

Chapter VI

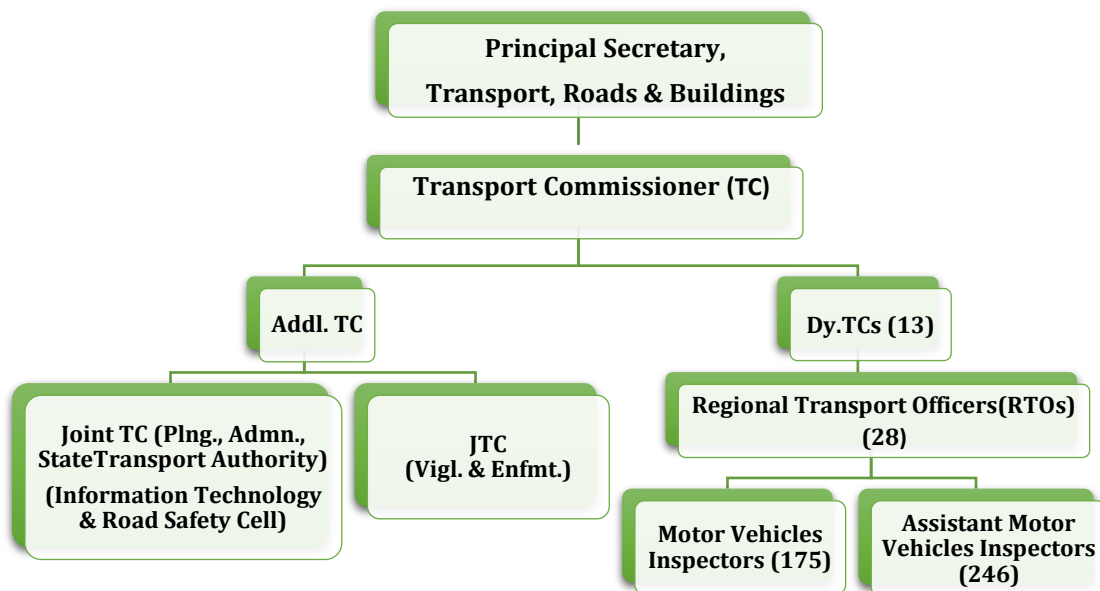
Motor Vehicle Taxes

6.1 Tax Administration

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 Department is primarily responsible for enforcement of these Acts and Rules for collection of taxes, fees, issue of driving licenses, 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 below:

Figure 6.1 Organogram



Receipts from motor vehicles taxes form the fourth largest source of revenue for the State and account for 2.91 *per cent* of the total revenue of the State. These receipts have been increasing from year-to-year since 2016-17. The total revenue from motor vehicles taxes during 2018-19 was ₹3,341 crore (an increase of 9.94 *per cent* over 2017-18).

6.2 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 system encompasses the core functions of the department such as issue of driving licenses, issue of fitness certificates, registration of vehicles, collection of revenue, granting of permits, checks of motor vehicles *etc.*

Audit teams analysed the data provided by the Transport Commissioner from the CFST system to see whether they complied with the relevant provisions of the

Act/Rules/Codes in applying the rates of tax. In addition, in three offices¹, cross verification of the details of receipts in the system was carried out with the details in the treasuries to gain assurance that the Department has collected and accounted for all the revenue that was due to the Government.

APMVT Act, Motor Vehicles Act, and Rules made thereunder and CMV Rules, respectively provide for:

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

Audit analysis revealed the following cases of non-compliance with the provisions of the relevant Act/Rules/Codes.

Table 6.1: Results of Audit

Sl. No.	Category	No. of paras	(₹ in crore)
			Amount
01	Loss of Revenue due to under invoicing	01	10.36
02	Short levy of life tax on registration of second and subsequent vehicles	01	3.58
03	Non collection of Green tax	01	3.22
04	Non realisation of Quarterly tax and penalty on Transport vehicles	01	3.36
05	Transport vehicles without valid fitness certificates	01	0.97
06	Pending vehicle check report cases	01	3.54
Total		06	25.03

During the year 2018-19, the Department accepted underassessment of ₹0.42 lakh in one case. Significant cases of non-compliance with the provisions of the Acts/ Rules amounting to ₹11.13 crore are discussed in the succeeding paragraphs.

6.3 Short levy of life tax on registration of second and subsequent vehicles

Life tax payable on vehicles registered under the category of second and subsequent vehicles for personal use was levied at 12 per cent instead of at 14 per cent, resulting in short levy of tax of ₹3.58 crore

As per Section 4(aa) of APMVT Act 1963, the 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.

As per seventh schedule to the APMVT Act, amended vide Act 11/2010, life tax payable in respect of vehicles registered under the category of second and subsequent

¹ DTC Guntur, RTOs of Nandigama and Tirupathi.

vehicles for personal use (non transport vehicles) having seating capacity up to 10 in all, was revised and a tax of 14 *per cent* on invoice price of the vehicle is payable.

During an analysis of data for the year 2018-19, it was noticed that 6,66,793 non transport vehicles (motor cars and motorcycles), were registered in the State between April 2018 and March 2019. This was compared with the data of 16,25,693 non transport vehicles, that were registered prior to April 2018, so as to identify the owners who already own at least one vehicle purchased prior to 2018-19.

