

CHAPTER-IV TAXES ON VEHICLES

4.1 Tax Administration

The Kerala Motor Vehicles Department is primarily established for enforcement of provisions of Motor Vehicle Act 1988, Kerala Motor Vehicles Taxation Act, 1976 and the rules framed thereunder. The Kerala Motor Vehicles Department (MVD) has been facilitating computerisation of over 18 Regional Transport Offices (RTOs), 14 Safe Kerala Control Rooms, 68 Sub Regional Transport offices (SRTOs) and 19 Motor Vehicles Check Posts (MVCP) across the state. Kerala Motor Vehicle Department is entrusted with the responsibility of providing registration of vehicles in Kerala, issuance of Driving license, issuance of various permits, collection of road taxes and control of vehicular pollution. Safe Kerala Wing of MVD is for road safety activities and Enforcement of Motor Vehicles Act. Through these regulatory activities, the Motor Vehicles Department is one of the major source of revenue for the State exchequer.

4.2 Internal Audit

Audit of the State Transport Authority, Regional Transport Offices (RTOs) and offices of the Deputy Transport Commissioner of each zone is conducted by the Finance Officer of the Motor Vehicles Department. Internal audit of Sub RTOs and Motor Vehicle Check Posts of the Department are conducted by the Senior Superintendents attached to the office of each of the Zonal Deputy Transport Commissioners. The Internal Audit team is comprised of one Accounts Officer, nine Senior Superintendents and 11 Clerks. Against the target of 110 units, 28 units were audited during 2021-22. The Department stated that the periodicity of audit of all offices is annual but it could not achieve the target due to shortage of staff in Internal Audit Wing, lack of proper training and audit software. During 2021-22, the Department cleared 145 paras which was 2.70 *per cent* of the outstanding 5,365 paras.

4.3 Results of Audit

There were 110 auditable units in Motor Vehicles Department. Audit of RTOs are conducted every year and SRTOs once in two years. The audit is conducted through direct scrutiny by visiting the field offices, and also by analysing the data extracted from the VAHAN⁴⁹. Test check of records of 18 offices by direct scrutiny during 2021-22 relating to tax, registration fee, permit fee, driving license fee, conductor license fee, penalties and composite fee under National Permit Scheme showed non/ short-levy of one-time tax, non-levy of green tax, non-remittance of tax and other irregularities during the

⁴⁹ The computerised software with integrated solutions for Vehicle Registration, Fitness, Taxes, Permits & Enforcement.

year 2020-21. Audit had pointed out some of the similar omissions in the earlier years also. Not only do these irregularities persist, but they also remain undetected till the next audit. There is a need for the Government to improve the internal control system including strengthening of internal audit so that recurrence of such cases can be avoided. Under assessment of tax and other irregularities involving ₹5.16 crore are as shown in **Table - 4.1** which comprises 103 cases falling under the following categories.

Table – 4.1
Details of under assessment of tax and other irregularities

(₹ in crore)

Sl. No.	Categories	Number of cases	Amount
1	Non/ short levy of tax	91	5.05
2	Others	12	0.11
Total		103	5.16

During the course of the year, the Department accepted non/ short-levy of tax and other deficiencies of ₹5.16 crore in 103 cases, which were pointed out by Audit. An amount of ₹10.75 crore pointed out was realised in 102 cases during the year.

The Motor Vehicles Department fully automated its functions by implementing application software ‘SMARTMOVE’ w.e.f January 2007, which was replaced by ‘VAHAN’ with effect from 2019 to automate the RTO operations related to Vehicle Registration, Permit, Taxation and Enforcement. A few illustrative audit observations on audit scrutiny of the automated software, involving ₹72.98 crore is mentioned in the succeeding seven paragraphs. It may be mentioned that the paragraphs below are based on the data extracted from VAHAN and physical verification carried out in 18 audit units out of the total audit units of 110 ie. 16 per cent.

Absence of basic checks in the records in the database by the officials at Regional/ Sub-Regional Transport Offices resulted in non/ short levy of tax amounting of ₹72.98 crore.

