

# Chapter IV

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## **Motor Vehicle Taxes**

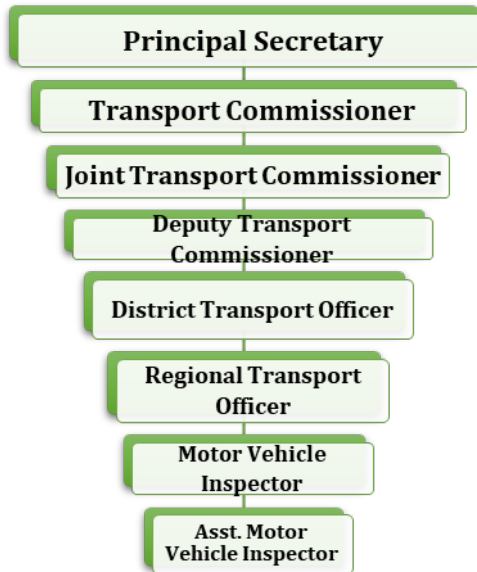
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## 4.1 Tax Administration

Transport Department is primarily responsible for enforcement of provisions of various<sup>1</sup> Acts and Rules that include provisions for collection of taxes, fees, issue of driving licences, certificates of fitness to transport vehicles, registration of motor vehicles and grant of regular and temporary permits to vehicles. The Department is headed by the Principal Secretary at Government level. The organisational set up of the Department for administration of tax is depicted in the organogram given alongside:

**Figure-4.1:  
Organogram**



## 4.2 Trend of receipts

Actual receipts from Motor Vehicle Taxes during the years 2016-17 to 2020-21 along with the total tax receipts is shown in the following table.

**Table 4.1: Receipts from Motor Vehicle Taxes**

(₹ in crore)

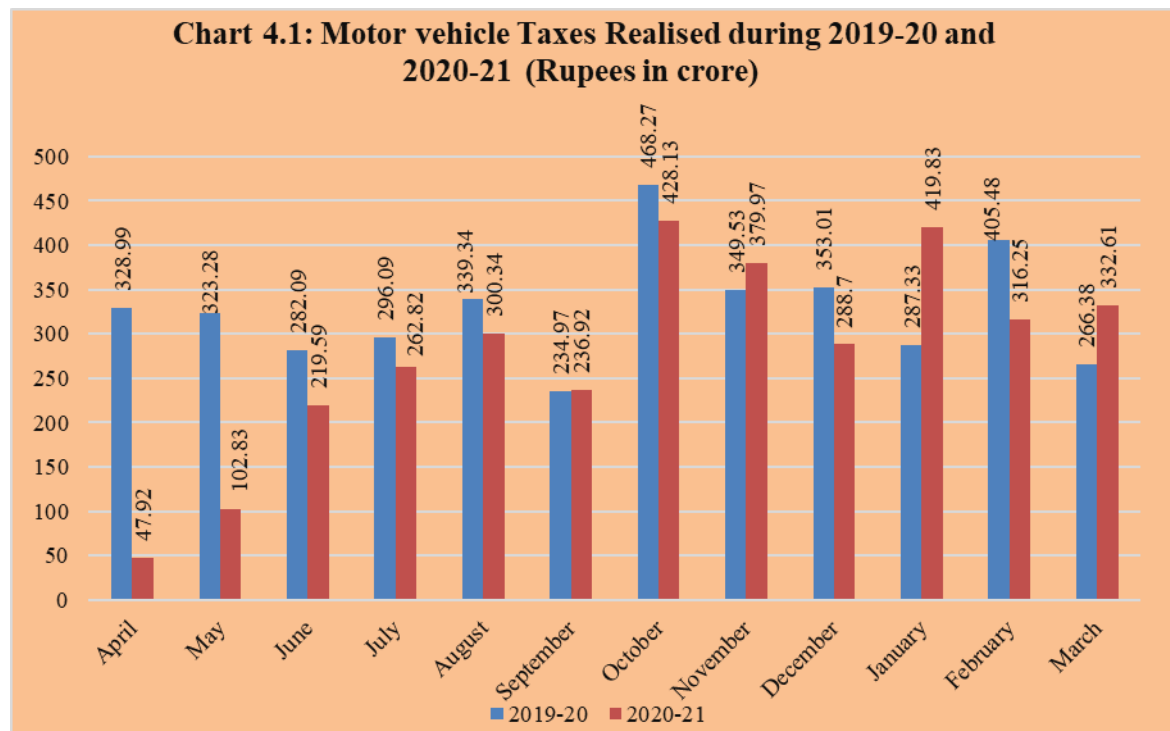
Year	Budget Estimates	Actual Receipts	Variation Excess (+) / Shortfall (-)	Percentage of variation	Total Tax receipts of the State	Percentage of actual receipts vis-à-vis total tax receipts
2016-17	2,900.00	3,394.16	(+)494.16	17.04	48,407.73	7.01
2017-18	3,000.00	3,589.48	(+)589.48	19.65	56,519.82	6.35
2018-19	3,950.00	3,761.94	(-)188.06	4.76	64,674.07	5.82
2019-20	3,714.00	3,934.75	(+)220.75	5.94	67,597.49	5.82
2020-21	4,300.00	3,337.96	(-)962.04	22.37	66,650.37	5.01

