

Research Paper on Motor Vehicles Tax in India

Introduction

Motor Vehicles Tax, also called as Road Tax, in India is imposed by the central and state governments on motor vehicles and road usage. It is calculated on the basis of various factors including engine capacity, seating capacity, unladen weight and cost price.

The following taxes will be levied on the purchase of a new vehicle:

- **CenVAT (central value added tax)** – 10%
- **VAT (value added tax)** – the tax rate in the state of purchase
- **Import duty** – 10% or 61% (for imported cars, motorcycles or imported parts)
- **Excise duty** – 4% (for cars and motorcycles manufactured in India)
- **CST (central sales tax)** – 2% (a one-off tax on vehicles purchased outside the buyer's state of residence)

The state government will impose the following taxes on vehicles in use:

- **Motor vehicles tax** – one-off, lifetime or annual tax (depending on the state) that is calculated using factors such as engine capacity, cost price, seating capacity, horsepower and/or weight
- **Passengers and goods tax** – tax on the transportation of goods and/or passengers by road
- **State entry tax** – tax on vehicles purchased in one state but transported into another
- **Tolls**

MV Tax is being levied by all the state governments on all types of commercial vehicles. The purpose of the MV Tax is to meet the cost of road construction and maintenance out of the revenue realised from user charges.

Taxation on SRTUs

Public road transport plays a significant role in the development of the economy of the country as a support system in carrying passengers to different places. Vast improvements are needed in India's public transport systems, but the necessary funding is not available.

182 Various taxes levied by the exchequer either Central or State or both Central and State Governments on SRTUs accentuate the level of funding. However, the rates of these taxes have been increasing year after year, and they have become a big drain on the resources of SRTUs, affecting their commercial viability.

Tax policy on Road Transport in the country is inherently disadvantageous to the growth of Public Transport. The stage carriages are subjected to payment of MV Tax, Passenger Tax and Special Road Tax etc. and the amounts are different in different states. It varies from 5% in Karnataka to 17.5% in the state of Maharashtra.

Motor Vehicle Tax (MVT)

Tax structure in India is very complex. This research paper will focus mainly on Motor Vehicle Tax (MVT) and its impact on State Transport Undertakings (STUs).

MVT is one of the important levies imposed by governments on commercial vehicles. The base used to compute this tax differs from state to state. For instance,

- In **Andhra Pradesh**, the type of service (ordinary or express) and distance covered are used to levy MV Tax
- In **Bangalore**, BMTC has to pay a percentage of revenue collected to state government
- In **Delhi**, DTC has to pay a fixed amount per vehicle per month as MV Tax
- In **Madhya Pradesh**, MPSRTC has to pay a lump sum amount, per vehicle per quarter, as MV Tax
- In **Maharashtra**, MV Tax is levied at a specified rate, per seat per annum, and reduced rate per authorized standee

The MV Tax in different states is placed at Annexure – 1.

Impact of Taxation on SRTUs

The incidence of MVT and other taxes are almost engulfing the total revenue and it needs a perusal and consideration for reduction of burden on SRTUs.

The State Government has to treat the public transport operations as one of the basic services being provided to the people, on the lines of providing electricity and potable water. Thus, the objective of State regulation in transport sector should be to promote cost effective and comfortable bus services rather than treating these operations as a source for taxation and revenue. Hence, the States should consider reduction and rationalization of Passenger Tax and Motor Vehicle Tax in the country.

Case Study of Delhi, Bangalore and Mumbai

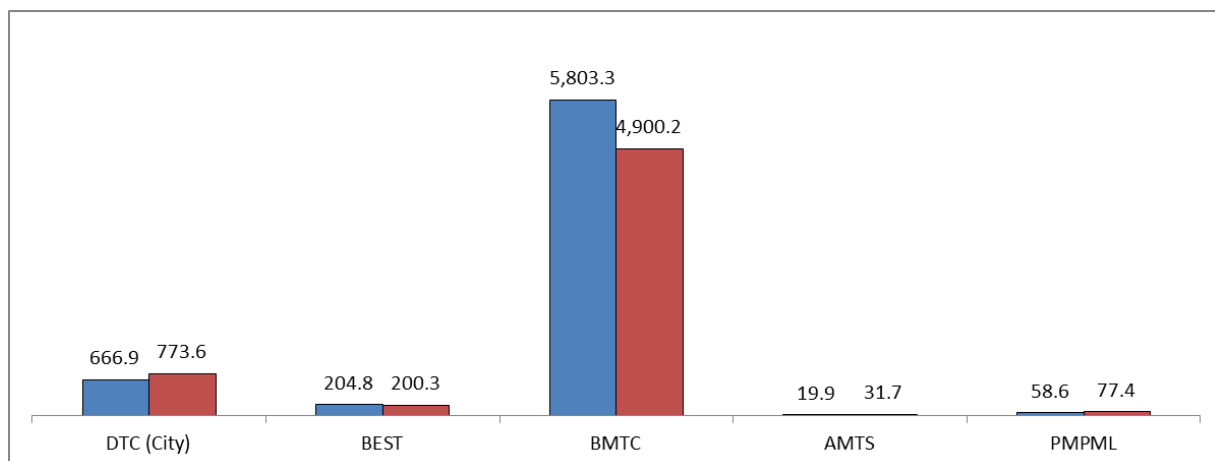
It is important to highlight that there is different MV tax structure for city operation and long-route operation in some of the state. In order to promote public transport, it was recommended by expert group under 12th Five Year Plan to reduce excise duty on public transport buses, motor vehicle tax and passenger tax.

