

GOVERNMENT

OF

INDIA

MINISTRY OF TRANSPORT & AVIATION  
DEPARTMENT OF TRANSPORT & SHIPPING  
( TRANSPORT WING )

INTERIM REPORT

OF

THE ROAD TRANSPORT TAXATION ENQUIRY COMMITTEE

ON

INTER & STATE TRANSPORT

DECEMBER, 1966

## T A B L E   O F   C O N T E N T S

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## CHAPTER - 1.

### INTRODUCTORY

The Road Transport ~~Taxation~~ Enquiry Committee was appointed by the Government of India in the Ministry of Transport to undertake a detailed examination of all aspects of taxation on motor vehicles with a view to recommending procedural, legal and constitutional remedies necessary for ensuring the development of road transport consistently with the general development of the country.

#### Background.

2. The main reasons that led to the appointment of the Committee are set forth in the resolution of the Ministry of Transport ( No.21-T(42)/61, dated the 6th September, 1965) (Annexure I). The resolution explains that subsequent to the publication of the Report of the Taxation Enquiry Committee in 1950, the rates of taxes affecting the operation of motor vehicles have been increased, both by the Central and State Governments, from time to time and new levies such as the taxes on passengers and goods carried by road, also introduced. It had been represented that these increases coupled with difficulties on account of multiplicity of taxes and of collecting agencies, procedural formalities etc. were factors which acted as disincentives to the development of road transport in this country.

#### Terms of reference.

3. The terms of reference given to the Committee were as follows:-

- a) to examine the present cost of operation for haulage of passengers and goods by road transport, including the element of State and Central taxes; whether it has become a disincentive to the healthy development of road transport and if so, to what extent;

- b) to examine whether there is justification for correlating the rates of motor vehicle taxes with reference to the types of fuel (petrol or diesel) used and area of operation;
- c) to survey the existing administrative machinery and the procedures connected with the levy and collection of taxes, tolls etc. on motor vehicles in the States and examine whether they hinder the smooth movement of vehicles;
- d) to recommend the principles on which Motor Vehicle Taxation should be based and also the level of taxation which will ensure adequate provision and development of efficient and economic road transport services in the country;
- e) to suggest any changes in law and procedure that may be required to give effect to any recommendations that may be made; and
- f) to make any other recommendations germane to the subject matter of the enquiry.

Composition.4.

The composition of the Committee was as follows:-

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|----|--|--------------|
| 1. | Dr. B.V. Keskar  | ... Chairman |
| 2. | Shri G. Ramachandran,<br>Secretary to the Govt. of Madras,<br>Finance Department.                  | ... Member   |
| 3. | Shri P.N. Damry,<br>Secretary to the Govt. of Maharashtra,<br>Finance Department.                  | ... "        |
| 4. | Shri V.M. Bhide,<br>Secretary to the Govt. of U.P.,<br>Finance Department.                         | ... "        |
| 5. | Shri S.A. Iyengar,<br>Secretary to the Government of<br>Andhra Pradesh,<br>Home Department.        | ... "        |
| 6. | Shri R.P. Naik,<br>Addl. Chief Secretary to the<br>Government of Madhya Pradesh.                   | ... "        |
| 7. | Shri S. Mullik,<br>Secretary to the Government of<br>West Bengal,<br>Home( Transport ) Department. | ... "        |

8. Shri G.L. Mehta,  
Chairman,  
Rajasthan State Road Transport Corporation ... Member
9. Shri M.S. Swaminathan,  
Vice-Chairman,  
Mysore State Road Transport Corporation ... "
10. Major Gurjit Singh,  
Jt. Provincial Transport Controller, Punjab.... "
11. Dr. F.P. Antia,  
Indian Roads & Transport Development Ass. ... "
12. Shri Kundan Lal,  
Secretary-General,  
All India Motor Unions' Congress ... "
13. Shri N. Balkrishna,  
Secretary,  
Association of India Automobiles  
Manufacturers ... "
14. Shri C.R. Rajag.  
Member of Lok Sabha ... "
15. Shri Deokinandan Narayan,  
Member of Rajya Sabha ... "
16. Dr. V.G. Bhatia,  
Director( Transport Research),  
Ministry of Transport. ... "

Shri A.S. Bhatnagar, Deputy Secretary, Ministry of Transport & Aviation, was nominated to work as Secretary of the Committee on 14.9.1965, in addition to his duties in the Ministry, as a temporary arrangement, till a whole-time

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Note: Shri V.M. Bhide of U.P. was succeeded by Shri B.N. Maheshwari w.e.f. 25th February, 1966.

Shri S. Mullik of West Bengal was succeeded by Shri S.M. Bhattacharji w.e.f. 7th Feb. 1966.

Shri M.S. Swaminathan of Mysore was succeeded by Shri C. Narasimha Moorthy w.e.f. 25th August, 1966; &

Shri G.L. Mehta of Rajasthan was succeeded by Shri Sher Singh w.e.f. 17th October, 1966.

officer was appointed. Shri Gian Singh took over as Secretary of the Committee with effect from 7.12.1965.

Other  
Study  
Groups.

5. The Committee held its first meeting at New Delhi on the 7th and 9th October, 1965, when it was decided to issue questionnaires seeking factual information and the views of the State Governments and others interested in the Committee's enquiry. The Committee also noted that the Ministry of Transport and Aviation had already appointed the following three Study Groups to deal with different aspects of motor transport operation :-

- (a) Study Group on Motor Vehicles Taxation
- (b) Study Group on Viable Units
- (c) Study Group on Road Transport Financing.

In drawing up the questionnaires, care was, therefore, taken that no point was included in them on which data had already been or was being collected for the Study Groups.

Past  
studies  
and action  
taken on  
earlier  
recommen-  
dations.

6. There have been a number of enquiries about the road transport industry and taxation on motor vehicles in the past. A comprehensive survey was made in 1950 by the Motor Vehicle Taxation Enquiry Committee. In 1955, the Taxation Enquiry Commission went into this matter as a part of the general taxation system. The Road Transport Reorganisation Committee also examined the question of road transport taxation in 1958-59. The Committee are, however, sorry to record that there has been practically very little implementation of the recommendations made by these bodies, even though some of these recommendations were excellent. The main difficulty or delay in implementation is evidently due to the fact that, while road transport taxation is

~~entirely State subject, the other matters connected with~~

road transport are in the concurrent field of legislation. The Government of India felt strongly that a solution of many of the problems facing road transport was urgent, since these difficulties were holding up the rapid development of an important industry like road transport. In order to ensure that consideration is given to the problems facing road transport, keeping in view the practical difficulties of the State Governments and also their views, this Committee was constituted with a majority of representatives of State Governments. The Committee had, therefore, to see that practical solutions were found to the problems facing road transport rather than suggest perfect and ideal solutions which might be difficult of practical implementation.

In finalising its conclusions, the Committee have to take note of the fact that conditions in the different States are not uniform and that consultations will have to take place with the State authorities and the transport industry in each State. As a result, the Committee have had to proceed slowly and cautiously in its work.

None of the Study Groups, mentioned above, except the Study Group on Motor Vehicle Taxation, has submitted its report so far. Meanwhile, in view of the growing importance of inter-State road transport for over-all economic development; the Government of India have been understandably keen to take measures for the smooth flow of such traffic. They have, therefore, suggested to the Committee that while it may go into the various problems connected with road

~~transport carefully and submit a~~ considered report in due course, they would like the Committee to submit an interim report urgently on all important matters which come in the way of smooth working of road transport, namely, inter-State movement of transport and barriers like octroi, tolls, checkposts etc.

In the Chapters that follow, we have dealt with the problem of inter-State road transport and recommended procedures which will ensure smooth movement of such traffic. The question of octroi will be examined in another report, which the Committee expect to submit shortly.

7. The Committee have visited uptill now most of the States of the country and have received replies to its questionnaire from practically all of them. They have been unable yet to visit Bihar, Kerala, J & K and Assam. A Sub-Committee visited Bihar to study the problems of the State and discuss the matter with the State Government officers and representatives of the industry. The Committee propose to visit these States later. The Committee regret to say that the Government of Assam is the only State which has not cared to send any reply either to its questionnaire or to any other queries the Committee or its secretariat sent to them. The Committee have brought the position to the notice of the Ministry of Transport and Aviation.

visit to  
States.



-7-  
C H A P T E R -2

IMPORTANCE OF ROAD TRANSPORT

Increase in  
motor vehicle  
population.

The first motor vehicle reached India in 1898.

Within the first decade of this century, the number of motor vehicles went up to 45,000. After the end of the first World War, there was a phenomenal growth of road transport. By 1929, the number of vehicles on the road had increased to 1,17,900. Because of the economic 'depression' of the thirties and the outbreak of the second World War, there was no further appreciable growth of road transport in the next two decades. The number of vehicles in 1947 was only 1,78,000 ( in British India ). After Independence, there was a greater emphasis on economic development and consequently the development of road transport took place more rapidly. The number of motor vehicles rose from about 1.78 lakhs in 1947 to over 10 lakhs in 1965-66 as will be clear from the following table:-

Year	Buses	Trucks	Scooters & motor cycles & auto-rickshaws	Other vehicles.	Total vehicles.
950-51	35,641	83,443	27,105	1,63,223	3,09,412
955-56	46,461	1,19,097	40,961	2,19,041	4,25,560
960-61	56,792	1,67,649	94,595	3,45,439	6,64,475
965-66*	70,000	2,55,000	2,34,600	5,05,800	10,65,400

\* Estimated

Road  
transport  
in Five  
Year Plans.

