

CHAPTER-III TAXES ON VEHICLES

3.1 Tax administration

The receipts from the Transport Department are regulated under the provisions of the Central and the State Motor Vehicles Acts and Rules made thereunder. The Transport Department functions under the administrative control of the Secretary Transport Department at the Government level and the Transport Commissioner (TC) at the department level. The levy and collection of tax in the State is governed by the Motor Vehicles (MV) Act, 1988, Central Motor Vehicles (CMV) Rules, 1989, and the Kerala Motor Vehicles Taxation (KMVT) Act, 1976.

3.2 Internal audit

The Finance Officer of the Motor Vehicles Department conducts the audit of the department with the prior approval of the Transport Commissioner (TC). The Finance Officer conducts inspection of the State Transport Authority, offices of the Deputy Transport Commissioners of each zone and Regional Transport Offices (RTOs). The Senior Superintendents attached to the office of each of the Zonal Deputy Transport Commissioners conduct internal audit of Sub RTOs and Motor Vehicle Check Posts of the Department. The Internal Audit team is comprised of one Accounts Officer, ten Senior Superintendents and twelve Clerks. No special training has been imparted to the personnel of the Internal Audit Wing (IAW). Against the target of 103 units, 73 units were audited during 2017-18. The Department stated that the periodicity of audit of all offices is annual but the Department could not achieve the target due to ceiling in TA, lack of proper training and other reasons. The Department did not prepare a separate Internal Audit Manual. During 2017-18, the Department cleared 781 paras which was 16.76 *per cent* of the outstanding 4,659 paras. The Department attributed (November 2018) the reason for low clearance of audit observations to delay in getting final rectification reports from the sub offices audited.

3.3 Results of audit

There were 79 auditable units including 73 implementing units in the Transport Department. All these units were audited during 2017-18. A total of 1,37,01,208 number of vehicles were registered as on March 2017. Audit checked the entire database in the Motor Vehicles Department and raised a total of 1,287 objections including 1,097 cases having a money value of ₹ 52.32 crore on non/short payment of tax/fees/cess and other lapses including short levy of one-time tax, non-levy of green tax, non-remittance of tax during the operated period, short levy of fee for endorsing hire purchase etc. Audit 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 is conducted. 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. Underassessment of tax and other

irregularities involving ₹ 508.25 crore in 1,098 cases which fall under the following categories are given in **Table - 3.1**.

Table – 3.1

(₹ in crore)

Sl. No.	Categories	Number of cases	Amount
1.	Functioning of Kerala Road Safety Authority – Collection and Utilisation under Road Safety Fund	1	455.93
2.	Non/short levy of tax	529	41.83
3.	Other lapses	568	10.49
	Total	1,098	508.25

During the course of the year, the Department accepted non/short levy of tax and other deficiencies amounting to ₹ 488.01 crore in 864 cases which were pointed out by Audit. An amount of ₹ 16.13 crore pointed out was realised in 830 cases during the year.

A few illustrative audit observations involving ₹ 459.01 crore are discussed in the succeeding paragraphs.

3.4 Functioning of Kerala Road Safety Authority – Collection and Utilisation under Road Safety Fund

The Kerala Road Safety Authority (KRSA) was constituted¹ in April 2007 as per the Kerala Road Safety Authority Act, 2007 to co-ordinate action on areas related to road safety among various departments in the Government, advice the Government on road safety policy, prescribe and enforce road safety standards and procedures, and formulate and implement schemes and projects relating to road safety. As per Section 11 of the KRSA Act, 2007, the Kerala Road Safety Fund (KRSF) was established. The KRSF comprises of one time road safety cess², grants, loans or advances made by the State Government and Government of India, contributions from public or private institutions and compounding fee under the KRSA Act and 50 *per cent* of the compounding fee³ collected in the previous year under MV Act, 1988.

The objective of the Audit was to ascertain whether the Agency carried out its function effectively and that the amount was collected, accounted, transferred and utilised as per KRSA Act, 2007. The audit covered the period from 2013-14 to 2017-18. Audit scrutinised the files and documents in the Finance Department, the Transport Department, the KRSA, the Office of the Transport Commissioner and various implementing agencies⁴. Four⁵ districts were selected based on total number of accidents during the years from 2015 to 2017 by stratified random sampling using IDEA software. District Road Safety Councils and District Police Headquarters of the selected districts were covered in Audit.

3.4.1 Non-compliance of provisions of the KRSA Act, 2007

The following instances of non-compliance of provisions of KRSA Act were noticed during audit:

- The Road Safety Commissioner did not obtain the reports/returns from District Road Safety Councils (DRSCs) as stipulated under Section 23 of the KRSA Act resulting in non-submission of consolidated reports to the KRSA. It was observed that appropriate rules regarding reports, return and consolidated reports were not framed.