4.4 Failure of transport vehicles to renew the Certificate of Fitness leading to safety issues and non-realisation of Penalty and Additional fee

Certificate of fitness is a document that certifies that the vehicle is fit in all respects to ply on road. As per central Motor Vehicles Rules 62(1) a certificate of fitness in respect of a transport vehicle under Section 56 of the Motor Vehicles Act, 1988 shall be valid or renewed for the period as indicated below:

- New transport vehicle - two years.
- Renewal of Certificate of fitness in respect of Transport Vehicles - Two years for vehicles up to eight years old and one year for vehicles older than eight years.

Transport vehicle shall not be deemed to be validly registered unless it carries a certificate of fitness. To ensure effective control over the fitness of vehicles, Rule 105(5) of Kerala Motor Vehicles Rules provides for imposing penalty for non-renewal of certificate of fitness. Thus, if a vehicle is not produced for the renewal of the certificate of fitness on or before the date of expiry, a penalty at the rate of hundred rupees in the case of a two-wheeler or an autorickshaw, at the rate of one hundred and fifty rupees in the case of a motor cab and at the rate of two hundred rupees in the case of other transport vehicles shall be charged for every calendar month or part thereof.

Government of India has introduced⁵⁰ an additional fee of ₹50 for each day of delay after the expiry of the certificate of fitness and the fee for the Certificate of Fitness has been revised with effect from 1 April 2022⁵¹.

a. Non identification of vehicles not having valid certificate of fitness and non-imposition of penalty

During the Audit scrutiny (2021-22) of all RTOs and SRTOs in the State, on analysis of the VAHAN Database, audit noticed that between 1 April 2017 and 31 March 2021, validity of certificate of fitness in respect of **11,598** out of **13,09,066** active Transport vehicles had expired and the vehicles were not produced for re-examination for the issue of certificate of fitness. However,

⁵⁰ Vide Gazette Notification Number G.S.R. 1183 (E) dated 29 December 2016.

⁵¹ Vide Gazette Notification Number G.S.R. 714 (E) dated 4 October 2021.

the vehicles were operating on the road without a valid Certificate of Fitness, thus affecting public safety and endangering the environment. Despite the availability of information in VAHAN, the Enforcement wing of the Department neither initiated any action to cancel the registration/ permit of these vehicles whose fitness certificate has expired nor issued any notice to defaulting vehicle owners. As a result penalty leviable under Rule 105 (5) of KMVR and additional fee in respect of **11,598** vehicles amounted to **₹56.80** crore as detailed in **Appendix XVI (a)**.

b. Non imposition of penalty on vehicles which have renewed certificate of fitness belatedly

In addition to the above, Audit scrutiny (November 2022) of the Fitness renewal data from 'VAHAN' database related to all RTOs/ SRTOs functioning in the State revealed that during the period 2019-21, 1,68,824 transport vehicles renewed the fitness certificates. Of this, 30,479 vehicles were produced for fitness check after the expiry of specified date and it was seen that penalty was not/ short imposed on **26,672** transport vehicles. This resulted in non/ short imposition of penalty for belated renewal of Certificate of Fitness of Transport vehicles to the tune of **₹3.29 crore** as detailed in **Appendix XVI (b)**.

In reply to the audit observation, Government stated (March 2023) that the matter has been intimated to all RTOs and JRTOs and final Action Taken Report would be furnished within three months.

It is recommended that the Government may put in place a proper monitoring mechanism to realise penalty and additional fee in respect of those vehicles due for renewal of certificate of fitness and those which had renewed certificate of fitness. Responsibility must be fixed in cases of non-compliance with the relevant provisions of the Motor Vehicles Act.

4.5 Short levy of one time tax on non-transport vehicles

As per second proviso to Section 3(1) of Kerala Motor Vehicles Taxation Act, 1976, in respect of a new motor vehicle, the purchaser has to pay one-time tax at the rate specified in Annexure I at the time of first registration of the vehicle, from the date of purchase of the vehicle. Thereafter tax shall be levied at the time of renewal of registration or on the expiry of the life time tax already paid.

During the Audit scrutiny of all RTOs/ SRTOs (2021-22) functioning in the State, a scrutiny of the VAHAN software, revealed that one-time tax paid in respect of certain vehicles was less than that prescribed in the statutes. Short levy of tax by Regional Transport Officers in respect of **1,543** vehicles pertaining to the period 2019-2021 resulted in short collection of **₹0.83** crore as detailed in **Appendix XVII**.