We have analysed the amount of Motor Vehicles Tax by some of the leading city bus transport undertakings in India – DTC (Delhi), BEST (Mumbai), BMTC (Bangalore), AMTS (Ahmedabad) and PMPML (Pune). As per the data shown, BMTC is paying the highest MV Tax in India compared to other city bus operators.

M.V. Tax (Figures in INR Lakhs)

City	DTC (City)	BEST	BMTC	AMTS	PMPML
Fleet Size	4832	4276	6703	944	2060
2014-15 (H1)	666.92	204.84	5803.29	19.92	58.55
2013-14 (H1)	773.57	200.28	4900.18	31.66	77.39
2012-13	723.91	221.83	8413.81	52.44	9.14
2011-12	766.96	249.81	7693.67	36.20	82.00

Motor Vehicle Tax Paid by Public Operators, 2013-14 and 2014-15 (Figures in INR Lakhs)




Bangalore Metropolitan Transport Corporation was earlier the only public bus transport operator which was generating profits on their own. However, owing to increase in staff cost and other expenses, the corporation is incurring losses. One of the key reasons for the same is also high rate of MV Tax.

In most of the cities except Delhi, MV tax is imposed on per seat or per km. Government of Delhi changed fixed amount per bus as MV Tax. BMTC is paying the highest tax as it is linked with traffic revenue of the organization. BMTC is paying 5% on total Traffic revenue + 10% Cess toward MV Tax. In order to improve the health of the public operator, there is need to rationalize the taxation structure.

Rationalisation of MV Tax

The present paradigm is to treat public transport and intermediate public transport as commercial activities and accordingly, revenue generating activities. However, the fact is that these are social services and accordingly required to be viewed differently with the appreciation that all sections of the population are to be provided with safe, speedy, comfortable modes of public transport at affordable prices.

Presently, taxes and duties at Central and State Government level constitute to about 25% of the total project cost. Accordingly, it is in the interest of the nation and the concerned State that public transport is exempted from all



taxes both for metro rail as well as for buses so as to make provisioning of quality public transport cost effective. This exemption needs to be extended for at least the next 10 to 15 years so that quality public transport is provided in all the cities and this becomes a preferred mode of transport.

The SRTUs are paying MV Tax from 5 to 17.5% in different states. The following recommendations were made by different authorities in the past:

Ministry of Road Transport and Highway, Govt. of India had requested the State Governments in the past to consider reducing or setting a low level of MV Tax, around 5-7% for mofussil and 0% for city operations.

The Committee for revival and strengthening of SRTUs also recommended for reduction/rationalization of MV tax by the State Governments which would generally help and assist the organized growth of passenger transport sector.

Association of State Road Transport Undertakings (ASRTU) proposed for reforms at state level and at city level to fix the MV Tax maximum at 2% of the revenue earned, uniformly across the country.

Annexure 1 – Motor Vehicle Tax Structure in States (2011-12)

Sl. No	State Transport Undertaking	Rate of MV Tax
1	AP State Road Transport Corporation	I. Mofussil - 7.00% on Gross Traffic Revenue II. City - 5.00% on Gross Traffic Revenue
2	Ahmedabad Municipal Transport Services	I. INR 800 for First 9 seat + INR 54 for every passenger in addition to 9 passengers + INR 26 for each standees
3	Maharashtra State Road Transport Corporation	I. INR 71 per seat per annum and INR 18 per standee per year upto 25% of the seating capacity & INR 71 per year for balance standees II. For buses plying within Bombay City Corporation limits a wheel tax @ INR 260 per bus per annum has to be paid to the Municipal Corporation III. Bus having seating capacity of 51 + 22 standees pay MV Tax per year INR 4,547
4	Brihanmumbai Electric Supply and Transport Undertaking (BEST)	I. INR 71 per seat per annum and INR 18 per standee per year upto 25% of the seating capacity & INR 71 per year for balance standees II. For buses plying solely within municipal limits, only 2/3rd of annual tax as worked out above need be paid
5	Pune Mahanagar Parivahan Mahamandal Limited	I. INR 71 per seat per annum
6	Uttar Pradesh State Road Transport Corporation	<p>With seating capacity for more than 12 persons but not more than 20 exclusive of the driver:</p> <p>I. 'A' Class Routes for the first 12 seats – INR 350.00 for every additional seat – INR 30.00 II. 'B' Class Routes for first 12 seats – INR 201.00 for every additional seat – INR 8.00</p> <p>With seating capacity for more than 20 persons but not more 35 persons exclusive of the driver:</p> <p>I. 'A' Class Routes for the first 20 seats – INR 590.00 for every additional seat – INR 35.00 II. 'B' Class Routes for first 20 seats – INR 265.00 for every additional seat – INR 11.50</p> <p>With seating capacity for more than 35 persons exclusive of the driver:</p> <p>I. 'A' Class Routes for the first 35 seats INR 1,115.00 for every</p>