2. Experience during the implementation of the projects included in our three Five-Year Plans has shown that the success of our schemes depends upon the speed with which we

can carry goods. High priority has, therefore, to be given in future to the development of transport. Our increased transport requirements have thrown a great burden on the railways which are the biggest carriers in the country. Although the capacity of the railways has been increased considerably during the recent years, a big gap has still to be bridged on account of their inability to carry the entire traffic offering. Next to the railways, the most important carrier of men and materials in this country is road transport. The role played by road transport in the implementation of our development projects has been significant. Whether in our steel projects or river valley schemes, road transport has, along with railways, successfully transported the numerous materials required for their implementation. In our rural economy also, road transport has come to play an important role. It has helped to link up hitherto inaccessible areas with rail heads and business centres thereby bringing prosperity to those areas. Road Transport has become a vital link in our communications.

Advantages  
of road  
transport.

3. Road transport has many inherent advantages. It is speedy, flexible and easily accessible. It is more direct and offers door to door service. It has obvious advantages for particular classes of goods; costly machinery, high class manufactured goods and goods requiring delicate handling can always be carried better and in more perfect condition by road. It does not require many transshipments. It can be supervised throughout the journey. For all these reasons,

this kind of traffic is already moved in very large quantity by road and it is bound to go on increasing quickly. Even in the matter of bus traffic, passenger service on long distance routes upto 300 miles or more is already becoming common and is playing an important role in the movement of passengers in certain areas where rail communication is round-about and leading to delay due to change of trains etc. It is also a source of substantial revenue to Government. In 1950-51, the revenue realised from road transport, both by the Centre and the States, was Rs. 47.37 crores while this figure has risen to about Rs. 350 crores at present. It has a great employment potential. Because of these advantages, road transport is becoming increasingly important in the economy of the country. It has to play a vital role in the Fourth Five Year Plan period; both with regard to carriage of goods on long-distance inter-State routes, and serving the rural areas where the Railways cannot reach. Its importance is immense, more than the Railways, in the development of the economy of the States.

changes in  
the pattern  
of traffic  
in foreign  
countries.

4. According to the information gathered by the Committee, the volume of traffic carried by road transport in foreign countries like Germany, Italy and United Kingdom during the last few years was much more than that carried by Railways. In the United Kingdom, two-thirds of the inland traffic was carried by road transport. In Italy, 72% of the traffic was carried in motor vehicles during the year 1963. In West Germany, there has been a steady

decline in the rail traffic. While the volume of rail traffic was about 50% in 1955, it fell to 38% in 1964. A similar trend is noticeable in the U.S.A. also. In other foreign countries too, there has been shift from the railways to road transport during the recent past due to the advantages mentioned earlier, vide Annexure II. The same position may arise in India also in the next few years. According to the draft outline of the Fourth Five Year Plan, the volume of goods traffic carried by road is expected to increase from 33 billion tonne kilometres in 1965-66 to about 60 billion tonne kilometres in 1970-71 and to about 150 billion tonne kilometres in 1975-76. Passenger traffic is estimated to rise from 80 billion in passenger kms. in 1965-66 to 120 billion passenger kms. in 1970-71 and 195 billion passenger kms. in 1975-76. On the basis of the anticipated increase in traffic, the number of trucks would need to be increased from 2,55,000 in 1965-66 to 4,25,000 in 1970-71 and of buses from 70,000 to 1,00,000 during the same period. The Fourth Plan provides for an outlay of Rs. 65 crores in the public sector and reckons on an investment of Rs. 630 crores in the private sector to achieve expansion of the order indicated above. In keeping with the general growth of road traffic, there is bound to be very great increase in the inter-State traffic also.

5. The growth of national highways during the last three Plans has given a great impetus to inter-State transport. The national highway system has many missing links and its development has yet to reach a uniform.

National  
Highways:  
effects  
on inter-  
State  
traffic.

level. However, in spite of the many drawbacks, the movement of inter-State traffic for goods is increasing very rapidly.

ffering rules  
d regulations  
motor  
nicles taxation

6. The importance of inter-State traffic growing so rapidly and becoming as important a matter for consideration as railways for the economic development of the country bringing us to the taxation of this section of road transport. As inter-State transport by road was in a very primitive condition 20 years back, no one envisaged a future where it will be playing as important a role as railways in the economic development of the country. Technological development was such that it was then considered to be and likely to remain a local mode of transport. In the Constitution, therefore, this was left to the States to deal with. However, the developments of the last two decades have shown that the inter-State aspect is as important as movement within the State. The question having been left to the States to decide as they considered proper, each State has developed according to its own circumstances and requirements. The result has been differing rules and regulations regarding taxation not only of vehicles for intra-State Transport but also those which are engaged in inter-State traffic. Present position in the various States regarding taxation of vehicles both passengers and goods is indicated in Annexures III to VII.

stitutional  
ition of road  
nsport  
ation.

7. Taxes on motor vehicles or their operation on roads which are within the legislative powers of the Union are enumerated in List I in the Seventh Schedule to the

Constitution and those within the legislative powers of the States are mentioned in List II. Items falling in the concurrent field of legislation are mentioned in List III. Residual powers of taxation vest in the Union.

The taxes which are, or may be, imposed on motor vehicles and the entries in the Union, State and Concurrent Lists under which they fall, are indicated below:-

Union List (List I):

Duties of customs on motor vehicles, spare parts, - Entry 83  
accessories, fuel and lubricants

Duties of excise on motor vehicles, spare parts, - Entry 84  
accessories, fuel and lubricants

Inter-State sales tax on motor vehicles and spares Entry 92-A

State List (List II)

Tax on the entry of goods into a local area  
for consumption, use or sale therein - Entry 52

Sales tax on motor vehicles, spare parts  
and accessories and motor fuel - Entry 54

Taxes on goods and passengers carried by  
road (and inland waterways) - Entry 55

Taxes on vehicles, whether mechanically  
propelled or not, suitable for use on road subject- Entry 57  
to provisions of Entry 35 of List III  
Tolls - Entry 59

Concurrent List (List III):

Principles on which taxes on motor  
vehicles are to be levied. - Entry 35

Motor  
Vehicle  
Tax,  
passenger  
and goods  
tax.

8. At present, motor vehicles tax is levied by all States. However, taxes on passengers and goods carried by motor vehicles are being levied in Assam, Bihar, Gujarat, Kerala, Madhya Pradesh, Madras, Maharashtra, Mysore, Punjab,

Haryana, Rajasthan, Uttar Pradesh and Himachal Pradesh.

The Governments of Nagaland and Orissa are contemplating legislation to provide for levy of these taxes.

9. No legislation has been undertaken so far either by the Central Government or any of the State Governments laying down the principles of taxation on motor vehicles under Entry 35 in the Concurrent List.

Freedom of inter-State commerce. 10. Inter State commerce falls in the Union List (Entry 42). Part XIII of the Constitution deals with freedom of trade and commerce. Under Articles 301 in that Part, trade, commerce and intercourse throughout the country are to be free. Under Article 302, Parliament can, by law, impose such restrictions on the freedom of trade, commerce or intercourse between one State and another or within any part of the territory of India, as may be required in the public interest. Under Article 304, the legislature of a State can (a) impose on goods imported from other States any tax to which similar goods manufactured or produced in the State are subject, so as not to discriminate against the goods so manufactured or produced and (b) also impose such reasonable restrictions on the freedom of trade, commerce or intercourse with or within the State as may be required in the public interest. However, no Bill under the provision (b) can be introduced in the State Legislature without the previous assent of the President.

Previous sanction of President to Bills seeking 11. The levy of taxes on goods and passengers carried in motor vehicles under Entry 56 in List II has been held by Courts as a restriction falling within the purview of Part

to intro-  
duce  
passenger  
and goods  
tax.

XIII of the ~~Constitution~~ and attracting the provisions of Articles 301 and 304 thereof. All Bills seeking to impose tax on passengers and/or goods carried in motor vehicles require the previous assent of the President, before they can be introduced in the State Legislatures. The State Governments, therefore, usually refer such Bills to the Government of India for the necessary clearance before introducing them in their Legislatures.

12. The powers of the Centre under Entry 42 in the Union List in the Seventh Schedule to the Constitution have not been clearly defined; particularly those in relation to the taxation of inter-State transport. Apparently the expression "inter-State trade and commerce" can also be considered to include inter-State transport and the taxation thereof. This view gains support from Article 301 of the Constitution which provides for the freedom of trade, commerce and intercourse throughout the country. On the other hand, power to legislate on taxes on road transport and goods and passengers carried therein is specifically mentioned in the State List (Entries 56 and 57) in the Seventh Schedule to the Constitution. No effort seems to have been made so far for getting the position clarified. Such clarification is necessary for laying down the legal framework for the development of inter-State Transport. The demarcation of powers for regulation and taxation of inter-State transport and the authority to legislate for it will have to be studied and examined throroughly at the highest level in order to determine



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what legal steps might be necessary to deal with  
inter-State transport by any ~~authority or Commission~~  
that might be proposed.