Source: Finance Accounts

As seen above, while the total tax receipts of the State have increased by 37.69 per cent during the last five years, Motor Vehicle Taxes has, however, recorded a decrease of 1.66 per cent. The contribution of the Motor Vehicle Taxes in the total tax receipts has also decreased from 7.01 per cent to 5.01 per cent during this period.

<sup>1</sup>The Transport Department of Government of Telangana is governed by The Central Motor Vehicles Act, 1988 (Central MV Act), The Central Motor Vehicles Rules, 1989 (Central MV Rules) along with The Telangana Motor Vehicles Taxation Act, 1963 (State MV Taxation Act), The Telangana Motor Vehicles Taxation Rules, 1963 (State MV Taxation Rules) and The Telangana Motor Vehicles Rules, 1989 (State MV Rules) which have been adapted (G.O.Ms. No. 2, Transport, Roads and Buildings (TR-I) Department dated 17 June 2014) by the State of Telangana.

The monthly break up of revenue from motor vehicle taxes during the years 2019-20 and 2020-21 is given in Chart.



### 4.3 Cost of collection

The figures of gross collection in respect of Motor Vehicle Taxes, expenditure incurred on collection and the percentage of such expenditure to gross collection during the years 2016-17 to 2020-21 are mentioned below:

**Table 4.2: Cost of collection of Motor Vehicle Taxes**

(₹ in crore)

Head of Revenue	Year	Gross collection	Expenditure on collection of Revenue	Percentage of cost of collection to gross collection
Motor Vehicle Taxes	2016-17	3,394.16	74.04	2.18
	2017-18	3,589.48	76.10	2.12
	2018-19	3,761.94	79.38	2.11
	2019-20	3,934.75	129.33	3.29
	2020-21	3,337.96	86.44	2.59

Source: Finance Accounts

Although the cost of collection and gross collections of the Department have increased during 2016-17 to 2019-20, there was marginal decrease in expenditure and gross collections in 2020-21, resulting in slight decrease in cost of collection in percentage terms.

#### **4.4 Impact of Audit**

During the last five years, we had pointed out non / short levy of duties, non / short realisation of dues, non / short levy of interest with total revenue implication of ₹102.37 crore in 393 cases. Of this, the Department accepted observations valuing ₹2.02 crore in 2017-18. Thereafter there has been no communication from the department on the issues raised in Audit Reports. Also, there was no communication about the collections made of the amounts accepted by them.

#### **4.5 Working of Internal Audit wing**

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. We noticed that no system of internal audit had been introduced in the Department so far to check the compliance with Rules / Government Orders by the Department.

#### **4.6 Audit Methodology and Results of Audit**

Transport Department of Telangana computerised its core functions like issue of driving licences, registration of vehicles, collection of revenue, grant of permits, checks of motor vehicles, *etc.*, through a ‘Citizen Friendly Services in Transport Department (CFST)’ application.

The CFST data is in a central server located in the Transport Commissionerate. The Regional Transport Authorities (RTAs) are connected to the Data Centre (Transport Commissionerate) through Telangana State Wide Area Network (TSWAN). The service access is also available at each Regional Transport Office.

Data in CFST relating to the 27 sampled units was downloaded by the Audit team and analysed with the help of analytical tools like Interactive Data Extraction and Analysis (IDEA) and Microsoft Excel.