In 27 (out of 28) RTOs of the State, it was observed that in case of 4,759 vehicles (second/subsequent vehicle), tax was levied at 12*per cent* instead of at 14 *per cent*. This had resulted in short levy of life tax at differential rate of two *per cent* which worked out to ₹3.58 crore during the year 2018-19.

The matter was referred to the Transport Commissioner (May 2020) and to the Government (June 2020). Their reply has not been received (December 2020).

6.4 Non-collection of Green tax

Green Tax amounting to ₹3.22 crore was not levied while renewing the registration/issuing fitness certificate of non-transport and transport vehicles

According to Section 3-B of APMVT Act, an additional tax called Green Tax shall be levied on transport vehicles and non-transport vehicles that have completed seven years and 15 years of age respectively, from the date of registration.

Analysis of CFST data for the period 2018- 2019 relating to the State revealed that 665 non-transport vehicles completed 15 years of age and 1,59,590 transport vehicles completed 7 years of age as of March 2019. During this period, these vehicle owners approached RTOs across the State for various services like renewal of registration, change of address, to get the fitness of the transport vehicles tested *etc.* However, in all these cases, Green Tax was not levied and collected, although the validity of their registration was extended before its expiry. This had resulted in forgoing revenue amounting to ₹3.22 crore.

The reason for non-collection is that, the system demands Green Tax only when the vehicle owner approaches for renewal of fitness of the vehicle after the expiry of validity of fitness/registration. In case the owner approaches the department for any of these purposes before the end of validity of fitness certificate/registration certificate, the system does not prompt for collection of Green Tax though the tax was due.

Audit had highlighted this issue in earlier reports (Para 5.4.18.4 in Report no 1 of 2015) and recommended to build in relevant controls in CFST, so as to alert RTOs on levy of Green Tax. However, no action had been taken by the department.

The matter was referred to the Transport Commissioner (May 2020) and to the Government (June 2020). Their reply has not been received (December 2020).

6.5 Non-realisation of Quarterly Tax and Penalty on Transport Vehicles

Quarterly tax and penalty was not paid by the owners of transport vehicles within the prescribed time resulting in non-realisation of revenue of ₹3.36 crore

Section 3 of APMVT Act 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 order², 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, 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.

Under Section 8 of the Act, transport authorities may seize and detain the motor vehicle in respect of which tax was due.

Verification of State online data of transport vehicles revealed that 9,33,083 transport vehicles of different categories were due for payment of quarterly tax to the end of March 2019. Analysis of quarterly tax payment by Heavy Goods Vehicles (HGV) was carried out in 26 RTOs of the State. Analysis disclosed that 1,05,553 vehicle owners did not pay their quarterly tax during the year. Number of registered owner who did not pay quarterly tax for one quarter during the year 2018-19 were 71,796; those who did not pay for two quarters were 29,873; and those who did not pay for three quarters were 2,228.

Of these 1,05,553 vehicles, Audit observed that 1,656 vehicle owners have quarterly tax due for all the four quarters in the year 2018-19. Tax due for these 1,656 vehicles was arrived at ₹3.36 crore. The status of these 1,656 vehicles was verified in the department's website. Status was seen as 'valid' which means that the vehicle was eligible to ply on the roads. Depiction of status of the vehicle as 'valid' is not correct since the tax from these vehicles is to be collected by issuing a notice to the vehicle owners and vehicles are to be seized and detained wherever tax is due. Department may initiate action to recover tax dues from all the vehicle owners, for all classes of vehicles, who are required to pay quarterly tax.

The matter was referred to the Department (May 2020) and to the Government (June 2020). Their reply has not been received (December 2020).

6.6 Transport Vehicles plying without valid Fitness Certificates

Non-renewal of Fitness Certificate for vehicles whose status is active, besides non-realisation of fitness fee of ₹97.36 lakh, is likely to jeopardise road safety

As per Section 56 of the Motor Vehicles Act, 1988, a Transport vehicle shall not be deemed to be validly registered, unless it carries a certificate of fitness. As per Rule 62

² G.O.Ms. No96, Transport, Roads and Building (Tr.II) Department, dated 21 May 1991.

of CMV Rules, the Fitness Certificate (FC) shall be renewed every year by the Inspector of Motor vehicles.


An analysis of data provided by the State Transport Authority on granting of fitness and check of the vehicle check records / registers relating to the year 2018-19, revealed the following:

- Fitness of 49,524 vehicles covering the State of AP was not verified and FC was not granted.
- Motor Vehicle Inspectors intercepted 9,237 vehicles during their regular enforcement. However, the validity of FC of the vehicle was not verified during enforcement although fitness expired as on date of check.

The revenue impact on account of non-verification of fitness of vehicles and non-issue of FC was ₹97.36 lakh for the year 2018-19. Allowing vehicles without fitness to ply not only affects revenue but also impacts road safety and environment adversely and endangers the lives of citizens.

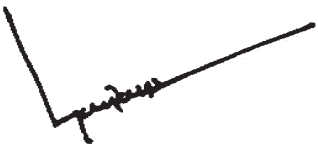
The matter was referred to Transport Commissioner (May 2020) and to the Government (June 2020). Their reply has not been received (December 2020).

Hyderabad
The 19 MAR 2021


(CHANDA M. PANDIT)
Accountant General (Audit)
Andhra Pradesh

Countersigned

New Delhi
The 22 MAR 2021


(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India