On this being pointed out (February 2023) Government stated (March 2023) that out of short levy of ₹0.83 crore from 1,543 cases, Transport Department has recovered ₹0.48 crore from 1,001 cases and ₹0.35 crore needs to be collected from 542 cases.

Even though the matter was pointed out in the Reports of the Comptroller and Auditor General of India for the year ended March 2017, March 2018 and March 2021, the issue still persists.

It is recommended that the Department may strengthen the collection mechanism so that recovery is made in time and omissions of the nature pointed out in the Audit Reports are avoided in future.

4.6 Non/ short levy of one time tax on reclassified vehicles

Section 3(1) of the Kerala Motor Vehicles Taxation Act (Part C and F of Annexure I) provides for reclassification of transport vehicles to non-transport vehicles. In such conversion, onetime tax on percentage basis to be paid by the owner of the vehicle, with respect to the age of the vehicles as specified. The dates from which onetime tax is applicable for conversion are:

- a. 1 April 2007 - In the case of motor cycles, three wheelers and motor cars;
- b. 1 April 2014 - motor cabs.

During the Audit scrutiny (2021-22) of all RTOs/ SRTOs in the State, it was noticed that one time tax payable on vehicles which were reclassified as Non-Transport vehicles from Transport vehicles, was not collected in respect of **1,477** vehicles. This resulted in short levy of **₹2.03 crore** during the period 2019-21 as detailed in **Appendix XVIII**.

On this being pointed out (March 2023) Government stated (March 2023) that the matter has been intimated to all RTOs and JRTOs and final Action Taken Report would be furnished within three months.

Even though the matter was pointed out in the Report of the Comptroller and Auditor General of India for the year ended March 2021, the issue still persists.

It is recommended that the Department may avoid such short collection by ensuring strict adherence to the provisions of the relevant Acts. The Department may strengthen internal audit so that weaknesses in the system are addressed and omissions of the nature pointed out in the Audit Reports and which are persistent are avoided in future.

4.7 Failure to collect prescribed rate of tax for goods carriages fitted with tipping mechanism

Schedule 3 of Section 3(1) of Kerala Motor Vehicles Taxation Act, 1976, prescribes quarterly charges for goods carriages fitted with tipping mechanism.

Audit scrutinised (during 2021-22) the tax remittance details of goods carriages fitted with tipping mechanism in all the RTOs/ SRTOs functioning in the State during the period from 2017-18 to 2020-21. It was found that 52,747 goods carriages with tipping mechanism had paid tax during the period. However, tax at the prescribed rate was not levied for 6,167 goods carriages.

Short collection of tax due to the application of incorrect rate of tax in respect of 6,167 goods carriages (in 27,161 cases) worked out to **₹5.02 crore** as detailed in **Appendix XIX**.

In reply to the audit observation, Government stated (March 2023) that the matter has been intimated to all RTOs and JRTOs and final Action Taken Report would be furnished within three months.

Even though the matter was pointed out in the Report of the Comptroller and Auditor General of India for the year ended March 2021, the issue still persists.

It is recommended that the Department should take necessary action to make good the short collection as pointed out in the Audit Reports. The Department may avoid such systemic failures by ensuring strict adherence to the provisions of the relevant Act.

4.8 Failure to levy green tax meant for green initiatives

As per Section 3 A of the Kerala Motor Vehicles Taxation Act, 1976, green tax shall be levied and collected on the motor vehicles specified below for the purpose of implementation of various measures to control air pollution as given in **Table - 4.2**.