¹ GO(P) No. 20/07/Tran dated 19 April 2007 (published as per SRO No. 355/2007 in the Kerala Gazette extra ordinary dated 19 April 2007).

² One-time cess is collected on every motor vehicle used or kept for use in the State @ ₹ 250 for HMV, ₹ 150 for MMV, ₹ 100 for LMV and ₹ 50 for two wheeler.

³ Compounding of certain offences as detailed u/s 200 of MV Act for such amount as Govt. may specify.

⁴ Motor Vehicles Department, Police Department, Public Works Department, Health Department, Education Department, NATPAC, KELTRON.

⁵ Ernakulam, Kannur, Palakkad and Thiruvananthapuram.

- No Annual Report as envisaged under Section 24 of the KRSA Act, 2007 read with Rule 7 of the KRSA Rules, 2007 was prepared or submitted to the Government till date.
- The Government has not nominated expert members as envisaged under Section 19(2)(f) of the KRSA Act, 2007 in three⁶ out of the four test checked DRSCs.
- The internal audit as envisaged under Section 25(2) of the KRSA Act, 2007 was conducted only once since the inception of the Authority and the internal audit is pending for more than four years. Besides, no certified accounts were prepared by KRSA till date.

The Government replied that a proper reporting framework is being prepared but couldn't give satisfactory reply on the failure to submit Annual Report to the legislature. The Government assured that steps would be taken to appoint expert members in all DRSCs and that action was initiated to appoint an internal auditor. Further progress in this matter is awaited (September 2019).

3.4.2 Collection, Accounting and Transfer of Road Safety Fund

As per Section 11(3) of the KRSA Act, 2007, 50 *per cent* of the compounding fee collected in the previous year shall be transferred to the KRSSF in the subsequent year. As per Rule 3(4) of the KRSA Rules, 2007, up to one *per cent* of the road safety cess collected by the Motor Vehicles Department may be charged for expenditure on account of collection of cess and the balance shall be transferred to the KRSSF. The compounding fee is collected by both MVD and the Police Department and is remitted to the head of account 0041-00-102-97⁷. The one-time cess is collected by the MVD through their field formations and is remitted to the head of account 0041-00-800-99(01)⁸.

3.4.2.1 Short transfer of amount to the Kerala Road Safety Fund

Audit observed that despite clear provisions in the statutes, there was a short transfer of money to KRSSF amounting to ₹ 435.51⁹ crore for the period from 2008-09 to 2017-18.

The Government did not take any steps to rectify this and the KRSA was unable to allot funds for projects identified for road safety.

⁶ Kannur, Palakkad and Thiruvananthapuram.

⁷ Taxes on Vehicles-Receipts under the State Motor Vehicles Taxation Act-Compounding fee under Section 200 of Motor Vehicles Act 1988(Central Act 59 of 1988).

⁸ Taxes on Vehicles-Other receipts-Gross receipts-Receipts under KRSA Act, 2007.

⁹ Total amount collected (2007-08 to 2016-17) - ₹ 1,145.01 crore; Total amount due and transferred to KRSSF (2008-09 to 2017-18) - ₹ 608.63 crore and ₹ 173.12 crore respectively.

During the Exit Conference, the Government stated that short transfer is a major concern for the KRSA and assured that the matter would be taken up with the Finance department. Further progress is awaited (September 2019).

3.4.2.2 Non-remittance of compounding fee into the designated head of account and diversion of compounding fee by the Police Department leading to loss of share to KRSA

During the period from 2014-15 to 2017-18, the Police Department had collected ₹ 45.83 crore as compounding fee using 100 speed detection cameras installed by KELTRON which were credited to a bank account¹⁰ of the Police department instead of remitting it into the head of account for compounding fee. Out of this ₹ 45.83 crore, an amount of ₹ 23.16 crore was diverted to KELTRON as reimbursement of expenses met by them for installing speed cameras and an amount of ₹ 7.78 crore was remitted in to the revenue head of account of the Police Department. Only ₹ 14.70 crore was remitted to the designated head of account for compounding fee which led to a short remittance of ₹ 31.13 crore and the KRSA losing its share of Fund of ₹ 15.57 crore (50 per cent of compounding fee) from the Government.

The Government replied (March 2019) that the matter would be dealt with by convening a meeting of the Executive Committee. Further progress is awaited (September 2019).

3.4.3 Financial management of projects

The KRSA allots funds to various implementing agencies¹¹ for undertaking road safety projects. The KRSA is not expending funds directly for road safety projects, but sanctioning and releasing the funds to the implementing agencies and DRSCs on the basis of the project proposals submitted by them. Out of 214 projects with a project cost of ₹147.8 crore which was implemented during 2013-14 to 2017-18, audit verified 54 projects having a project cost of ₹ 76.77 crore. While verifying the project files, Audit identified certain issues like blockage of funds (₹ 9.30 crore), loss of interest (₹ 4.85 crore- **Appendix VIII**) and diversion of fund (₹ 4.14 crore).

