

CHAPTER V

TAXES ON VEHICLES

5.1 Tax Administration

The Transport Department of Government of Telangana is governed by Motor Vehicles Act, 1988 (MV Act), Central Motor Vehicles Rules, 1989 (CMV Rules) along with Andhra Pradesh Motor Vehicles Taxation Act, 1963 (State Taxation Act), Andhra Pradesh Motor Vehicles Taxation Rules, 1963 (State Taxation Rules) and Andhra Pradesh Motor Vehicles Rules, 1989 (State MV Rules) which have been adapted by the State of Telangana¹¹³. 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, fees, issue of driving licences, certificates of fitness to transport vehicles, registration of motor vehicles, grant of regular and temporary permits to vehicles. The Transport Department is headed by Principal Secretary (Transport, Roads and Buildings Department) at Government level. Transport Commissioner (TC) is in charge of the Department. At District level, there are Deputy Transport Commissioners (DTCs) and Regional Transport Officers (RTOs) who are in turn assisted by Motor Vehicle 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 framework. The Department did not provide any information, though called for, regarding existence and operation of independent Internal Audit Wing in the Department. However, it was stated that audit trails were being checked / verified regularly.

¹¹³ G.O.Ms No.2, Transport, Roads & Buildings (Tr-I) Department, dated 17 June 2014.

5.3 Results of Audit

Test check of records of 15 offices of Transport Department conducted during the year 2015-16 showed underassessment of tax and other irregularities involving ₹ 13.96 crore in 73 cases, which broadly fell under the following categories:

Table 5.1: Results of Audit

(₹ in crore)

Sl. No.	Category	No. of cases	Amount
1.	Non-levy of quarterly tax and penalty	14	9.84
2.	Non-renewal of fitness certificates resulting in non-realisation of fitness fee	15	2.06
3.	Non-realisation of compounding fee	14	0.37
4.	Non-levy of green tax	12	0.29
5.	Non-levy / short levy of life tax	15	0.22
6.	Non-realisation of bilateral tax and penalty	1	0.18
7.	Other irregularities	2	1.00
Total		73	13.96

During the year 2015-16, the Department accepted under-assessments and other deficiencies of ₹ 71.26 lakh in seven cases. In the remaining cases, it was stated by the Department that further replies would be furnished after examining the cases. An amount of ₹ 2.89 lakh in six cases was realised during the year.

A few illustrative cases of non-realisation of quarterly tax and penalty, non-renewal of fitness certificates, non-realisation of compounding fee etc., amounting to ₹ 4.65 crore are discussed in the succeeding paragraphs.

5.4 Non-realisation of Quarterly Tax and Penalty

Section 3 of the State Taxation Act, 1963 stipulates that every owner of a motor vehicle is liable to pay tax at the rates specified by the Government from time to time. Section 4 of the Act read with Government Order¹¹⁴ specifies that tax shall be paid in advance either quarterly, half yearly or annually within one month from the commencement of the quarter. Under Section 6 of the Act read with Rule 13 of the State Taxation 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 in cases of detection and at 50 per cent in cases of voluntary payment.

During scrutiny (between May 2015 and February 2016) of data relating to tax collections for the period from 2011-12 to 2014-15 in the offices of two DTCs¹¹⁵, eight RTOs¹¹⁶ and in the office of Joint Transport Commissioner (JTC), Hyderabad Central Zone, Audit observed that quarterly tax of ₹ 1.80 crore was neither paid by the owners of 1,213 transport vehicles nor

¹¹⁴ G.O.Ms No.96, Transport, Roads & Buildings (Tr-II) Department, dated 21 May 1993.

¹¹⁵ Nizamabad and Medak.

¹¹⁶ Hyderabad (East Zone, North Zone, South Zone, West Zone), Ibrahimpatnam, Medchal, Ranga Reddy (East) and Siddipet.

demanded by the Department. Besides, penalty of ₹ 0.90 crore to be levied at a minimum of 50 per cent of the rate of quarterly tax for delay over two months, was also leviable. This resulted in non-realisation of tax and penalty amounting to ₹ 2.70 crore.

After Audit pointed out these cases, RTO, Hyderabad West Zone replied (May 2016) that an amount of ₹ 0.18 lakh was collected towards tax in respect of five vehicles and show-cause notices were issued in respect of the remaining vehicles. JTC, Hyderabad Central Zone replied (May 2015) that tax would be collected and intimated to Audit. DTC, Medak and RTOs, Hyderabad South Zone and Siddipet replied (between June and December 2015) that the matter would be examined and intimated to Audit. RTO, Hyderabad East Zone replied (September 2016) that notices were issued to the vehicle owners. The remaining officers replied (between May 2015 and February 2016) that details of tax collection would be verified and action taken to realise the tax due.