Table – 4.2

Sl No	Class and age of vehicle	Rate of Green Tax (₹)	Incidence of levy
1.	Non Transport Vehicles having four or more wheels and completed 15 years from the date of its registration	400 for every five years	At the time of renewal of registration
2.	Light Transport Vehicles having four or more wheels and have completed 10 years from the date of its registration	200 for every year	At the time of renewal of fitness certificate
3.	Medium Transport Vehicles which have completed 10 years from the date of its registration	300 for every year	At the time of renewal of fitness certificate

Sl No	Class and age of vehicle	Rate of Green Tax (₹)	Incidence of levy
4.	Heavy Transport Vehicles which have completed 10 years from the date of its registration	400 for every year	At the time of renewal of fitness certificate

Green tax is to be collected at the time of renewal of certificate of fitness in the case of transport vehicles and at the time of renewal of registration in the case of non-transport vehicles. Audit reviewed the data base of Motor Vehicles Department in the State during 2021-22 and noticed that 86 RTOs/ SRTOs did not collect green tax pertaining to the period 2019-2021, in the prescribed rate in respect of 55,480 vehicles as shown in **Appendix XX**. This resulted in non-realisation of **₹2.51 crore**.

In reply to the audit observation, Government stated (March 2023) that the matter has been intimated to all RTOs and JRTOs and final Action Taken Report would be furnished within three months.

Even though the matter was pointed out in the Report of the Comptroller and Auditor General of India for the year ended March 2021, the issue still persists. The Government may take necessary steps to collect the amount of tax at the earliest to reduce the arrears of revenue.

It is recommended that the Government may put in place a proper monitoring mechanism to raise alerts for demanding green tax on completion of 10 years or 15 years as the case may be.

4.9 Non realisation of tax in respect of Motor Cab

According to Seventh proviso to Section 4(1) of Kerala Motor Vehicles Taxation Act 1976, motor cabs⁵² shall remit tax at the rate specified in item 7(i)(b) and 7(i)(c) of the Schedule. The rate specified in the Schedule is ₹350 per quarter for motor cab specified in item 7(i)(b) and ₹425 for tourist motor cabs specified in item 7(i)(c).

Audit analysed (February 2023) the tax remittance data of motor cabs from VAHAN database in all RTOs/ SRTOs in the State. It was noticed in Audit that out of the 90,947 Motor Cabs registered in the offices, motor vehicle tax in respect of 6,554 vehicles has not been remitted till 31 March 2021. This has resulted in non-collection of motor vehicle tax of **₹1.94 crore** as detailed in **Appendix XXI**.

Even though the Transport Commissioner directed to send demand notice to all vehicles for which tax is in arrears not later than last week of the second month of the quarter and to initiate revenue recovery proceedings in cases

⁵² Motor vehicles plying for hire and used for transport of passengers and in respect of which permits have been issued under Motor Vehicles Act 1988.

of demand notice proved futile⁵³, no action was taken by the Department to collect the tax in arrears.

In reply to the audit observation, Government stated (March 2023) that the matter has been intimated to all RTOs and JRTOs and final Action Taken Report would be furnished within three months.

It is recommended that the Department may avoid such failures by ensuring strict adherence to the provisions of the relevant Acts and responsibility must be fixed for non-imposition of tax.

4.10 Non-collection of service charge for permits

Permits are short duration Licenses for interstate transport of transport vehicles. Transport Department had fixed the service charge for issue of temporary permit⁵⁴ (all classes) and special permit⁵⁵ (all classes) as ₹105 as per GO (RT) No. 422/2018/Trans. dated 24/09/2018.

On Audit scrutiny (August 2021) of SMARTMOVE database for the period 2019-21, at the Motor Vehicle Check Posts Poovar and Amaravila, it was noticed that the prescribed service charge was not collected while issuing Temporary Permits and Special Permits.

Departmental lapse in collecting service charge resulted in non-collection of ₹0.56 crore as shown in Table - 4.3.

Table – 4.3

Sl. No.	Name of MVCheck Post	Number of temporary/ special permit issued without collecting Service Charge	Service Charge Collectable (₹)
1	Poovar	42,670	44,80,350
2	Amaravila	10,630	11,16,150
Total		53,300	55,96,500

In reply to the audit observation, Government stated (March 2023) that the final Action Taken Report would be furnished within three months.

It is recommended that the Department may avoid such failures by ensuring strict adherence to the provisions of the relevant Acts. Responsibility may be fixed for non-imposition.

⁵³ Circular No.24/2008 (No.B4/17343/TC/2008) dated 15 October 2008 of Transport Commissioner.

⁵⁴ Permit issued for short duration for interstate transportation.

⁵⁵ Permit issued temporarily for special purposes for interstate transportation.