Audit of Motor Vehicles Tax receipts was conducted through a test check of relevant records and transaction data of 27 sampled units in the State during 2019-21 to gain assurance that the fees are levied, collected and accounted for in accordance with the relevant Acts, Codes and Manuals and the interests of the Government are safeguarded. Audit brought out instances of deviations / non-compliance with the provisions of the Acts and Rules in 157 cases involving an amount of ₹31.59 crore, as detailed in the following Table.

**Table 4.3: Category of Audit observations on Revenue Receipts**

(₹ in crore)

Sl. No.	Category of Audit observations	No. of deviations	Amount
1	Non-levy of quarterly tax and penalty	24	9.80
2	Vehicles plying without valid fitness certificates	26	10.82
3	Non-collection of green tax	26	1.36
4	Non-disposal of vehicle check reports and consequential non-realisation of compounding fee	22	0.45
5	Vehicles plying without valid registration certificates	23	8.11
6	Others	36	1.05
	<b>Total</b>	<b>157</b>	<b>31.59</b>

There are six broad categories of audit observations under Motor Vehicle Taxes. There may be similar irregularities, errors / omissions not covered in the test audit. The Department may, therefore, examine all the transactions to ensure that the taxes are levied as per provisions of the Acts and Rules.

The Telangana Motor Vehicles Taxation Act, 1963, The Motor Vehicles Act, 1988 and rules made there under and The Central Motor Vehicle Rules, 1989 respectively provide for:

- i. Levy and collection of Motor Vehicle tax / additional tax from the vehicle owner at the prescribed rate in advance and within the grace period provided;
- ii. Levy and collection of fitness fee from the vehicle owners after completion of the prescribed period; and
- iii. Levy and collection of green tax from the owners of vehicles after completion of the prescribed age from the date of registration.

Significant cases of non-compliance with the provisions of the Acts / Rules in 118 cases amounting to ₹30.22 crore are discussed in the succeeding paragraphs.

#### **4.7 Non-realisation of Quarterly Tax and Non-levy of Penalty**

Every owner of a transport vehicle is liable to pay tax at specified rates<sup>2</sup> within the specified period. Belated payment of tax beyond two months from the beginning of a quarter attracts penalty at the rate of 50 *per cent* of quarterly tax (QT) if the tax is paid voluntarily; it is twice the rate of QT if the non-payment is detected in enforcement<sup>3</sup>.

We analysed (between January 2020 and February 2021) the data for the period 2015-16 to 2019-20 in the offices of Joint Transport Commissioner (JTC), Khairtabad, Hyderabad, 17 District Transport Offices (DTOs)<sup>4</sup> and five Regional Transport Offices

<sup>2</sup>Section 3 of The Telangana Motor Vehicles Taxation Act, 1963 read with G.O.Ms. No. 68 Transport, Roads and Buildings (TR-I) Department dated 13 April 2006.

<sup>3</sup>Sections 4 and 6 of The Telangana Motor Vehicles Taxation Act, 1963 read with G.O.Ms.No.318, Transport, Roads and Buildings (TR-I) Department dated 3 November 2008.

<sup>4</sup>DTOs – Bhadradri Kothagudem, Jangaon, Jayashankar Bhupalapally, Jogulamba Gadwal, Kamareddy, Komarambheem Asifabad, Medak, Medchal Malkajgiri, Nagarkurnool, Nalgonda, Nirmal, Rangareddy, Sangareddy, Siddipet, Vikarabad, Warangal (Rural) and Yadadri Bhuvanagiri.

(RTOs)<sup>5</sup>. In 5,121 instances, owners of transport vehicles did not pay QT. The Department had not issued any demand notices to collect the dues. This resulted in non-realisation of QT of ₹6.18 crore and non-levy of penalty of ₹3.09 crore respectively.

The matter was referred to the Government in November 2021. Reminders were issued in January 2022 and April 2022; replies have not been received.

#### **4.8 Non-renewal of Fitness Certificate**

Section 56 of The Motor Vehicles Act, 1988 provides that Fitness Certificate (FC) in respect of transport vehicles is to be renewed every year on payment of FC fee at the prescribed rates<sup>6</sup> and after conduct of stipulated tests.