The matter was referred to the Department in August 2016 and to the Government in September 2016; replies have not been received (December 2016).

5.5 Non-renewal of Fitness Certificates

As per Section 56 of the 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 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. Non-renewal of fitness certificates (FC) jeopardises road safety besides loss of revenue to Government towards FC fee.

During scrutiny (between May 2015 and February 2016) of data relating to grant of FC in the offices of five DTCs¹¹⁷, seven RTOs¹¹⁸ and in the office of JTC, Hyderabad Central Zone, Audit observed that FCs, the validity of which had expired in respect of 53,556 transport vehicles, had not been renewed during the year 2014-15. Consequently, besides Government losing revenue amounting to ₹ 1.19 crore towards FC fee, road safety was compromised on account of non-renewal of fitness of vehicles.

After Audit pointed out these cases, RTO, Khammam replied (October 2016) that non-linking of renewal of FC with payment of quarterly taxes at e-Seva and office counters resulted in non-collection. DTC, Medak replied (September 2015) that FC fee would be collected as and when the owner approached the office for FC renewal. The remaining officers replied

¹¹⁷ DTCs - Karimnagar, Nalgonda, Nizamabad, Medak and Ranga Reddy.

¹¹⁸ RTOs - Hyderabad (East Zone, North Zone, South Zone), Khammam, Medchal, Ranga Reddy (East) and Siddipet.

(between May 2015 and February 2016) that vehicles plying without fitness would be checked by the enforcement staff.

With reference to the replies above, it may be pointed out that renewal of FC is mandatory under Section 56 of the MV Act and allowing vehicles to ply without fitness until they are checked by enforcement staff would be unsafe for all the road users. An in-built mechanism needs to be put in place so as to prompt the vehicle owners to renew their FCs keeping in view road safety and to make the vehicle owners comply with the mandatory transport laws.

The matter was referred to the Department in August 2016 and to the Government in September 2016; replies have not been received (December 2016).

5.6 Non-realisation of Compounding Fee

As per Section 200 of MV Act, 1988 read with Government Order¹¹⁹, offences like overloading, driving without licence, registration certificate, fitness certificate, under-age driving, driving at excessive speed, wrong parking, etc. which are punishable under the Act, may be compounded by collecting fee at the rates specified by the Government. In case offences are not compounded on the spot, the Vehicle Check Reports (VCRs) have to be sent to the Regional Transport Authorities concerned for collection of the compounding fee (CF).

During scrutiny (between May 2015 and February 2016) of data relating to VCRs for the years 2011-12 to 2014-15 in the offices of four DTCs¹²⁰, nine RTOs¹²¹ and JTC, Hyderabad Central Zone, Audit observed that in respect of 568 VCRs compounding fee for offences under transport laws, was not collected resulting in non-realisation of compounding fee of ₹ 31.29 lakh.

After Audit pointed out these cases, three RTOs¹²² replied (between February and October 2016) that in respect of 18 VCRs an amount of ₹ 0.56 lakh was collected; 34 VCRs were forwarded to registering authorities concerned and in respect of the remaining VCRs notices were issued. The remaining officers replied (between May 2015 and February 2016) that VCRs would be verified and action taken for collection of compounding fee.

The matter was referred to the Department in August 2016 and to the Government in September 2016; replies have not been received (December 2016).

5.7 Non-collection of Bilateral Tax and Penalty

Interstate vehicular traffic of goods is regulated by bilateral agreements under the provisions of MV Act and Rules made thereunder. In terms of Section 88 of the MV Act, a permit granted by State Transport Authority (STA) /

¹¹⁹ G.O.Ms.No.108, Transport, Roads & Buildings (TR-I) Department, dated 18 August 2011.

¹²⁰ Karimnagar, Nalgonda, Nizamabad and Ranga Reddy.

¹²¹ Hyderabad (East Zone, North Zone, South Zone, West Zone), Ibrahimpatnam, Khammam, Medchal, Ranga Reddy (East) and Siddipet.

¹²² Khammam and Hyderabad (East Zone, West Zone).

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 Order¹²³ dated 16 December 2008, bilateral tax at the rate of ₹ 5,000 per annum shall be levied on goods vehicles covered by countersignature permit which are registered in the States of Maharashtra / Karnataka and plying in Telangana State. Tax shall be paid in advance in lump sum before fifteenth of April every year failing which an additional sum of ₹ 100 for each calendar month of default shall be charged as penalty.

During scrutiny (February 2016) of data pertaining to countersignature permits in the office of DTC, Nizamabad, Audit observed that bilateral tax for the year 2014-15, amounting to ₹ 12.65 lakh and penalty of ₹ 3.04 lakh was not collected in respect of 253 vehicles registered in Maharashtra State, which were covered by countersignature permits.

