18	5	13 (72)
Dachepalli	18	8	10 (56)

The Commissioner replied (January 2019) that instructions were issued to all the DTCs concerned, to monitor the check posts at regular intervals.

¹⁷⁹ Sullurupeta, Dachepalli and Purushottapuram.

5.4.9 Conclusion and Recommendations

Check post officials granted permits beyond prescribed limit in violation to Rules. Other State vehicles plying without valid permits and payment of bilateral tax were not checked. Deficiency in collection and remittance to Treasury of the revenue was noticed at the newly created check post that was on manual mode and not connected to CFST. Receipts and remittances at check posts were not reconciled regularly with the Treasuries.

CFST should have adequate validation controls to ensure that temporary permits beyond the time allowed as per Rules are not granted. System should also have a mechanism to monitor validity of permits of other state vehicles. Compliance to rules/ provisions regarding timely remittance of revenue and regular reconciliation with Treasuries should be ensured. Check post at Chinturu should be computerised and connected to the CFST.

5.5 Non-realisation of quarterly tax¹⁸⁰ and penalty

Quarterly tax and penalty was not paid by the owners of transport vehicles within the prescribed time resulting in non-realisation of revenue of ₹ 1.04 crore.

Section 3 of Andhra Pradesh Motor Vehicles Taxation (APMVT) Act, 1963 stipulates that every owner of a motor vehicle is liable to pay tax at rates specified by the Government from time to time. Section 4 of the Act read with Government order¹⁸¹, specifies that tax shall be paid in advance either quarterly, half yearly or annually within one month from the commencement of quarter. As per Section 6 of the Act read with Rule 13 of APMVT Rules, 1963, penalty for belated payment of tax beyond two months from the beginning of the quarter shall be leviable at twice the rate of quarterly tax if detected and at 50 *per cent* on voluntary payments.

Analysis of the data¹⁸² in the offices of three DTCs¹⁸³ (out of 13) and four RTOs¹⁸⁴ (out of 14) revealed that quarterly tax was not paid¹⁸⁵ by the owners of 500 transport vehicles. The department also did not issue any demand notice to these defaulters. This resulted in non-realisation of tax of ₹ 69.10 lakh and penalty of ₹ 34.55 lakh (at 50 *per cent* of quarterly tax).

The Commissioner replied (January 2019) that audit observation would be verified and necessary steps taken for realisation of quarterly tax due by issuing show cause notices to the owners of the vehicles.

The matter was referred to the Government (August 2018); their replies have not been received (February 2020).

¹⁸⁰ Quarterly tax is payable only on transport vehicles.

¹⁸¹ G.O.Ms.No.96, Transport, Roads & Buildings (Tr.II) Department, dated 21 May 1993.

¹⁸² Between March 2017 and March 2018.

¹⁸³ Ananthapuramu, Eluru and YSR Kadapa.

¹⁸⁴ Gudivada, Narasaraopet, Proddutur and Tirupati.

¹⁸⁵ For the period 2015-16 and 2016-17.

5.6 Non- monitoring of renewal of Fitness Certificates

Non-renewal of Fitness Certificate for vehicles whose status is active, besides non-realisation of fitness fee of ₹ 91.78 lakh, may jeopardise road safety.

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

As per Rule 12 (A) of APMVT Rules 1963, a motor vehicle shall be deemed to be kept for use and is liable to pay tax unless the registered owner intimates in writing to the licencing officer before commencement of the quarter for which tax is due that the motor vehicle shall not be used after expiry of the period for which tax has already been paid.

Analysis of FCs granted in the offices of three DTCs¹⁸⁶ and four RTOs¹⁸⁷, disclosed¹⁸⁸ that FCs of 48,472 transport vehicles whose status was valid¹⁸⁹ had not been renewed¹⁹⁰. Besides non-realisation of FC fee of ₹ 91.78 lakh, plying of a vehicle that is not certified for fitness may jeopardize road safety. No stoppage reports were received by the licencing officers from the vehicle owners on the vehicles pointed out by the Audit.

The Commissioner replied (January 2019) that details of FCs of transport vehicles whose status was active would be got verified to know whether all these vehicles are road worthy/ fit for condemnation. After getting details of verification from the DTCs, further report would be sent.