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C H A P T E R - 3.

INTER STATE TRANSPORT

Mode of  
regulation  
of transport  
vehicles.

The regulation of commercial motor vehicles is done largely through a system of permits. Section 42(1) of the Motor Vehicles Act, 1939, lays down that the owners of a transport vehicle should not use or permit the use of a vehicle in any public place except in accordance with the conditions of a permit granted or counter-signed by the proper authority. These permits specify, inter-alia, the route or the area of operation of the vehicle. Stage carriages are generally permitted to operate on specified routes and public carriers in specified regions. The area of the region so specified in the permits differs from State to State, but it has not to be less than the entire revenue district of a State or the whole area of a Presidency town as per the provisions of Section 44(1) of the Motor Vehicles Act.

Counter-  
signature  
of permits.

2. The Authority for the grant of a primary permit to a vehicle is generally the Regional Transport Authority. A permit granted by this Authority entitles the vehicle to operate within the region but, if it has to operate in any other region in the State, it has to obtain counter-signature on the permit by the Regional Transport Authority of that other Region. The State Government may relax this provision so that a permit granted in one region is made valid for operation in the other region within the State without counter-signature. During the past one decade, each State Government has followed its own procedures in respect of the area where the vehicles are to operate under primary permits. However, almost all State Governments have since accepted the need for

the grant of primary permits valid for the entire State and this policy is being gradually implemented.

inter-State  
permits.

3. The procedure for obtaining permits for operation in inter-State regions is given in Section 63(1) of the Motor Vehicles Act, according to which, a permit issued in any one State is not valid in any other State unless counter-signed by the State Transport Authority of that other State or by the Regional Transport Authority concerned. The procedure for counter-signature of permit by the other State Transport Authority or the Regional Transport Authority is the same as that for the issue of a primary permit in the 'home' State\* in respect of inviting applications, hearing of objections, selection of applicants for grant of permits etc. However, this procedure may be dispensed with when counter-signature is done as a result of reciprocal agreement between the States. If a vehicle operates in two States by obtaining a counter-signature in the State other than the home State, it is considered to be possessing an inter-State permit which is just an extension of the primary permit made valid in the other State by virtue of counter signature.

difficulties  
inter-  
state  
operations.

4. The motor Vehicles Act does not contain a separate procedure for regulation of transport vehicles on long distance routes traversing more than two States; as such, an operator desirous of plying his vehicle on multi-State routes has to go through all the complex procedures for obtaining the counter-signatures on his permit in all the

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\* State where the vehicle is registered.

intervening States through which he may wish to operate. The authority in each States has the right to specify the area or route which the vehicle can traverse, the maximum laden weight which it is to carry, the freight rate to be charged, the truck terminals, repairing and warehousing facilities which are required to be maintained by the operator and supply of statistics. For example, when a vehicle registered in Delhi has to travel to Bombay, the owner of the vehicle has to obtain, in the first instance, counter-signature on his primary permit from the authorities in Haryana, Uttar Pradesh, Rajasthan, Madhya Pradesh and Maharashtra. The operator has also to abide by the conditions which the State authorities concerned might impose under Section 63(2) of the Act at the time of granting the counter-signature.

In addition to these obligations under the Motor Vehicles Act, there are several other State Acts which likewise affect the operation of motor vehicles in those particular States. The Motor Vehicle Taxation Acts require that the vehicle should pay a tax at the rates fixed by the State Governments and also obtain a token indicating therein that such tax has been paid. The Taxation of Passengers and Goods Acts of the States also impose a similar liability on vehicle operators in regard to payment of tax, maintenance of accounts, and other details.

The Sales Tax Authorities and more recently the Civil Supply Authorities require a public carrier to carry particular types of documents in respect of the consignments carried in

the vehicle with such details as may be required by them. This has resulted in the erection of ~~numerous~~ barriers and checkpoints en-route where the vehicles are detained for verification of documents. Further, the operators are required to adhere to different laden weight restrictions in each State and also go through the vexatious procedures at every octroi checkpoint falling on the route. Therefore, the liability of a publiccarrier is to as many authorities as may be specified in every State through which it operates.

Besides the above difficulties, inter-State operators are also subjected to multiplicity of procedures in each State. Regarding only taxes, their rates, basis of assessment, period for which they are collected, the agency for collection, the method of payment etc. differ from State to State. Four statements showing the position in respect of these matters in relation to motor vehicle tax and taxes on passengers and goods carried in motor vehicles are given in the Annexures III to VI. The Motor Vehicle Taxation Enquiry Committee had suggested in 1950 that in the interest of uniformity, the basis of motor vehicle tax should be the registered laden weight for trucks in all States. This suggestion did not involve any loss of revenue to the State Governments. Nevertheless, there are some States and Union Territories\* which continue to collect vehicle tax on the basis of pay load or the unladen weight of the vehicle as the case may be.

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\*Rajasthan, Uttar Pradesh, Punjab, Haryana, Assam, Himachal Pradesh, Manipur and Tripura.

Tax for  
temporary  
permit.

5. The minimum period for which tax is payable for a temporary permit differs from State to State. In certain States this period is one week while in many others, it is one month. In Maharashtra and Gujarat, the tax period is related to the calendar month, which means that a vehicle registered outside reaching Bombay on the last day of a month and returning on the 1st day of the subsequent month has to pay two full months tax to those States. A table showing the minimum period for which the tax is payable by a vehicle for operating on temporary permit in different States is given in the Annexure VII.

6. Disparities also exist in the payment of taxes on passengers and goods. The minimum period for which goods and passenger tax is payable is one day in Rajasthan and three months in Punjab. While taxes on passengers and goods have been amalgamated with the vehicle tax in Andhra Pradesh and provision for compounding them exists in many other States, there are still some States which do not permit composition of either passenger tax or goods tax. Particulars are given in Annexures V and VI. All these differing rules and regulations serve as impediments to the free flow of traffic and involve delay.

Absence of  
single-  
point tax.

7. One of the impediments to the development of inter-State transport has been the obligation of the operators to pay taxes both to the 'home' State where the vehicle is registered and to the other States through which it passes.

In the early years of fifties, some States had entered into mutual agreements permitting the operation of a specified number of transport vehicles on inter-State routes, but such agreements did not exist in all the States. The negotiations between the States had been generally of a prolonged nature and had often failed to produce any agreement. Instances were common of transport vehicles having had to stop at the border of a State in the absence of any mutual agreement and passengers and goods had to be transferred to other vehicles. These difficulties have, however, been mitigated to some extent at present.

8. The grant of inter-State permits for operation in contiguous States is at present determined by reciprocal agreements between two State Government according to which a specified number of vehicles registered in State 'A' is allowed to operator in State 'B' without the need for the payment of vehicle tax due to State 'B' in return for an equal or agreed number of vehicles from State 'B' operating in State 'A' and enjoying similar exemption from payment of vehicle tax. The vehicles operating under such agreements are subjected to "single-point levy". These agreements have been arrived at by the State Governments largely keeping in view the interests of their own operators and the revenues of the States. The reciprocal agreements do not generally provide for a single-point levy in respect of vehicles operating on temporary permits. In many States, the principle

of single-point levy does not cover taxes on passengers and goods.\*

9. Trucks operating on long distance routes covering more than two States are required to pay vehicle tax and goods tax to all the intervening States even on regular permits.

Under utilisation of the trucking industry.

10. Although the growth indices shown in Chapter 2 suggest that there has been great progress in the field of road transport according to the number of vehicles registered in the country and the extent of traffic carried by them, yet in one section of the industry progress appears to be poor. Even after 15 years of planning, the average utilisation of a vehicle remains as low as 1,29,000 tonne-kilometres a year in 1965-66. It means that a vehicle with a pay-load of 9 tonnes with load factor at 70% operates only 60 Kms. a day. This also indicates that the industry is not able to utilise even 50% of its rated capacity. On the basis of the estimates in the draft outline of the 4th Plan, the utilisation of a vehicle would be increasing from 1,29,000 tonne-kilometres in 1965-66 to 1,41,000 tonne-kilometres at the end of 1970-71 as per the table given below:-

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\*In view of the merger of T.P.G. with the vehicle tax in Andhra Pradesh, the reciprocal agreements between Andhra Pradesh and Madras and Andhra Pradesh and Mysore extend the benefit of single-point levy to taxes on passengers and goods also.



Year	Tonne-kilometres carried by road transport. (Millions)	Number of trucks.	Average utilisation per truck (In tonne-kilometres)
1950-51	5,500	81,888	67,000
1955-56	8,950	1,19,097	1,75,000
1960-61	17,300	1,71,045	1,00,000
1965-66*	33,000	2,55,000	1,29,000
1970-71*	60,000	4,25,000	1,41,000

\*Estimated.

uth Zone  
reement.