After Audit pointed out the cases, DTC replied (February 2016) that Transport Commissioner, Maharashtra State would be addressed for collection of bilateral tax.

The matter was referred to the Department in August 2016 and to the Government in September 2016; replies have not been received (December 2016).

5.8 Non-levy of Green Tax

As per the Government Order dated 23 November 2006¹²⁴, “green tax” shall be leviable on transport and non-transport vehicles completing 7 years and 15 years of age, respectively, from the date of their registration. The rate of tax is ₹ 200 per annum for the transport vehicles. In respect of non-transport vehicles, the rate is ₹ 250 for motorcycles and ₹ 500 for other than motorcycles and shall be levied every five years.

During scrutiny (between May 2015 and February 2016) of data relating to levy of green tax in offices of three DTCs¹²⁵, three RTOs¹²⁶ and JTC, Hyderabad Central Zone, Audit observed that green tax amounting to ₹ 15.32 lakh was not levied and collected for the period from April 2011 to March 2015 in respect of 6,739 transport and 441 non-transport vehicles though the vehicles had completed 7 years and 15 years of age respectively.

After Audit pointed out the cases, JTC, Hyderabad Central Zone replied (May 2015) that green tax for non-transport vehicles could not be demanded as vehicle owners renewed the registration before completion of 15 years and in respect of transport vehicles green tax would be collected at the time of

¹²³ G.O.Ms.No.362, Transport, Roads & Buildings (TR.I) Department, dated 16 December 2008.

¹²⁴ G.O.Ms.No.238, Transport, Roads & Buildings (TR.1) Department, dated 23 November 2006.

¹²⁵ Nalgonda, Nizamabad and Ranga Reddy.

¹²⁶ Ibrahimpatnam, Khammam and Siddipet.

renewal of fitness certificate. It was further stated that the accumulated arrears would be collected.

DTCs, Nizamabad, Nalgonda, Ranga Reddy and RTO, Ibrahimpatnam replied (between May 2015 and February 2016) that accumulated arrears would be collected. RTO, Siddipet replied (June 2015) that green tax would be collected as and when the registered owners approach the office for any transaction.

RTO, Khammam replied (October 2016) that non-linking of payment of green tax with payments of quarterly taxes at e-Seva and office counters resulted in non-collection. It was further replied that green tax would be collected whenever the vehicle owners approach office for any transaction.

The matter was referred to the Department in August 2016 and to the Government in September 2016; replies have not been received (December 2016).

5.9 Short Levy of Tax in respect of Second or Subsequent Personalised Vehicles owned by individuals

According to fifth proviso to sub-section (2) of Section 3 of State Taxation Act, 1963, tax in respect of second or subsequent personalised vehicles up to a seating capacity of 10 in all owned by an individual, shall be levied at 14 *per cent* of the cost of the vehicle with effect from 2 February 2010¹²⁷.

During scrutiny (between May 2015 and February 2016) of data relating to registration of personalised vehicles in the offices of four DTCs¹²⁸ and six RTOs¹²⁹, it was observed that tax in respect of 260 second or subsequent personalised vehicles owned by individuals was collected at 9 *per cent* for two wheeler motor vehicles and 12 *per cent* for three / four wheeler motor vehicles, instead of the enhanced rate of 14 *per cent*, resulting in short levy of tax amounting to ₹ 13.68 lakh.

After Audit pointed out the cases, RTO, Hyderabad West Zone replied (May 2016) that show-cause notices were issued to owners for payment of differential amount of tax. The remaining officers replied that the details of vehicles would be verified and action taken.

The matter was referred to the Department in August 2016 and to the Government in September 2016; replies have not been received (December 2016).

¹²⁷ Act No. 11 of 2010.

¹²⁸ Karimnagar, Nalgonda, Nizamabad and Ranga Reddy.

¹²⁹ Hyderabad (North Zone, West Zone), Ibrahimpatnam, Medchal, Ranga Reddy (East) and Siddipet.

5.10 Arrears of Revenue

According to Section 7 of the State Taxation Act 1963, any tax, penalty or fine due under the Act, may be recovered in the same manner as an arrear of land revenue.

Demand, Collection and Balance (DCB) statement and its periodical review is an important control mechanism to pursue taxes due. Improper maintenance and ineffective use of this control mechanism results in omission to include demands and bring correct picture of dues to be recovered.

