

CHAPTER-IV: TAXES ON MOTOR VEHICLES

4.1 Results of audit

Test check of records in the Motor Vehicles Department, conducted in audit during the year 2003-2004, disclosed under-assessment of tax, non-levy of penalty, fees, etc. amounting to Rs.1.67 crore in 59 cases, under the following broad categories:

(Rupees in crore)			
Sl. No.	Category	Number of cases	Amount
1	Non-levy/short levy of tax	48	1.51
2	Non-levy/non-collection of fees/penalty	06	0.02
3	Other irregularities	05	0.14
	Total	59	1.67

During the year 2003-2004, the Department accepted under-assessments in 96 cases involving Rs.2.57 crore and recovered Rs.1.53 crore involved in 47 cases which had been pointed out in audit in earlier years.

A few illustrative cases, including certain cases noticed in earlier years which could not be included in previous Reports, involving Rs.79.56 lakh are given in the following paragraphs. Of this, Rs. 4.98 lakh had been recovered.

4.2 Short-levy of tax

Under the Karnataka Motor Vehicles Taxation (KMVT) Act, 1957, the rates of tax leviable on various classes of vehicles are enumerated in the Schedule to the Act. The rates of tax are being revised periodically.

During audit of 11[♦] Regional Transport Offices (RTOs), it was noticed between April and December 2003 that the taxes had been levied and collected at pre-revised rates in respect of 85 vehicles for the period April 1998 to

[♦] RTOs – Bagalkot, Bangalore (Central), Bangalore(East), Bijapur, Chitradurga, Gadag, Gulbarga, Raichur, Sirsi, Udupi, ARTO –Kolar Gold Fields

January 2004. This resulted in short levy of tax of Rs.7.80 lakh (including cess) as detailed below:

(Rupees in lakh)				
Sl. No.	Type of vehicle (Number of vehicles)	Tax leviable	Tax levied	Short levy
1.	Multi-axled goods vehicle (24)	5.36	4.02	1.34
2.	Articulated goods vehicle (6)	0.34	0.22	0.12
3.	Private Service vehicle (41)	47.26	41.89	5.37
4.	Tourist operated bus (5)	4.34	3.64	0.70
5.	Stage Carriage (5)	1.23	1.18	0.05
6.	Maxi-cab (3)	0.48	0.43	0.05
7.	Trailer (1)	0.34	0.17	0.17
	Total (85)	59.35	51.55	7.80

After these cases were pointed out in audit between April to December 2003 to the concerned RTOs, Government endorsed in October 2004 the reply of the Department accepting audit observations in respect of 27 vehicles of nine* RTOs involving Rs.4.21 lakh, of which Rs.2.25 lakh has been recovered. Reply in respect of the remaining cases has not been received (January 2005).

4.3 Non-levy of tax

Under the KMVT Act, the tax levied is to be paid in advance, for a quarter, half-year or year, within fifteen days from the commencement of such period. Non-payment of tax constitutes an offence which could be compounded on payment of penalty at 20 *per cent* of the arrears of tax due. The Act provides for seizure, detention and sale of vehicles, in respect of which tax has not been paid, by empowered officers of Motor Vehicles Department/ Police Department. The tax dues are also recoverable as arrears of land revenue. In the case of transport vehicles, the validity of the permits for the vehicles would become ineffective during the period of default.

* Bagalkot, Bangalore (East), Bijapur, Chitradurga, Gadag, Raichur, Sirsi, Udupi, ARTO, Kolar Gold Fields.

During test-check of records of eight³⁸ RTOs, it was noticed that in respect of 36 vehicles, tax of Rs.15.36 lakh had not been paid for different periods between April 1998 and May 2003. No action had been taken by the Department to raise the demand and to recover the taxes. On composition of these cases, an additional sum of Rs.3.07 lakh was also realisable.

After these cases were pointed out in audit between April 2003 and February 2004, Government endorsed in October 2004 the reply of the Department accepting audit observations in respect of seven vehicles of three³⁹ RTOs involving Rs.10.33 lakh. Report of recovery in these cases and reply in respect of remaining cases has not been received (January 2005).