The need for testing the fitness of vehicles checked and renewed every year was brought to notice of the Government repeatedly through the earlier Audit Reports for the years ended March 2014-16. Despite the issue being brought to notice, the irregularity still persists.

The matter was referred to the Government (August 2018); their replies have not been received (February 2020).

¹⁸⁶ Ananthapuramu, Eluru, and YSR Kadapa.

¹⁸⁷ Gudivada, Narasaraopet, Proddatur and Tirupati.

¹⁸⁸ Between April 2017 and March 2018.

¹⁸⁹ Implies that the vehicle has all the requisite certificates.

¹⁹⁰ During 2015-16 and 2016-17.

5.7 Non-levy of green tax¹⁹¹

Green tax amounting to ₹ 33.17 lakh was not levied while renewing the registration/issuing fitness certificate of non-transport and transport vehicles.

As per Government order¹⁹², “green tax” shall be levied on the transport vehicles and non-transport vehicles completing 7 and 15 years of age, respectively, from the date of registration. The rate of tax is ₹ 200 per annum for transport vehicles, ₹ 250 for motor cycles and ₹ 500 for other vehicles for every five years.

Analysis¹⁹³ of data in the offices of three DTCs¹⁹⁴ and four RTOs¹⁹⁵ disclosed that green tax was not levied on 14,477 transport vehicles and 957 non-transport vehicles¹⁹⁶. These vehicles have already completed the prescribed age limit and were plying on the road. Green tax amounting to ₹ 33.17 lakh leviable on these vehicles was not realised.

The Commissioner replied (January 2019) that online services for all transactions were being implemented in the entire state and there would be no need for the registered owners of vehicles to go to office for any transactions. Necessary software modifications were already done to facilitate payment of green tax in online system.

The reply was not in order, as the software as stated to have been modified by the department was not prompting demand for collection of green tax on vehicles whose registration were renewed before 60 days of its completion. Similarly, green tax in respect of transport vehicles whose registrations were renewed before expiry of its validity is escaping the tax net.

Hence the department should devise a mechanism for collection of green tax in accordance with provisions of MV Act to safeguard Government revenue.

The need for devising such mechanism was brought to notice of the Government repeatedly through the earlier Audit Reports for the years ended March 2014-16. Despite the issue being brought to notice, the irregularity still persists.

The matter was referred to the Government in August 2018; their replies have not been received (February 2020).

¹⁹¹ Tax which is payable after completion of prescribed life time of the vehicle.

¹⁹² G.O.Ms.No.238, Transport, Roads & Buildings (Transport-I), Department, dated 23 November 2006.

¹⁹³ Between April 2017 and April 2018.

¹⁹⁴ Ananthapuramu, Eluru, and YSR Kadapa.

¹⁹⁵ Gudivada, Narasaraopet, Proddatur and Tirupati.

¹⁹⁶ For the period from April 2015 to March 2017.

5.8 Exemption of life tax

Non-transport vehicles registered in favour of other than Government Departments were incorrectly exempted from payment of ₹ 7.10 lakh.

As per Section 4 (1) (aa) of APMVT Act, 1963, tax levied under the second proviso to Section 3(2) 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.

Government in its orders¹⁹⁷ exempted the tax payable in respect of motor vehicles belonging to Government of Andhra Pradesh and Government of India. As per seventh schedule, however, non-transport vehicles owned by organisations/ institutions/ societies are liable to pay 14 *per cent* of the cost of the vehicles as life tax.

Analysis of the data in two¹⁹⁸ offices of Deputy Transport Commissioners and office of Regional Transport Officer, Gudivada revealed¹⁹⁹ that four²⁰⁰ vehicles registered in favour of organisations other than Government were incorrectly exempted from life tax. The life tax payable by these organisations amounted to ₹ 7.10 lakh.

The Commissioner accepted (January 2019) the observation and assured its recovery.

The matter was referred to the Government in August 2018; their replies have not been received (February 2020).

¹⁹⁷ G.O.Ms. No. 453, Home-(Tr-II) dated 17 March, 1964 and G.O.Ms.No.676, Home (Tr.II) dated 17 May 1969.

¹⁹⁸ DTCs-Chittoor and Guntur.

¹⁹⁹ Between November 2016 and March 2018.

²⁰⁰ Guntur (1); Chittoor (1) and Gudivada (2).