We analysed (between January 2020 and February 2021) the data for the period 2015-16 to 2019-20 relating to issue of FCs of the offices of Joint Transport Commissioner, Khairatabad, Hyderabad, 19 DTOs<sup>7</sup> and six RTOs<sup>8</sup>. It was observed that FCs for 1,33,871 transport vehicles were not renewed between 2015-16 and 2019-20 resulting in non-realisation of FC fees amounting to ₹10.62 crore. Allowing vehicles without fitness certificate to ply not only affects revenue, but also impacts road safety and environment adversely.

The matter was referred to the Government in November 2021. Reminders were issued in January 2022 and April 2022; replies have not been received.

#### **4.9 Non-realisation of Registration Certificate Renewal Fee**

According to the Central Motor Vehicles Rules, 1989<sup>9</sup> the Registration Certificate (RC) of any motor vehicle (other than a transport vehicle) is to be renewed after expiry of its validity period of 15 years<sup>10</sup> on payment of renewal fee at the stipulated rates<sup>11</sup>.

We analysed (between January 2020 and February 2021) the data for the period 2015-16 to 2019-20 relating to validity of RCs of the offices of JTC, Khairatabad, Hyderabad, 16 DTOs<sup>12</sup> and six RTOs<sup>13</sup>.

Our analysis revealed that RCs in respect of 88,271 vehicles were not renewed between 2015-16 and 2019-20 after expiry of validity period, which resulted in non-realisation of

<sup>5</sup>RTOs - Hyderabad North Zone (Tirumalgiri), Hyderabad South Zone (Bandlaguda), Hyderabad West Zone (Tolichowki), Ibrahimpatnam and Uppal.

<sup>6</sup>Rule 81 of The Central Motor Vehicles Rules, 1989 read with GSR 1183 (E) dated 29 December 2016 of Ministry of Road Transport and Highways.

<sup>7</sup>DTOs - Bhadradi Kothagudem, Yadadri Bhuvanagiri, Jangaon, Jayashankar Bhupalapally, Jogulamba Gadwal, Kamareddy, Komarambheem Asifabad, Mahabubabad, Medak, Medchal Malkajigiri, Nagarkurnool, Nalgonda, Nirmal, Ranga Reddy, Sangareddy, Siddipet, Suryapet, Vikarabad and Warangal (Urban).

<sup>8</sup>RTOs - Hyderabad East Zone (Malakpet), Hyderabad North Zone (Tirumalgiri), Hyderabad South Zone (Bandlaguda), Hyderabad West Zone (Tolichowki), Ibrahimpatnam and Uppal.

<sup>9</sup>Rule 52(3) of The Central Motor Vehicles Rules, 1989.

<sup>10</sup>Section 41(7) of The Motor Vehicles Act, 1988.

<sup>11</sup>Rule 81 of The Central Motor Vehicles Rules, 1989 amended *vide* GSR 1183 (E) dated 29 December 2016 of Ministry of Road Transport and Highways.

<sup>12</sup>DTOs - Bhadradi Kothagudem, Janagaon, Jayashankar Bhupalapally, Jogulamba Gadwal, Kamareddy, Medak, Medchal Malkajigiri, Nagarkurnool, Nalgonda, Nirmal, Rangareddy, Sangareddy, Siddipet, Vikarabad, Warangal (Rural) and Yadadri Bhuvanagiri.

<sup>13</sup>RTOs - Hyderabad East Zone (Malakpet), Hyderabad North Zone (Tirumalgiri), Hyderabad South Zone (Bandlaguda), Hyderabad West Zone (Tolichowki), Ibrahimpatnam and Uppal.

renewal fee amounting to ₹7.62 crore . The department replied that action would be taken to book the cases and collect the outstanding dues when the vehicle owners approach the offices for any kind of transactions.

The matter was referred to the Government in November 2021. Reminders were issued in January 2022 and April 2022; replies have not been received.

#### **4.10 Non-realisation of Compounding Fee**

As per Section 200 of The Motor Vehicles Act, 1988 read with Government Order<sup>14</sup>, offences<sup>15</sup> under the Act are to 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) are to be sent to the regional transport authorities concerned.