Scrutiny (November and December 2015) of records relating to arrears of revenue in four offices¹³⁰ of the Transport Department showed that tax arrears of ₹ 137.72 crore were pending for recovery at the end of December 2015 from 1,43,614 vehicle owners as shown below:

Name of the Office	Total No. of vehicles	Arrears due for recovery (₹ in crore)
DTC, Karimnagar	33,381	19.28
RTO, Khammam	31,739	22.36
DTC, Nalgonda	39,534	47.01
DTC, Ranga Reddy	38,960	49.07
Total	1,43,614	137.72

Position of Arrears

Out of total 1,43,614 vehicles, the arrears covering the period from 2011-12 to 2014-15 were analysed in respect of 21,601 vehicles and it was observed that in respect of 10,985 vehicles the arrears were outstanding up to four quarters, in respect of 6,248 vehicles the arrears were outstanding from five to eight quarters and in respect of 4,368 vehicles, arrears were outstanding from 9 to 12 quarters as shown below:

Name of the Office	Vehicles for which arrears outstanding up to four quarters	Vehicles for which arrears outstanding from five to eight quarters	Vehicle for which arrears outstanding from 9 to 12 quarters	Total
DTC, Karimnagar	3,968	2,621	1,860	8,449
RTO, Khammam	2,320	1,059	937	4,316
DTC, Nalgonda	1,357	409	278	2,044
DTC, Ranga Reddy	3,340	2,159	1,293	6,792
Total	10,985 (51 per cent)	6,248 (29 per cent)	4,368 (20 per cent)	21,601

The arrears in respect of the remaining 1,22,013 vehicles remained outstanding for more than three years.

Out of the 21,601 vehicles mentioned above, Audit analysed the quantum of arrears pertaining to 3,431 vehicles of different classes viz., goods vehicles, trailers for commercial use, maxi cabs, motor cabs vis-à-vis period of pendency. It was observed that an amount of ₹ 4.99 crore towards tax and

¹³⁰ DTCs - Karimnagar, Nalgonda, Ranga Reddy and RTO – Khammam.

₹ 2.49 crore towards penalty were due from these vehicles. The details are as follows:

Pendency period	No. of vehicles	Tax arrears (₹ in crore)	Penalty (₹ in crore) @ 50 per cent	Total (₹ in crore)	Percentage of arrears to total arrears
Up to four quarters	1,927	1.44	0.72	2.16	29
5 to 12 quarters	1,504	3.55	1.77	5.32	71
Total	3,431	4.99	2.49	7.48	

As may be seen from the above, 71 per cent of revenue (₹ 5.32 crore) was pending for more than a year.

When the above observations were brought to notice, DTC, Ranga Reddy replied (November 2015) that show-cause notices were issued to the vehicle owners. RTO, Khammam replied (October 2016) MVIs / AMVIs were instructed to check up the vehicles vigorously for realisation of tax. DTCs, Karimnagar and Nalgonda replied (November and December 2015) that notices would be issued to the vehicle owners.

Incorrect Depiction of Arrears

All the functions of the Transport Department viz., grant of licences, permits, fitness, checking of new vehicles, enforcement, collection of fees etc., were fully computerised with a central server.

- A scrutiny of DCB statements showed that tax due from Telangana State Road Transport Corporation's own vehicles was being shown as 'zero' (0) against ₹ 20.75 crore actually due from 2,715 vehicles at the end of December 2015, indicating understatement of arrears to that extent.
- Though Government had written off¹³¹ the cumulative arrears of Motor Vehicle Tax up to 30 June 2014 and exempted¹³² the said tax with effect from October 2014 in respect of passenger auto-rickshaws, the written off amount (₹ 34.58 crore) was still shown in the total arrears, indicating overstatement of arrears.

Apart from the data analysed (November and December 2015) in the selected four offices as discussed above, the DCB data was scrutinised in the office of the DTC, Nizamabad¹³³ for test check, wherein it was observed that demands of bilateral tax¹³⁴ and compounding fee were not being taken to DCB statement indicating incorrect depiction of arrears despite computerisation. Suitable steps need to be taken to maintain accurate data on Demand, Collection and Balance position.

¹³¹ G.O.Ms.No.11, Transport, Roads & Buildings (TR.I) Department, dated 16 October 2014.

¹³² G.O.Ms.No.10, Transport, Roads & Buildings (TR.I) Department, dated 16 October 2014.

¹³³ DTC, Nizamabad is the border district to the State of Maharashtra, wherein bilateral tax on transport vehicles is levied.

¹³⁴ Tax levied on the owners of interstate goods carriage vehicles holding countersignature permits.

Further, Audit did not find on record any action taken to invoke provisions of AP Revenue Recovery Act, 1864.

Thus, failure of the Department in effectively monitoring the recovery of tax dues resulted in arrears getting accumulated over a period of time as well as inaccurate depiction of DCB position.

The matter was referred to the Department in July 2016 and to the Government in September 2016; replies have not been received (December 2016).