11. The five States of Maharashtra, Madras, Mysore, Andhra Pradesh and Kerala have entered into a special reciprocal agreement for the multi-State operation of public carriers in these States. The main provisions of the scheme contained in this agreement are that each State will authorise the issue of permits to 200 vehicles to operate on all National Highways and State Highways of all the five States. In addition to the taxes payable to the home State, each vehicle will pay a surcharge comprising vehicle tax and goods tax, at the rate of Rs.500 per annum to each of the other States; this means that a vehicle will have to pay Rs.2,000 per annum in all for operating in all the other States covered by the agreement. This amount is to be paid to the home State who will pass on the share due to the other States.

Study Group  
on Motor  
Vehicle  
Taxation.

12. The Study Group on Motor Vehicle Taxation has made a detailed study of the problems facing inter-State road transport and suggested many remedies. Particularly in respect of taxation, the Group has, after careful study, recommended a new scheme to eliminate the various procedural

difficulties connected with taxation and also to extend the principle of single point taxation to vehicles operating on multi-State routes. It has suggested a graded system of inter-State standard tax based on the distance covered by a vehicle outside its home State. The full scheme as envisaged by the Study Group is given in Annexure VIII.

**Graded form  
of inter-State  
Standard  
Tax.**

13. The main features of this scheme are that a vehicle operating on inter-State route will be liable to pay taxes on two counts, viz., (1) to the State Government where it is registered at whatever rates prevail therein and (2) a uniform graded system of standard tax also payable in the home State for operating on routes outside the Home State. The maximum of this tax is proposed to be Rs.2,500 per annum for 11 tonne RLW and Rs.3,000 per annum for other heavy vehicles of more than 11 tonne R.L.W. According to the scheme, the tax liability of a truck will depend proportionately on the distance covered as per the following scales:-

Distance		Tax Payable	
First 50 miles outside the "Home State" (the State of registration of vehicles)		Nil	
From 51 to 150 miles outside home State		25% of the Standard T	
From 151 to 350	-do-	60%	-do-
From 351 to 600	-do-	75%	-do-
Over 600 miles	-do-	100%	-do-

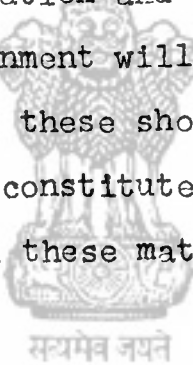
We have carefully considered the scheme suggested

...25/-

by the Study Group and given our views in the concluding portion of Chapter 4.

mming up.

14. The necessity to develop inter-State transport in the present context of economic development is undisputed; such development is, however, not feasible so long as the taxation and licensing policies are not simplified and the principles of taxation and regulations governing them made uniform throughout the country. The recommendations of the various Committees, Study Groups and other bodies will, therefore, continue to be ineffective as long as there is no Central legislation to lay down uniform principles of taxation and licensing for the whole country. The Central Government will have to consider ways and means to overcome these shortcomings so that a Central authority can be constituted to carry out these objectives. We have discussed these matters in the next Chapter.



CHAPTER -4

REGULATION AND TAXATION OF INTER STATE ROAD TRANSPORT.

Formation  
of Inter  
State  
Transport  
Commission;  
background.

The idea of setting up a central agency for regulation and development of inter-State transport was mooted at the time of formulating the Second Five Year Plan. It was felt that there was greater need to coordinate all forms of transport as adjuncts to each other in order to provide a broad base of transport supply for the realisation of Plan targets. But coordination of road transport was found difficult as each State had followed its own pattern of regulation and taxation of motor vehicles. There was not much uniformity between them. This created impediments for vehicles to operate on inter-State routes. The efforts of the Centre to bring about reciprocal agreements between the States for inter-State movement of vehicles had not borne much result. The Central Government had, therefore, decided to take over the regulation of inter-State road transport under Entry 42 of the List I - Union List - in the Seventh Schedule to the Constitution. The Joint ( Select ) Committee of Parliament to whom the Motor Vehicles ( Amendment ) Bill, 1955 had been referred, was of the unanimous opinion that a Central Body should be set up for this purpose. This was named as the 'Inter State Transport Commission' and Sections 63A to 63C of the Act defining the set up of this body were introduced through the Motor Vehicles ( Amendment ) Act, 1956.

Existing  
Machinery.

2. The Inter State Transport Commission was thus constituted by the Government of India on the 8th March, 1958. It consists of a Chairman and such other members, not being less than two, as the Central Government may think fit to appoint. In actual practice, the number of other members has varied between two and four. For the purpose of assisting the Commission in the performance of its functions in relation to any area or route common to two or more States, the Commission has to associate with itself, for such purposes as may be prescribed, representatives of each of the Governments interested, who is to be chosen by the Government concerned. A person so associated has the right to take part in the relevant discussions.

functions  
as contained  
in the Motor  
Vehicles Act.

3. Section 63(2) of the Motor Vehicles Act, 1939, describes the powers and functions of the Commission as under:

The Commission shall perform throughout an inter-State region all or such of the following functions as it may be authorised to do by the Central Government by notification in the Official Gazette, namely:-

- (a) to prepare schemes for the development, coordination or regulation of the operation of transport vehicles and, in particular, of goods vehicles in an inter-State region;
- (b) to settle all disputes and decide all matters on which differences of opinion arise in connection with the development, coordination or regulation of the operation of transport vehicles in an inter-State region;

- (c) to issue directions to the State Transport Authorities or Regional Transport Authorities interested regarding the grant, revocation and suspension of permits and of countersignatures of permits for the operation of transport vehicles in respect of any route or area common to two or more States;
- (d) to grant, revoke or suspend any permit or countersign any permit for the operation of any transport vehicle in respect of such route or area common to two or more States as may be specified in this behalf by the Central Government;
- (e) to perform such other functions as may be prescribed by the Central Government under Section 63G.

Powers as  
contained  
in the  
Rules.

4. The Commission has also been empowered to exercise and discharge the following functions under rule 21 of the Inter State Transport Commission Rules, 1960:-

- (i) classification of routes and areas as inter-State routes and inter-State areas for the purpose of developing road motor transport;
- (ii) survey of the requirements of any inter-State region for road motor transport;
- (iii) examining how best the additional requirements of such region can be met;
- (iv) Preparing detailed schemes for provision/or improvement of motor transport facilities in specific inter-State regions and advising the Central Government and the State Governments regarding the manner of implementation of such schemes;
- (v) division of traffic in inter-State regions among the States concerned;
- (vi) specifying the conditions which may be attached to a permit in respect of an inter-State region, subject to the provision of Chapter IV of the Act;
- (vii) fixing the maximum and minimum fares for the carriage of passengers in an inter-State region;

- (viii) fixing the maximum and minimum freight rates for the various kinds of goods to be carried in an inter-State region, and laying down the conditions for the carriage of such goods;
- (ix) requiring the holders of inter-State permits to furnish such periodical returns, statistics and other information as the Commission may, from time to time, desire;
- (x) advising the State Governments in the matter of:
  - (a) taxation of motor vehicles;
  - (b) load restrictions; and
  - (c) rationalization of goods transport services in inter-State regions;
- (xi) assisting in the conclusion of reciprocal arrangements amongst State Governments for the smooth and efficient operation of inter-State motor transport services;
- (xii) devising ways and means of extending road transport to inter-State regions where there is scope for its extension without creating uneconomic competition with other means of transport already available or likely to become available there;
- (xiii) coordinating the operation of transport vehicles with other means of transport in inter-State regions so as to ensure that;
  - (a) there is no uneconomic competition between the motor transport operations inter-se and between motor transport and other forms of transport; and
  - (b) there is no duplication or waste of transport capacity;
- (xiv) regulating the timings of the passenger bus services in inter-State regions so as best to serve the convenience of passengers;
- (xv) advising the Central Government from time to time in regard to such measures as may be necessary for an integrated and coordinated development of inland transport resources of the country and their optimum utilisation;

- (xvi) visiting such places as it may consider necessary for the discharge of its functions;
- (xvii) convening meetings of the representatives of State Governments, motor transport operators, and other interests concerned;
- (xviii) sending out its officers to inter-State regions to check whether the directions issued by the Commission are being implemented, or to carry out a census of traffic;
- (xix) recommending to State Governments the enforcement of such traffic and safety measures in inter-State regions as the Commission may deem necessary;
- (xx) doing all other things to facilitate the proper carrying on of the functions of the Commission.

5. The Commission has so far been given the powers under clauses (a), (b), (c) and (e) in para 3 above. The powers under clause (d) viz., to grant, revoke or suspend an inter-State permit or countersign any such permit in respect of the routes or areas specified in this behalf by the Central Government have not so far been vested in it.

Limitations  
of powers.