4.4 Non-levy of tax on non-adherence to conditions of surrender

Under the KMVT Act, motor vehicles registered in the State are exempted from payment of tax for the period during which the vehicles are not intended to be used on roads. For obtaining the exemption, the registered owner of the motor vehicle is required to furnish to the registering authority a declaration of non-use specifying the place where it is garaged along with details of payment of taxes up to the date of surrender of the documents. The said exemption is not applicable if the vehicle is removed from the garage without prior permission of the registering authority. The KMVT Rules provide for composition of the offence on payment of 20 *per cent* of the arrears of tax due as penalty.

In eight⁴⁰ RTOs, declarations of non-use of 11 registered motor vehicles were accepted between June 1998 and October 2000 by the Department. However, during inspection between March 1999 and September 2003, the vehicles were not found at the declared place of garage. Consequently, they became ineligible for the exemption from payment of tax of Rs.39.68 lakh, but no action was taken to raise demand or recover the tax due. Failure to do so resulted in non-levy of tax of Rs. 39.68 lakh covering the period between June 1998 and November 2003. Besides, penalty of Rs. 7.94 lakh was also leviable on composition.

After these cases were pointed out in audit between April 2003 and February 2004, Government endorsed in October 2004 the reply of the

³⁸ RTOs Bangalore (Central), Bijapur, Chamarajanagar, Gadag, Karwar, Mangalore, Tumkur; ARTO Chickballapur

³⁹ RTOs – Bijapur, Chamarajanagar, Gadag

⁴⁰ Bangalore (West), Belgaum, Bijapur, Chickballapur, Dharwad, Gulbarga, Raichur, Tumkur

Department accepting audit observations and issue of notices raising demand of Rs.8.58 lakh in respect of four vehicles of three[∞] RTOs. Report of recovery in these cases and replies in respect of the remaining cases have not been received (January 2005).

4.5 Short levy of tax due to incorrect classification of vehicles/ application of rates

Under the KMVT Act, tax on motor vehicles is levied at the prescribed rates for different classes of motor vehicles.

During audit of two RTOs between November 2000 and July 2002, it was noticed that the tax levied and collected in respect of 12 vehicles was short by Rs.5.71 lakh due to incorrect classification of the vehicles/ application of incorrect rates of tax as detailed below:

(Rupees in lakh)						
Sl. No.	Regional Transport Office (Number of Vehicles)	Period of Tax		Tax leviable	Tax levied	Short levy
		From	To			
1	Hospet (3)	01.02.1999	18.09.1999	4.04	1.85	2.19
The vehicles though registered as Private Service Vehicles (PSV) were being used for transport of employees of a mining company on hire/contract. Hence they were liable to tax as contract carriages instead of as PSV. Department reply is awaited (January 2005).						
	(6)	01.03.2001	31.03.2002	7.44	4.69	2.75
Taxes on the vehicles were levied as PSVs leased to a company. However, the permits were issued in the name of the registered owner and not in favour of the company as required under the Act. Hence the vehicles were to be considered as contract carriages and tax levied accordingly. After this was pointed out in audit, the Department re-issued the permits in favour of the company and recovered Rs.2.22 lakh in respect of five vehicles (June 2004) and raised demand of Rs.0.53 lakh in respect of one vehicle.						
2	Mysore (3)	-	-	0.79	0.02	0.77
Lifetime tax leviable on motor cars exceeding 800 cc is Rs.18000 or seven per cent of the cost of vehicle, whichever is higher. However, on cars owned by Central Government employees, tax is payable at the rate of Rs.187.50 per quarter. In respect of three cars registered in the names of employees of a Research Institute, the tax for one year was levied and collected on the quarterly rate of Rs.187.50 on the basis of the employment certificate issued by the Institute. As the certificate clearly mentioned that the Institute is an						

[∞] Bijapur, Dharwad, Gulbarga

(Rupees in lakh)

Sl. No.	Regional Transport Office (Number of Vehicles)	Period of Tax		Tax leviable	Tax levied	Short levy
		From	To			
autonomous body under the Ministry of Science and Technology, Government of India, lifetime tax should have been levied instead of the quarterly tax applicable to Central Government employees.						
The Department accepted the audit observations and recovered Rs.0.51 lakh in respect of two vehicles (June 2004) and raised demand of Rs.0.26 lakh in respect of one vehicle.						
Total		(12)	12.27	6.56	5.71	

After these cases were referred to Government in June 2004, Government endorsed in October 2004 the reply of the Department.