The KRSA did not maintain any information about the present status of implementation of projects, amount pending with implementing agencies after completion of projects and up to date account of refunds regarding completed projects. This could lead to shortage of funds with KRSA and affect the sanctioning of projects.

The Government in the case of loss of interest replied (March 2019) that the KRSA would be initiating strict monitoring of project implementation by stake holding

¹⁰ SB account No. 67239182232 of State Bank of India.

¹¹ Departments like Police, MV, Public Works, Health, Education etc., and agencies like KELTRON, NATPAC etc.

agencies. Detailed project reports have been made mandatory for release of funds. Funds would be released in instalments based on progress of projects. Further progress in this matter is awaited (September 2019).

The Government in the case of diversion of funds replied (March 2019) that the Motor Vehicles Department and the Police department have been asked to submit reports and the matter would be discussed in forthcoming Executive Committee Meeting. Further progress is awaited (September 2019).

3.5 Short levy of one time tax

As per Section 3(1) of the KMVT Act, 1976, one time tax at the prescribed rate shall be levied from the date of purchase for motor cars and private service vehicles for personal use (non-transport vehicle). As per the Annexure – 1 of the KMVT Act, one time tax at the rate of six per cent, eight per cent, 10 per cent, 15 per cent and 20 per cent shall be levied on motor cars and private service vehicles having purchase value up to rupees five lakh, purchase value more than rupees five lakh and up to rupees 10 lakh, purchase value more than rupees 10 lakh and up to rupees 15 lakh, purchase value more than rupees 15 lakh and up to rupees 20 lakh and purchase value more than rupees 20 lakh respectively. Similarly one time tax at the rate of eight per cent, 10 per cent and 20 per cent shall be levied on motor cycles (non-transport vehicle) having purchase value up to rupees one lakh, purchase value more than rupees one lakh and up to rupees two lakh and purchase value more than rupees two lakh respectively.

Section 3(1) as amended by the Finance Act 2014, stipulates that in respect of a new motor vehicle registered on or after 1 April 2007 and reclassified from the category of transport vehicle to non-transport vehicle, one time tax on percentage basis with respect to the age of the vehicle is leviable. As per Table below Annexure - 1 of the KMVT Act, purchase value reckoned for one time tax ranges from 100 per cent to seven per cent in respect of age of vehicles ranging from less than one year to less than 15 years.

(a) During the audit (2017-18) of 15¹² out of 17 RTOs and 45¹³ out of 55 SRTOs, it was observed that one time tax was not calculated and levied by the Regional/Joint Regional Transport Officer as specified in the Act on vehicles which were originally registered as transport vehicles and subsequently reclassified as non-transport vehicles thereby resulting in short levy of ₹ 2.06 crore in 2,092 cases

¹² Alappuzha, Attingal, Ernakulam, Idukki, Kannur, Kasargod, Kottayam, Kozhikode, Malappuram, Muvattupuzha, Palakkad, Pathanamthitta, Thrissur, Vadakara and Wayanad.

¹³ Adoor, Alathur, Aluva, Angamaly, Chalakudy, Changanassery, Chengannur, Cherthala, Devikulam, Guruvayoor, Irinjalakuda, Kanhangad, Kanjirappally, Kayamkulam, Kodungallur, Koduvally, Kothamangalam, Koyilandy, Kuttanad, Mallappally, Mannarkad, Mattanchery, Mavelikkara, North Paravur, Nedumangad, Nilambur, Ottappalam, Pala, Pattambi, Perinthalmanna, Perumbavoor, Ranni, Sulthan Bathery, Thalassery, Taliparamba, Thiruvalla, Thodupuzha, Thrippunithura, Tirur, Tirurangadi, Udumbanchola, Uzhavoor, Vaikom, Vandiperiyar and Wadakkancherry.

as detailed in **Appendix IX**. Despite being pointed out in the previous Audit Reports for the years ended March 2015, 2016 and 2017, the issue still persists in the department.

On this being pointed out by Audit (August 2018), the Government stated (March 2019) that ₹ 1.30 crore was collected in 1,158 cases. Further report about realisation of tax amount was not received (September 2019).

(b) During the audit (2017-18) of 4¹⁴ out of 17 RTOs and 6¹⁵ out of 55 SRTOs, on verification of details of vehicles registered as non-transport vehicles, it was noticed that one time tax in respect of 34 vehicles out of the total 10,65,000 registered vehicles in 2016-17 was not levied at the prescribed rate of percentage on the purchase value of the vehicles as stipulated in KMVT, Act, 1976. Short levy of tax by Regional/Joint Regional Transport Officer resulted in short collection of ₹ 9.61 lakh as detailed in the **Appendix X**. Despite being pointed out in the previous Audit Reports for the years ended March 2015 and March 2017, the issue still persists in the department.