6. The powers given to the Commission are, however, restricted, regarding clause (b). Under a convention agreed to between the Ministries of Home Affairs and Transport, the Commission is to discharge its functions and statutory duties as laid down in the Motor Vehicles Act, only as long as it can secure the agreement of the States concerned. Where there is a dispute or disagreement between the Commission and the State or between one State and another which the Commission is unable to resolve the Commission is required to refer the matter in dispute to



the concerned Zonal for bringing about a settlement. There are 5 such Zonal Councils. The Commission can issue a directive under the Act only if the said Zonal Council is unable to settle the dispute. This procedure inevitably results in delay in the settlement of disputes.

The procedure as envisaged in the convention referred to above obviously comes in the way of working of inter-State road transport. The Commission has become a mere advisory body whose functions are very much restricted to bringing about agreements between the State Governments concerned in the matter of issuing permits.

Mysore  
High Courts  
ruling.

7. The powers to issue directions under clause (c) have also been circumscribed by judgement of the Mysore High Court. A directive was issued by the Commission prescribing certain conditions for the selection of operators by the State and Regional Transport Authorities when a permit for a goods vehicle was to be granted in respect of an inter-State route. On appeal, the Mysore High Court held that the Commission could not issue a directive to State Transport Authorities in the matter of selection of applicants for the issue of permits as it is a judicial function, which should not be influenced by an outside agency including the Inter-State Transport Commission.

It would thus appear that the Commission at present is allowed to exercise powers contained only in clause (a) in Section 63A(2) alone.

Working of  
inter state  
Transport  
Commission.

8. Having regard to the constitutional set up and the limitations under which the Commission was required to function, the record of performance of the Commission during the last 8 years has been commendable. It has tried to bring about agreements between a number of contiguous States and it has tried to help the cause of inter-State transport by bringing about zonal agreements. The Commission has also tried to get greater facilities for issue of regular permits for inter-State operations and a number of such permits have been issued.

Drawbacks  
of recipro-  
cal agree-  
ments.

9. The various reciprocal agreements between States have helped the movement of traffic in contiguous States. However, such agreements do not lead to full development of inter-State Transport as they have many drawbacks. These might be briefly mentioned here.

(a) Most of the reciprocal agreements are based on parity. This basis cannot meet the situation where the States are of unequal size, differ in traffic generation, vehicle population, road condition and general economic development. For instance, there can be no parity between Goa and Maharashtra, Orissa and Andhra Pradesh. Parity between such States would not be taking into consideration the demands of traffic.

(b) There is possibility (and this was mentioned by some operators) that the principle of parity might lead to unfair competition in the States where the level of taxation is higher than in neighbouring States.

(c) As stated in para 8 of the preceding Chapter, vehicles under regular counter-signature enjoy exemption from the payment of vehicle tax<sup>6</sup> of the neighbouring States covered by the agreement; but the passenger and goods tax has to be paid to both the States<sup>6</sup>. Apart from the difficulty of paying it to more than one authority, it causes hardship to the operator as he has to maintain detailed accounts and submit returns to the authorities in both the States. In case of goods tax the hardship is still greater. The difficulties of multiple taxation still persist inspite of reciprocal agreements.

(d) A serious limitation of reciprocal agreements is that they provide no relief to operators plying on routes covering more than two States. There may be reciprocity between Maharashtra and Delhi but the intervening States not being the parties to such agreements, insist on the payment of vehicle tax and goods tax from the operators, even if they do not pick up or unload goods in those States.

We, therefore, feel that reciprocal agreements have not been able to remove a number of handicaps in the way of inter-State operations.

10. The total number of trucks in the country is about 2½ lakhs; out of these, those that ply under regular permits in contiguous States are estimated at 25,000. The number

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\* The newly signed South Zone Agreement provides for payment of both the motor vehicle tax and goods tax in the home State.

plying under regular permits on multi-State routes is only a few hundreds. Although the Inter State Transport Commission has issued directions to State authorities to grant 726 multi-State permits, the number of such permits issued so far is only 163. This might be due to the difficulties to which multi-State road transport is subjected. Quite often even when an offer of permits was made, there was no operator to come forward to accept that offer. The operators are required to pay vehicle tax and also goods tax for the whole year to each and every State which the vehicles traverses. In the circumstances, the operators probably prefer taking out temporary permits only for short periods as and when they have an assured load.

Regulatory  
powers of  
I.S.T.C.  
Inadequate.

11. The facts mentioned in the preceding paras show the inadequacy of the regulatory powers vested in the Inter State Transport Commission. It is clear that the power of regulation by itself is not of much practical value as long as the Commission has no power to ensure uniform principles of taxation for inter-State movement of traffic. The taxation tariff of each State being different, the road transport operations are necessarily delayed by multiplicity of taxes and the procedures connected thereto. Smooth flow of traffic is not, therefore, possible under the prevailing conditions. Therefore, the fundamental issue to be resolved is that of taxation. Any regulation cannot become effective without the power to levy and regulate taxes. We are of the firm view that the power

of taxation is necessary for enabling the Commission to carry out its work effectively. There is no denying the fact that the powers vested in the Inter-State Transport Commission, even if allowed to be exercised fully, do not enable it adequately to fulfil its intended functions of development, coordination and regulation of inter-State transport. We, therefore, feel that appropriate measures should be taken to vest in the Commission the authority to levy tax\* in inter-State Transport within such framework as may be approved by Parliament.

Recommendations of C.T.P.C.

12. The Committee on Transport Policy and Coordination, while considering inter-State road transport proposed two sets of permits, viz., inter-state permits and intra-State permits. While the regulation of vehicles operating within the States was to be left entirely to the control of the State Governments, the Committee suggested that inter-State transport should be taken over by the Centre. They recommended that inter-State permits both for buses and trucks should be issued under the authority of the Inter State Transport Commission, the actual permit, however, being issued by the State authorities. They also recommended that the present reciprocal agreements for determining the number of permits need not continue. In respect of taxation, the Committee desired that there should be uniform rules for all inter-state vehicles and such vehicles should be free to pass through the territory of any State lying enroute.

\*Tax wherever mentioned for inter-State transport includes taxes on carriage of goods and passengers as the case may be under Entry 56 in list II.

13. While we are in broad agreement with the suggestion made by the Committee on Transport Policy and Coordination, we would for practical considerations, suggest certain modifications therein. In practice, difficulties might arise in operation of vehicles if there are two sets of permits; one for purely intra-State traffic and the other for inter-State traffic. There might be complications inside a State as the State Government would have no control over an inter-State vehicle registered in the State and might not look with favour on such a vehicle. Moreover, it might not be possible to check the activities of an inter-State vehicle inside the State where it has its centre of origin. There might be complaints of contravention of rules by such vehicles indulging in intra-State traffic also.

liability to  
home State.

14. We feel that basically a commercial vehicle should be registered in a particular State where it normally resides and the primary permit should be issued by the Home State. It will pay all the necessary taxes to the home State, which will include vehicle tax and passenger and goods tax. Those vehicles which desire to carry on inter-State traffic also will have to obtain an additional permit which will be in fact an extension of the primary permit and which will enable the vehicle to carry on operations outside the State of origin. Such additional permit for inter-State operation should be granted by the Inter-State Transport Commission, though the permit itself will be issued by the

authorities in the home state, acting on behalf of the

Commission. According to the proposed arrangements, every vehicle will be resident and registered in its State of origin while the regulation of the central authority will only be for the purpose of inter-state traffic. At the same time, the jurisdiction of the state in which the vehicle is registered in respect of levies of taxes and fees, vis-a-vis, ~~inter~~ intra-State transport, will remain unfettered.

definition of  
inter state  
transport.

15. In view of the above distinction, it becomes all the more necessary that the scope and meaning of the expression 'inter-State transport' should be unambiguously and authoritatively defined so as to preserve in tact the States' present jurisdiction over intra-State transport while excluding inter-State transport from their purview. Broadly all transport movement other than intra-State Transport should, in our view, be classed as inter-State transport, intra-State being defined as transport in areas or routes falling predominantly within the boundaries of any one State of Union Territory.

Constitutional  
remedy.

16. It may well be that even under the existing provisions of the Constitution, with reference to Entry 42 of the Union List in the Seventh Schedule, Parliament is competent to legislate in the above manner in respect of inter-State transport. If so, action should be taken speedily by the Government of India to introduce legislation whereby Parliament could authorise the Inter-State Transport Commission to levy and collect taxes within the framework

approved by it. Such legislation as the parliament may pass should specifically provide for the assignment to the States of the proceeds of the levy so imposed and the principles of its distribution. We have given in the next paragraph the framework for the levy and collection of taxes for inter-State operation of goods vehicles and the basis for the distribution of tax proceeds, which might be adopted as an interim-measure.

Should it be found that under the existing provisions of the Constitution taxation in respect of inter-State transport is not within the competence of Parliament, we would recommend an amendment of the Constitution for this purpose.

inter-State  
standard  
tax.

17. We have examined the proposals made by the Study Group on Motor Vehicles Taxation particularly those in respect of inter-State Standard Tax. We feel that the scheme of inter-State standard tax framed by the study group and the criterion suggested by them ( vide Annexure VIII) for distribution of proceeds are generally acceptable subject to two important modifications. While the study Group has not recommended the levy of any tax for the first 50 miles outside the home State, we are of the view that having regard to the present configuration of different States and flow of traffic, it may not be fair to deny altogether a share of the tax for States in which the route traversed by an inter-State vehicles is less than 50 miles.



