

B1/15231/TC/2015

Transport Commissionerate, Keralam
Trans Towers, Thiruvananthapuram
Dated:08-10-2015

From
The Transport Commissioner

To
The Secretary to Government
Transport Department
Government Secretariat
Thiruvananthapuram

Sir,
Sub: Motor Vehicles Department-Short collection of one time tax-Local
Audit Report-Reg

Ref: Local Audit Report of various offices for the year 2014-2015

Audit Team of the Accountant General has pointed out during their audit in various office for the year 2014-15 that there is a short levy of one time tax in respect of motor cycles, motor car and PSV for Personal Use which were registered from 01-04-2014 to 23-07-2014. In this connection the following remarks are offered for kind consideration and necessary action.

The calculation of one time tax for motor car, motor cycle, etc. on the basis of purchase value was introduced from 01-04-2007. The purchase value of a vehicle is arrived at by adding original value of the vehicle, VAT, Cess and Excise duty/Customs duty of the vehicle. But the Hon'ble High Court in the Judgment in reported in 2013 (3) KL T 945 (Fathima Shirin Vs JRTTO) had directed to exclude VAT, Cess , Excise duty/Customs, etc while calculating the purchase value of the vehicle for assessment of tax, as they were not included in the definition of purchase value.

While presenting the Budget for the year 2014, the Hon'ble Minister for Finance has announced that the one time tax for motor cycle, motor car, PSV for personal use is going to be enhanced since calculating purchase value by excluding VAT, Cess, etc. would lead to a major revenue loss. Extract of Budget Speech is enclosed herewith. He has also clarified that in principle, the Government is not going to earn any additional revenue, since the enhancement is made by excluding VAT, Cess, etc.

But, if purchase value is calculated by excluding VAT, Cess and Excise duty/Customs, tax levied from vehicles from 01-04-2007 including VAT, Cess and Excise duty/Customs has to be refunded. In fact the Government will be forced to refund more than 1,000 crore rupees. Hence in order to escape from this burden, the Government has decided to re define purchase value with retrospective effect. Thus when the Finance Bill 2014, becomes Finance Act (from 24-07-2014), purchase value was redefined with retrospective effect from 01-04-2007 and the enhancement of one time tax which was imposed from 01-04-2014, was withdrawn. In brief, the enhancement brought about in the one time tax to meet the revenue loss that was about to happen due to the reduction in the purchase value and withdrawal of enhancement in one time tax in the light of re defining the purchase value have neither brought any additional revenue nor revenue loss to the Government. Eventhough about one lakh vehicles are registered in Kerala during the period between 01-04-2014 and 23-07-2014, tax at a reduced rate (as a result of excluding VAT, Cess, etc) was levied from only a few vehicles. All the remaining vehicles remitted tax at the enhanced rate, because the enhanced tax rate introduced from 01-04-2014 was withdrawn since purchase value was re defined with retrospective effect. If tax is demanded from the vehicles which remitted tax at a reduced rate, additional tax levied should also be refunded and this will result in revenue loss to the Government. Such refunding will also hamper the smooth working of offices as well as Government treasuries. Hence the Department is of the view that the audit objection may be re-examined taking into account the above facts and dropped.

Yours faithfully

Sd/-
Transport Commissioner

Approved for issue

13/10/15
Senior Deputy Transport Commissioner
(Taxation)(I C)

- Copy to: 1. The Secretary to Government
2. All Regional Transport and Joint Regional Transport Officers. You are directed not to insist additional tax until a decision is taken in this audit objection
3. F1 & F2 Sections. You are directed to give reply to the audit objection related to one time tax in the above manner
4. Senior Superintendent, F Section and Senior Finance Officer for information

The Secretary to Government
Transport Department
Government Secretariat
Thiruvananthapuram

Sd/- Mr. J. V. J. S. Department of Transport
Audit Report No.

Ref: Local Audit Report of various Offices for the year 2014-2015

Audit Report of the Accounts Officer has pointed out during their audit in various offices for the year 2014-2015 that there is a short levy of one time tax in respect of motor cycle, motor car and MUV for Personal Use which were registered from 01-04-2007 to 23-07-2014. In this connection the following information is furnished for your reference.

The calculation of one time tax for motor car, motor cycle, etc. on the basis of purchase value was introduced from 01-04-2007. The purchase value of a vehicle is arrived at by adding original value of the vehicle, VAT, Excise duty, Customs duty of the vehicle, etc. But the Hon'ble High Court in the judgment in 2013-14 in T. V. S. Narayan & Co. vs. State of Kerala held that the purchase value should be arrived at by adding the original value of the vehicle, VAT, Excise duty, Customs duty, etc. while calculating the purchase value of a vehicle for assessment of tax, as they were not included in the purchase value of the vehicle.

While presenting the Budget for the year 2014, the Hon'ble Minister for Finance stated that the one time tax for motor cycle, motor car, MUV, etc. will be levied on the basis of purchase value. The Hon'ble Minister for Transport also stated that the one time tax for motor cycle, motor car, MUV, etc. will be levied on the basis of purchase value. The Hon'ble Minister for Transport also stated that the one time tax for motor cycle, motor car, MUV, etc. will be levied on the basis of purchase value. The Hon'ble Minister for Transport also stated that the one time tax for motor cycle, motor car, MUV, etc. will be levied on the basis of purchase value.