Our analysis (between January 2020 and February 2021) of the data for the period 2015-16 to 2019-20 relating to Vehicle Check Reports (VCRs) in the offices of six DTOs<sup>16</sup> and three RTOs<sup>17</sup> revealed that in 332 cases the compounding fees of ₹37.53 lakh for the offences under transport laws was not collected. This resulted in non-realisation of compounding fees of ₹37.53 lakh. The department replied that action would be taken to dispose of the VCRs and collect the outstanding compounding fees.

The matter was referred to the Government in November 2021. Reminders were issued in January 2022 and April 2022; replies have not been received.

#### **4.11 Non-levy of Green Tax**

Green Tax (GT) is to be levied<sup>18</sup> at the stipulated rates on 'transport and non-transport vehicles' completing seven years and 15 years of age respectively, from the date of their registration<sup>19</sup>.

We analysed (between April 2018 and February 2021) the data for the period 2015-16 to 2019-20 relating to GT in the offices of Joint Transport Commissioner, Khairatabad, Hyderabad, 19 DTOs<sup>20</sup> and six RTOs<sup>21</sup>. It was observed that GT in respect of 79,730 transport vehicles and 9,495 non-transport vehicles amounting to ₹2 crore was not levied.

The matter was referred to the Government in November 2021. Reminders were issued in January 2022 and April 2022; replies have not been received.

<sup>14</sup>G.O.Ms.No.108, Transport, Roads and Buildings (TR-I) Department, dated 18 August 2011.

<sup>15</sup>Offences like driving without - licence, registration certificate and fitness certificate; under-age driving, driving at excessive speed, overloading etc.

<sup>16</sup>DTOs –Attapur, Jangaon, Jayashankar Bhupalapally, Mahabubabad, Suryapet and Warangal (Rural).

<sup>17</sup>RTOs –Hyderabad South Zone ( Bandlaguda), Ibrahimpatnam and Uppal.

<sup>18</sup>G.O.Ms. No. 238, Transport, Roads and Buildings (TR-1) Department, dated 23 November 2006.

<sup>19</sup>The rates of Green Tax are ₹200 per annum for transport vehicles; ₹250 for motorcycles and ₹500 for other than motorcycles (every five years).

<sup>20</sup>DTOs – Bhadradi Kothagudem, Jangaon, Jayashankar Bhupalapally, Jogulamba Gadwal, Kamareddy, Karimnagar, Komarambheem Asifabad, Medak, Medchal Malkajgiri, Nagarkurnool, Nirmal, Nizamabad, Nalgonda, Rangareddy, Sangareddy, Siddipet, Vikarabad, Warangal (Rural) and Yadadri Bhuvanagiri.

<sup>21</sup>RTOs –Hyderabad East Zone (Malakpet), Hyderabad North Zone (Tirumalagiri), Hyderabad South Zone (Bandlaguda), Hyderabad West Zone (Tolichowki), Ibrahimpatnam and Uppal.



#### **4.12 Short levy of Tax in respect of second and subsequent personalised vehicles owned by individuals**

As per The Telangana Motor Vehicles Taxation Act, 1963<sup>22</sup>, every second and subsequent personalised vehicle having a seating capacity of up to 10 in all, owned by an individual, shall be taxed at the rate of 14 *per cent* of the cost of the vehicle with effect from 2 February 2010<sup>23</sup>.

Our analysis (between September 2020 and January 2021) of the data for the period 2016-17 to 2019-20 in the offices of JTC, Khairtabad, Hyderabad, six DTOs<sup>24</sup> and four RTOs<sup>25</sup> revealed that taxes in respect of 416 second and subsequent personalised vehicles were collected at lower rate of nine *per cent* (two wheeled motor vehicles) and of 12 *per cent* (four wheeled motor vehicles) respectively instead of 14 *per cent*. This resulted in short levy of tax amounting to ₹32.87 lakh.

The matter was referred to the Government in November 2021. Reminders were issued in January 2022 and April 2022; replies have not been received.

<sup>22</sup>As per fifth proviso to Section 3(2) of The Telangana Motor Vehicles Taxation Act, 1963.

<sup>23</sup>As per Act No.11 of 2010 (31 July 2010).

<sup>24</sup>DTOs – Medchal Malkajgiri, Nalgonda, Rangareddy, Sangareddy, Vikarabad and Yadadri Bhuvanagiri.

<sup>25</sup>RTOs: Hyderabad South Zone (Bandlaguda), Hyderabad North Zone (Thirumalagiri), Ibrahimpatnam and Uppal.