To obviate this anomaly, we recommend that the first two slabs proposed by the Study Group be merged with the tax payable being fixed at 25% of the standard tax. While making this recommendation, we are conscious that there are short enclaves or pockets of other States through which traffic originating and terminating in the same State has sometimes to move in order to avoid traversing longer distances. With a view to eliminating hardship on such intra-State movement of traffic through short distances lying within other States, we recommend that a special provisions be made for exempting vehicles engaged in intra State transport from payment of tax in such cases provided there is no loading or unloading in the stretch lying in the enclave or pocket of the neighbouring State. We further recommend that the quantum of inter-State standard tax which is to be eventually settled after consulting the State Governments, may as an interim measure, be fixed at Rs.2,500 per annum on a truck with R.L.W of 11 tonnes and Rs.3,000 per annum for vehicles exceeding 11 tonnes R.L.W. We would, however, incidentally like to draw attention to the recent Zonal Agreement (Annexure IX) between 5 Southern States where the tax including goods tax for inter-state transport has been fixed at the maximum of Rs.2,000 per annum for the entire Zone.

The tax liability of vehicles plying on inter-State routes under the scheme recommended by us is given in the table below:-

Distance	upto	
	Standard tax:-Rs.2,500	upto 11 tonnes R.L.W
	Rs.3,000	over 11 tonnes R.L.W.
1	Tax payable	
2		
Upto 150 miles (240 Kms) outside the home State.	25% of the standard tax.	

From 151 to 350 miles (241 to 560 Kms).outside the home state	50%	of the standard tax.
From 351 to 600 miles (561 to 960 Kms).outside the home state	75%	-do-
Over 600 miles (960 Kms). outside the home state.	Y 100%	-do-

We have not been able to consider fully the question of standard tax for passenger vehicles. We propose to consider this question at the time of recommending general principles of taxation of motor vehicles.

et up of  
Inter-State  
transport  
Commission.

13. The Inter State Transport Commission would be the proper agency for regulating inter-state transport and its taxation. We recommend that the Commission should be reconstituted, de novo and in addition to the powers that the present commission has under the Motor Vehicles Act, the new Commission will have additional powers regarding taxation. The Commission will have the authority to decide the quantum of permits for each State though the actual selection and issuing of permits will be carried out by the State authorities concerned acting on its behalf. The Commission will also levy and regulate taxes on inter-State transport vehicles. The taxes levied and collected will be realised normally by State authorities acting on its behalf to be ultimately distributed to the various States according to principles laid down under Article 269 of the Constitution.

ecommendatio19. According to the plan that we are recommending  
ions regar-  
ding I.S.T.C. the Commission that will come into being will be different  
and very much more strengthened with wider powers than the  
present one. Its structure and functions which we are  
suggesting are given below. In doing so, we are keeping  
in view the task that is before the Commission;

(i) All powers which at present are given under Sections  
62A(1) to 63C of the Motor Vehicles Act should be given to  
the new commission in the substantive Act itself by  
Parliament and not left to be granted by Government through  
notifications.

(ii) In addition, the Commission will have the power  
to levy and regulate taxation of inter-State transport.  
It will also fix the rates on the basis of the framework  
laid down by Parliament. It is recommended that the  
collection of taxes be carried out generally by the States  
acting on behalf of the Commission. The Commission will  
have the authority to recommend modifications in this regard  
where it thinks necessary.

(iii) The Commission should have for discharging its  
functions properly the power to appoint Committees of one  
or more persons for examination of specific matters and  
enquiries. It will no doubt associate representatives of  
States or specialists in advisory capacity whenever  
necessary to enquire into or deal with specific problems in  
connection with inter-State transport development.

Composition  
of the  
Commission.

20- As the existing Inter-state transport Commission is composed of part time officers representing different interests, it will not be in a position to discharge the functions enumerated above. It will not be a workable arrangement to have a Commission representing different interests as the number of interests which should appropriately be represented is very large and decisions taken by members representing particular interests might not create an impression of impartiality which is essential for making the work of the Commission effective. Further part time members often change and it is difficult to have consistent and effective working. The Committee is strongly of opinion that having regard to the functions it is expected to perform, the Commission should be a high power independent authority. Its composition should be such as should inspire confidence not only amongst operators but also amongst the States in regard to the discharge of its functions. The Commission, in order to carry out the executive duties enjoined upon it, ought to be small with full time members. In the Committee's opinion it should be composed of three members. It should have a Chairman of a high status preferably chosen from public life who should be able to wield independent authority and take an objective view of the demands of the various interests. The other members should have wide experience of administration or transport or finance or economics. They should also have no personal interest in any transport

undertaking or automobile manufacturing concern. In order to give it requisite authority, the status of the Commission should be similar to that of the Union Public Service Commission, the Tariff Commission or the Forward Markets Commission.

We need hardly add that the Commission should be equipped with a proper Secretariat and also have a Research wing of its own in order to discharge its duties.

21. The powers vested in the present Inter State Transport Commission, even if allowed to be exercised fully, do not enable it adequately to fulfil its intended functions of development, coordination and regulation of inter-state transport. We, therefore, feel that appropriate measures should be taken to vest in the Commission the authority to levy tax on inter-State transport withing such a framework as may be approved by Parliament. At the same time, the jurisdiction of the State in which the vehicle is registered, in respect of levies of tax and fees, vis-a-vis intra-State Transport, will, however, remain unfettered. This makes it all the more necessary that the scope and meaning of the expression "inter-State transport" should be unambiguously and authoritatively defined so as to preserve in tact the States' present jurisdiction over inre-State transport, while excluding inter-State transport from their purview. Broadly, all transport movement other than intra State transport should, in our view, be classified as inter-State transport, intra-State transport being

as transport in areas or on routes falling predominantly within the boundaries of any one State or Union Territory.

It may well be that even under the existing provisions of the Constitutions, with special reference to Entry 42 of the Union List in the Seventh Schedule, Parliament is competent to legislate in the above manner in respect of inter-State transport. If so, action should be taken speedily by the Government of India to introduce legislation whereby Parliament could authorise the Inter-State Transport Commission to levy and collect taxes within the framework approved by it. Such legislation as Parliament may pass should specifically provide for the assignment to the States of the proceeds of the levy so imposed and the principles of its distribution. We have suggested a suitable framework for the levy and distribution of taxes on inter-State transport, which should find general acceptance amongst States as an interim measure.

Should it be found that under the existing provisions of the Constitution, taxation in respect of inter-State transport is not within the competence of Parliament, we would have no hesitation in recommending an amendment of the Constitution itself for this purpose.

The newly constituted Inter-State Transport Commission should be a full time high power independent authority. In order to carry out the duties enjoined

upon it, it ought to be a small body composed of three full time members, it should have a Chairman of a high status, preferably chosen from public life who should be able to wield independent authority and take an objective view of the demands of the various interests. The other members should have wide experience of administration or transport or finance or economics. It should have high status similar to that of the Union Public Service Commission, Tariff Commission or Forward Markets Commission.

Sd/-B.V.Keskar, Chairman.

Sd/-G.Ramachandran Member.

Sd/-Gurjit Singh, Member

subject to note appended to the report.

subject to note appended  
Sd/-Kundan Lal, Member

Sd/-V.G.Bhatia, Member

Sd/-F.P.Antia, Member.

Sd/-Sher Singh, Member

Sd/-S.A.Iyengar, Member.

Sd/-S.M. Bhattacharji, Member

Sd/-B.N. Maheshwari, Member.

Sd/-R.P. Naik, Member

Sd/-P.N.Damry, Member.

Sd/-Deokinandan Narayan, Member

Sd/-C.R.Raja, Member.

Sd/-C.Narasimha Moorthy, Member

Sd/-N.Balkrishna, Member.

Sd/-Gnan Singh, Secretary.

Note of Dr. V.G. Bhatia.

There is one aspect of the report viz. the scheme for inter-state taxation recommended by my colleagues, on which I have some reservations. In this note, I have attempted to explain the reasons and my thinking why I believe that the taxation of the inter state road transport along with the lines recommended by my colleagues would do more harm than good to the development and economic integration of the country.

The Committee has recommended vide chapter 4, Para 14, etc., in this Interim Report, a scheme for taxation of inter-state transport which includes the provisions that "basically a commercial vehicle should be registered in a particular state where it normally resides and the primary permit should be issued by the home state. It will pay all the necessary taxes to the home state, which will include vehicle tax and passenger and goods tax. Those vehicles which desire to carry on inter-State traffic also will have to obtain an additional permit which will be, in fact, an extension of the primary permit, and which will enable the vehicle to carry on operations outside the state of origin ( and pay the additional inter- State tax)".

The Committee has elsewhere in the report, quite rightly emphasised the importance of road transport, including that of inter-State transport for the development of the economy. The Committee has also emphasised the importance of having uniformity of taxation at least in respect of inter-State operations. It has agains quite rightly emphasised the need for the exclusive jurisdiction of the Centre in respect



of inter-State transport including taxation in inter-State transport and has gone to the extent of suggesting constitutional changes if Parliament is not found to be competent to legislate in the matter.