On this being pointed out by Audit (November 2018), the Government stated (February 2019) that ₹ 7.44 lakh was collected in 23 cases. Further report about realisation of tax amount was not received (September 2019).

3.6 Non-levy of Green Tax

Section 3A of the KMVT Act, 1976 as amended by the Finance Act 2016, stipulates that Green Tax shall be levied and collected in addition to the tax levied under this Act on the motor vehicles specified in column (2) of the table below at the rate specified in column (3) thereof, for the purpose of implementation of various measures to control air pollution. The Transport Commissioner instructed (December 2016)¹⁶ that the payment of Green Tax shall be ensured at the time of fitness test in the case of transport vehicles and at the time of renewal of registration in the case of non-transport vehicles.

Sl. No.	Class and age of vehicle	Rate of Green Tax (in Rupees)	Incidence of levy
(1)	(2)	(3)	(4)
1	Non Transport Vehicles having four or more wheels and completed 15 years from the date of registration	400 for every 5 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

¹⁴ Kozhikode, Malappuram, Palakkad and Thiruvananthapuram.

¹⁵ Kazhakkuttam, Nedumangad, Parassala, Sulthan Bathery, Tirur and Udumbanchola.

¹⁶ Vide Circular No. 31/2016 dated 23 December 2016.

Sl. No.	Class and age of vehicle	Rate of Green Tax (in Rupees)	Incidence of levy
(1)	(2)	(3)	(4)
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
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

During the audit (2017-18) of 12¹⁷ out of 17 RTOs and 41¹⁸ out of 55 SRTOs, it was noticed from the tax remittance particulars in the database that Green tax was not collected in 16,552 cases which were given services such as renewal of fitness certificate and renewal of registration from the Department after completion of 15 years from the date of registration in respect of non-transport vehicles and 10 years from the date of registration in respect of transport vehicles. This resulted in non-collection of ₹ 48.70 lakh as detailed in the **Appendix XI**.

On this being pointed out by Audit (July 2018), the Government stated (April 2019) that ₹ 16.92 lakh was collected in 6,025 cases. Further report about realisation of tax amount was not received (September 2019).

3.7 Non-remittance of tax during the operated period

As per Section 5 (1) of the KMVT Act, 1976, in the case of a motor vehicle which is not intended to be used or kept for use during the first month or the first and second months of a quarter, or the whole of a quarter or year, as the case may be, the registered owner or the person having possession of such vehicle shall give previous intimation in writing (Form G)¹⁹ to the Regional Transport Officer that such vehicle would not be used for such period and no tax shall be payable in respect of such vehicle for such period.

During the audit (2017-18) of 12²⁰ out of 17 RTOs, verification of tax collection particulars with reference to Form G filed by the registered owners revealed that though periods of non-use of the stage carriages were mentioned in the Form G filed, tax was not remitted by the registered owners in respect of those periods which were not shown as non-use in the Form G. Non remittance of tax for the

¹⁷ Alappuzha, Attingal, Ernakulam, Kannur, Kasargod, Kottayam, Kozhikode, Malappuram, Muvattupuzha, Palakkad, Vadakara and Wayanad.

¹⁸ Alathur, Aluva, Angamaly, Chalakudy, Changanassery, Chengannur, Cherthala, Guruvayoor, Irinjalakuda, Kanhangad, Kanjirappally, Kayamkulam, Kodungallur, Koduvally, Kothamangalam, Koyilandy, Kuttanad, Mallappally, Mananthavady, Mannarkad, Mattanchery, Mavelikara, North Paravur, Nedumangad, Nilambur, Ottappalam, Pala, Pattambi, Perinthalmanna, Perumbavoor, Ranni, Sulthan Bathery, Thalassery, Taliparamba, Thiruvalla, Thrissur, Tirur, Tirurangadi, Uzhavoor, Vaikom and Wadakkanchery.

¹⁹ Form G – Intimation of non-use of a vehicle.

²⁰ Attingal, Ernakulam, Kannur, Kottayam, Kozhikode, Malappuram, Muvattupuzha, Palakkad, Pathanamthitta, Thrissur, Vadakara and Wayanad.

operated period in respect of 139 stage carriages worked out to ₹ 43.79 lakh²¹ as detailed in the **Appendix XII**. Despite being pointed out in the previous Audit Reports for the years ended March 2016 and 2017, the issue still persists in the department.

On this being pointed out by Audit (November 2018), the Government stated (February 2019) that ₹ 28.01 lakh was collected in 83 cases. Further report about realisation of tax amount was not received (September 2019).

²¹ In respect of stage carriages, rate of tax per quarter depends on the seating capacity.