Sl. No	State Transport Undertaking	Rate of MV Tax
		additional seat – INR 45.00 II. b) 'B' Class Routes for first 35 seats – INR 438.00 for every additional seat – INR 17.00
7	Karnataka State Road Transport Corporation	I. Rural = 5% on Traffic revenue + 10% Cess on M.V. Tax
8	Bangalore Metropolitan Transport Corporation	II. City & Sub-Urban = 5% on total Traffic revenue + 10% Cess on M.V. Tax
9	Gujarat State Road Transport Corporation	I. INR 1,200 plus an amount calculated at the rates in respect of passengers which the vehicle is licensed to carry in excess of 9 passengers II. INR 80 per seating accommodation for every such passenger and INR 40 per standing accommodation for every such passenger III. For city service : 2/3 rd of Mofussil Services
10	Kerala State Road Transport Corporation	I. City / Ordinary: INR 600 + per seat for a quarter II. Fast Passenger/ Express: INR 690 per seat for a quarter III. Reserve / Spare Bus: INR 25 per seat for a quarter.+ 30% surcharge + 50% additional surcharge IV. Standees - Ordinary INR 210 for quarter & City INR 150 for quarter
11	Delhi Transport Corporation	I. INR 1,000 per bus per month
12	Rajasthan State Road Transport Corporation	I. Vehicle cost upto INR 400,000 - 4.50% of cost II. Vehicle cost above INR 400,000 - 7.00% of cost III. Chassis cost upto INR 400,000 - 5.00% of cost IV. Chassis cost above INR 400,000 - 10.00% of cost
13	Haryana Road State Transport	I. INR 550 per seat per annum subject to a minimum of INR 35,000 per annum

Sl. No	State Transport Undertaking	Rate of MV Tax
14	Tamil Nadu State Transport Corporation Limited	I. City Services (Route Buses): INR 100 per seat/ standee per quarter. (i.e. INR 80 + 25% Surcharge) II. City Services (Spare Buses): INR75 per seat/ standee per quarter (INR 60 + 25% Surcharge) III. Mofussil – INR 400 + 25% Surcharge of INR 100 per seat /quarter IV. Ghat – INR 400 + 25% per seat /quarter V. Town – INR 325 + 10% Surcharge of INR 32.50 per seat /quarter VI. Spare – INR 300 + 25% Surcharge of INR 75 per seat /quarter VII. City spare – INR 300 + 25% Surcharge of INR 75 per seat /quarter VIII. City - INR 80 + 25% Surcharge of INR 20 per seat/ quarter IX. Passenger cum-goods vehicles - INR 40 + 10% Surcharge of INR 4 per quarter X. Green Tax - INR500 per year/vehicle for vehicles above 7 years
15	Himachal Road Transport Corporation	I. INR500 per seat per year
16	PEPSU Road Transport Corporation	Rate of MV Tax per Km per Vehicle per day I. Ordinary Buses - INR 2.25 II. Ordinary HV AC Buses (3 x 2 Seats) - INR 1.00 III. Integral Coach Buses (2 x 2 Seats) - INR 0.50
17	Orissa State Road Transport Corporation	Ordinary I. Upto 160 kms - INR 576 II. 161 kms to 240 kms - INR 720 III. 241 kms to 320 kms - INR 955 IV. More than 320 kms - INR 1,146 Express I. Upto 160 kms - INR 895 II. 161 kms to 240 kms - INR 1,120 III. 241 kms to 320 kms - INR 1,553 IV. More than 320 kms - INR 1,746
18	Sikkim Nationalised Transport	I. INR 200 per seat per annum
19	Mizoram State Transport	Annual Rate of Tax I. Intra-state buses – INR 3,500 plus INR 120 per seat above 18 seats II. Inter-state buses – INR,4000 plus INR 150 per seat above 18 seats