Importance of road transport in the economic development of the country is well recognised all over the world. In fact, experience everywhere suggests that because of the technological revolution in transport which modern road transport represents, the economic development and transformation of the economy is itself accelerated by the development of road transport, and thus road transport has become a catalyst for economic development. This is particularly so for the developing countries. In the Indian context the inter-State road transport, along with the Railways, assumes even greater importance in so far as it furthers unity and economic integration of the country. The recommendations of the Committee that inter-State transport may be considered as (merely) an extension of the intra-State operations is, therefore, contrary to the above outlook and fails to appreciate fully the role for inter-State road transport in furthering the development, unity and economic integration of the country. This is all the more so when one realises that the upshot of this recommendation of my colleagues that each vehicle desiring to carry on inter State traffic would have to pay an additional tax over and above all the taxes levied by the State where it is registered would mean that taxes on inter-State operations will always be more than taxes in intra-State operations, no matter how high and low the taxes within a particular State may be. In short, a vehicle would have to

pay a penalty in order to engage in inter-State operations.

Moreover, since the Committee has not made any recommendation yet in regard to uniformity of taxes levied for intra-State operations by various States, the result of imposition of an additional fixed amount of tax for inter-State operations, as recommended by my colleagues, would lead to the fact that there would be no uniformity of taxes paid by vehicles engaged in inter-State operations. This result of the recommendations of the Committee also militates against the Committee's earlier emphasis on the need for uniformity of taxes at least for inter-State operations. As a corollary of this lack of uniformity of taxes paid by vehicles engaged in inter-State operations there will again be a scramble for inter-State permits from vehicles registered in those States where taxes are lower, with the result that the other States, where the taxes are higher, would have to take counter-measure to protect the interest of vehicles registered in their States. The result would be that we will be back to where we are now and there will be all kinds of pressures, bargaining, and other evils which the Committee has rightly pointed out earlier in this report.

An argument that if we insist on a position where a vehicle will have only an inter-State permit and need not pay taxes to the State where it is registered (other than registration fee of course), would not be acceptable to the States because they would be afraid of losing their revenue, is not convincing. We have already taken adequate caution and provided in our recommendations that the entire tax proceeds realised from taxation on inter-State operations would be distributed between the States, according to certain ----- 49/-

criteria, in the formulation of which the States would no doubt have a say. In any case the criteria for distribution would be uniform and applicable equally to all States. Since we expect that inter-State transport is likely to develop all the more so if it is not being penalised (By prescribing higher taxes than the highest in any State) that would ensure that the tax revenue realised from inter-State transport would also grow and therefore the State's share would automatically increase.

Another argument for the position that we have to insist on the vehicle to belong to a State and pay all the taxes for the Intra-State operations in the State whether it carries on intra-State operations or not, is the fear that if a vehicle was permitted to ply only in inter-State operations under the jurisdiction of the Centre, they would in any case surreptitiously carry on intra-State operations. But this would be true even in the present case because while a vehicle is permitted to ply in intra-State operations where it is registered and will be permitted to operate in inter-State operations only after paying an additional inter-State tax, what would prevent it from carrying on intra State operations in the other States where it is permitted to go to as a result of his inter-State permit and where he does not pay any intra-State Taxes. If one were to be consistent, one would have to provide for a vehicle paying taxes in all the States for which he has an inter-State permit a position which will, of course, rule out any possibility of inter-State transport and has not been accepted by my colleagues. This fear therefore, is not quite justified. The Inter-State permit could

be issued for certain routes. They could be asked to have a specific colour which distinguishes the vehicle from those ply-ing in intra-State operations, and prohibited from carrying on any intra-State operations. If, however, a vehicle with inter-State permit also wants to ply in intra state operations it could be allowed to do so after paying the necessary taxes in the State concerned.

I, therefore, feel that there is no rationale for penalising inter-State road transport, which would be the case if we follow the scheme recommended by my esteemed colleagues. In fact, this would be very much against the interests of the development of the inter-State traffic which has a vital role to play in the development of the economy as well as in furthering unity and economic integration of the country. In fact, interests of the country would be served better, if, like Railways, road transport is also allowed to have telescopic rates and the levies decline progressively with the distance of operations.

~~Note of Shri Kundan Lal.~~

My object is not to write a note of dissent: I wish to emphasise a point or two about which, I feel rather strongly.

I welcome the recommendations to give powers to levy and regulate all taxes on inter-State transport to the Inter-State Transport Commission; and to charge only one 'standard tax' on inter-State transport which tax will do away with the present system of charging the M.V. Tax, the Goods, Tax and what not, by all the States through which a truck passes; and that the standard tax will be charged on a pro-rata basis (on a slab system) at one point only, by the home State. I also agree with the suggestion that standard tax would eventually be evolved after consulting the States concerned. But with all this I find it difficult for me to agree to the adopting of, even as an interim measure, the formula recommended for the standard tax by the Study Group on Motor Vehicle Taxation in its report, as it is, not to speak of the changes in the slabs introduced by the Committee which make it still more unacceptable.

My objection to the formula is that it was recommended in an entirely different context. The terms of reference of the Study Group required it to suggest a formula which should simplify the present system within adversely affecting the revenues of different States concerned from the levies which each of them were imposing on the trucks engaged in inter-State movement and passing through its territory. The group has, as may be seen, while recommending this formula, made it clear beyond any doubt that adoption of this formula will not result in any loss in the present revenue to any of the States.

It was precisely against the levy by each of the States of the Motor vehicle and Goods Taxes on Inter State transport that the road transport industry had protested stating that the cumulative burden was unbearable. As a result this Committee had been set up to go into the question in all its aspects. Its terms of reference did not place any limitations on the Committee such as were imposed on the Study Group.

I am conscious of the fact that the Committee cannot express itself either way about this question without carefully going into it and examining it in some detail for which it will need some more time, although this is a matter which has been entrusted to it specifically by one of its terms of reference. But may I express the hope here that the quantum of the standardised tax and the slabs etc. will be eventually fixed not only after consulting the States concerned but also all other interests involved.

It is highly desirable that when fixing the quantum the capacity of those who have to pay the tax is also taken into consideration. The stoppages of trucks in the recent past in more than one State as a protest against increase in taxes show that in the opinion of those who have to pay these taxes, the upper limit has already been reached.

How I wish that the Committee had not suggested this formula without fuller consideration much less to have altered its slabs knowing as it did the essential difference in the terms of reference of the Study Group of those of its own. The committee knew also that even some of the states (at least five of them) had impliedly agreed that this quantum

was on the high side for they had recommended a much lower ceiling for the zonal permits which allow a mileage much exceeding 600 miles between the five convenanting States.

The slabs as originally suggested by the Study Group and modified by the Committee make it obligatory even for the trucks running between two contiguous states (now exempt from the M.V. Tax in all the States without exception, and even from goods tax in some cases to pay a part of the standard tax. As a result, the burden of taxation in their case (which forms nearly 80 per cent of the total inter-State traffic) would definitely be more than what it is now. This is, to say the least, not fair.

The differential amount recommended in the formula for trucks with RLW of 11 tonnes and those having more is also unrealistic because as of to day almost all the trucks (with minor exceptions) engaged in inter-State transport have been allowed 12 tonnes RLW in almost all the States, and still higher in some. It would have been more appropriate if the distinction had been fixed between trucks with 12 tonnes RLW and those having a higher RLW.

I do hope that when it comes to it, the Government will consider all these facts and evolve a standard tax (and the slab system, taking into consideration the formal flow of traffic and not just the State boundaries) on inter-State transport by consulting not only the State Govts. concerned but also all other interests involved so that the development of road transport industry in the country can receive a fillip. I am sure it will not be allowed to suffer just because someone thinks that some revenue out of it can or should be extracted.

SI/-Kundan Lal.

TO BE PUBLISHED IN PART I SECTION I OF THE NEXT  
ISSUE OF THE GAZETTE OF INDIA

GOVERNMENT OF INDIA  
MINISTRY OF TRANSPORT  
(TRANSPORT WING)

NEW DELHI, THE 6TH SEPTEMBER, 1965

RESOLUTION

No.21-T(42)/61. A comprehensive examination of the question of taxation on motor vehicles in India was made by the Motor Vehicle Taxation Enquiry Committee in 1950. The more important recommendations made by that Committee were reiterated by the Taxation Enquiry Commission in 1955. Subsequently, the rates of taxes affecting the operation of motor vehicles have been increased, both by the Central and State Governments, from time to time, and new levies, such as the taxes on passengers and goods carried by road, were also introduced. It has been represented that these increases coupled with difficulties on account of multiplicity of taxes and of collecting agencies, procedural formalities etc. are factors which act as disincentives to the development of road transport in this country. The Government of India have, therefore, decided to appoint a high level Road Transport Taxation Enquiry Committee to undertake a detailed examination of all the aspects of taxation on motor vehicles with a view to recommend procedural, legal and constitutional remedies necessary for ensuring the development of road transport consistently with the general development of the country.

2. The composition of the Committee will be as follows:-

- |    |   |           |
|----|---|-----------|
| 1. | Dr. B.V. Keskar (Non-official)  | Chairman. |
| 2. | Shri G. Ramachandran,<br>Secretary to the Govt. of Madras,<br>Finance Department. | Member    |
| 3. | Shri P.N. Damry,<br>Secretary to the Govt. of Maharashtra<br>Finance Department.  | "         |
| 4. | Shri V.M. Bhide,<br>Secretary to the Govt. of U.P.<br>Finance Department.         | "         |

....47/-



5. Shri S.A. Iyengar,  
Secretary to the Govt. of  
Andhra Pradesh,  
Home Department. Member
6. Shri R.P. Naik,  
Addl. Chief Secretary to  
the Govt. of Madhya Pradesh. "
7. Shri S. Mullik,  
Secretary to the Govt. of West Bengal "  
Home (Transport) Department.
8. Shri G.L. Mehta,  
Chairman,  
Rajasthan State Road Transport Corpn. "
9. Shri M.S. Swaminathan,  
Vice-Chairman,  
Mysore State Road Transport Corpn. "
10. Major Gurjit Singh,  
Jt. Provincial Transport Controller  
Punjab. "
11. Dr. F.P. Antia,  
Indian Roads & Transport Development "  
Association.
12. Shri Kundan Lal,  
Secretary-General,  
All India Motor Unions' Congress "
13. Shri N. Balkrishna,  
Secretary,  
Association of Indian Automobiles "  
Manufacturers'
14. Shri C.R. Raja,  
Member of Lok Sabha "
15. Shri Deokinandan Narayan  
Member of Rajya Sabha "
16. \*Dr. V.G. Bhatia,  
Director (Transport Research)  
Ministry of Transport.

minated  
subsequently.

An officer will be nominated by the Government of India in the Ministry of Transport to act as Secretary of the Committee.

8. The terms of reference of the Committee will be as follows:-

- (a) to examine the present cost of operation for bulage of passengers and goods by road transport, including the element of State and Central taxes; whether it has become a disincentive to the healthy development of road transport and if so, to what extent;
- (b) to examine whether there is justification for correlating the rates of motor vehicles taxes with reference to the types of fuel (petrol or diesel) used and area of operation;
- (c) to survey the existing administrative machinery and the procedures connected with the levy and collection of taxes, tolls, etc. on motor vehicles in the states, and examine whether they hinder the smooth movement of vehicles;
- (d) to recommend the principles on which Motor Vehicles Taxation should be based and also the level of taxation which will ensure adequate provision and development of efficient and economic road transport services in the country;
- (e) to suggest any changes in law and procedure that may be required to give effect to any recommendations that may be made; and
- (f) to make any other recommendations germane to the subject matter of the ~~xxx~~ enquiry.

4. The headquarters of the Committee will be at New Delhi but it will be free to visit such places as it may consider necessary in connection with its work. The Central Government hope that the State Governments, local bodies and others connected, will afford the Committee all assistance it may require and furnish any information which it may call for.

5. The Committee will submit its report within nine months.

...  
ORDER

Ordered that a copy of the resolution be communicated to all concerned and that it be published in the Gazette of India for general information.

Sd/-N.P. Mathur,  
Joint Secretary to the Govt. of India.

To

The Manager,  
Government of India Press,  
New Delhi.

Relative importance of the rail & road transport in various countries.

Country	Year	Tonnes		Kilometres	
		Rail%	Road%	Rail%	Road%
1	2	3	4	5	6
Albania	1955	11	89	12	88
	1963	7	93	14	86
Austria	1964	-	-	54	39
Belgium	1955	-	-	38	36
	1963	-	-	33	43
Bulgaria	1955	37	60	80	14
	1963	17	82	-	-
Czechoslovakia	1955	38	61	90	8
France	1955	20	74	61	27
	1963	18	74	52	30
East Germany	1955	50	44	33	11
	1964	43	55	82	14
West Germany	1955	-	-	50	23
	1964	-	-	38	33
Italy	1955	-	-	31	68
	1963	-	-	26	72
Norway	1955	13	87	59	41
Poland	1955	72	27	96	3
	1963	66	34	95	4
Sweden	1960	16	84	60	40
Turkey	1960	-	-	54	46
U.S.S.R.	1955	24	72	89	4
	1964	18	78	84	6
U.K.	1960	-	-	42	58
	1964	15	84	31	68
Yugoslavia	1960	38	56	74	11
	1964	17	80	61	25
U.S.A.	1940	-	-	63	10
	1955	-	-	50	17
	1962	-	-	-	23
India	1951	-	-	89	11
	1956	-	-	87	13
	1966	-	-	80	20

Source:- Annual Bulletin of Transport Statistics for Europe, 1964



:-60-:-

1	2	3	4	5	6	7
Mahara- seating shtra . capacity		2,200	2,830	3,320	For vehicles licensed to carry 4 persons, the annual tax is Rs.240 & for vehicles of larger capacity, the tax is Rs.55 per every passenger in excess of 4 passengers.	a) Rates effective from March, 1966. b) Diesel vehicles will have to pay surcharge of 50% in addition subject to the maximum of Rs.530. c) Two-third rates for vehicles within municipal areas.
Mysore "	a) 4,800 b) 5,600	a) 6,240 b) 7,280	a) 7,200 b) 8,400		The rate is flat at Rs.35 per seat per quarter for vehicles which cover more than 97 kms. per day and for vehicles covering less than this distance, the corresponding rate is a Rs.30 per seat per quarter.	Rates effective from Dec. 1962. Rates shown against (a) apply for vehicles whose daily run is less than 97 kms. Rates shown (b) apply to those which exceed 97 kms. For each standing the passenger if licensed the tax is Rs.40 per person for vehicles in class (b).
Drissa "	4,800	6,240	7,200		Flat rate of Rs.120 per seat per annum. For standing passengers Rs.40 per person p.a.	-----
Punjab "	2,150	2,750	2,750		The maximum rate prescribed is Rs.2,750 per annum.	The State Government proposed to increase the ceiling from Rs.2,750 to Rs.4,200 per annum.
Rajasthan "	1,600	2,600	3,000		Vehicles with a seating capacity of more than 40 the rates were uniform at Rs.50 per seat p.a.	Effective from 1.4.1966
Uttar Pradesh "	1,815	2,655				

(Full information not  
available)

.. 6..

	4	3	4	5	6	7
2						
Seating capacity	2,190	2,550	2,790	Rs.1980 for 33 + Rs.30 per every additional seat beyond 33.	Information as on March 1966.	
Lhi	1,720	2,200	2,200	The rate for 18 seater is Rs.400. For vehicles of larger capacity, the rate is calculated at Rs.60 per seat, subject to the maximum of Rs.2,200.		
inachal Pradesh	700	700	700	For vehicles over 32 seating capacity the rate is uniform at Rs.700 per annum.		
tripura	161	--	--	The rate for 30 seater is Rs.141 per annum; for additional seat the tax is Rs.2/-.		
Manipur	625	--	--	For 25 seater, the tax is Rs.250 and for each additional seat Rs.25/-.		
Pondicherry	640	--	--	Rate fixed at Rs.16 per seat per year.		
Goa	950	1,250	--	-----		

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:-62 -:-  
ANNUAL MOTOR VEHICLE TAX (ROAD TAX) ON TRUCKS AS ON 1ST SEPTEMBER, 1966.

ANNEXURE IV

Basis		RW 9 tonnes		RW 13 tonnes		Tax on vehicles with a greater capacity-method of levy.		Remarks
State of Tax		Payload 6½" ULW 2½		Payload 9½" ULW 3½				
1	2	3	4	5	6			
Andhra Pradesh	R.L.W.	2680	3280	The tax is Rs.3520 per annum for vehicles of 15,500 kg. laden weight and Rs.25.00 for every 250 kgs. or part thereof in excess of 15,000 kgs. in laden weight. Additional tax for trailers 1 ton R.L.W. trailer Rs.760 per annum; 1 to 3 ton R.L.W. trailer Rs.20 p.a. over 3 tonnes -do- 1600 p.a.				
Assam	Payload	1125	1575	Rs.75/- for every additional ½ ton payload (after 1 tonne payload the tax for which is 300 Rs p.a.) light trailer Rs.90/- per annum Medium " Rs.180/- -do- Heavy " Rs.360/- -do-				
Bihar	R.L.W.	1295 (2400)	2575 (3200)	Rs.80/- per every 250 kgs. or part thereof above 8 tonnes Trailers:a) 500 kg....125 p.a. b) 501 kg-2000 kg.Rs.125 plus Rs.15 for every 250 kg. above 500 kg. c) 2001-4000 kg. Rs.375 plus Rs.25 per every 250 kg. above 2000 kg.				
				a) Rates effective from 1.10.1965 b) Rates are higher for vehicles operating under temporary licences. c) Tax is inclusive of surcharge(goods tax)				
				Effective from May, 1963. Rates as in 1965.				
				a) Rates effective from 1.10.1964 b) Rates shown in the brackets are as proposed by the State Govt. and have not been enforced.				

cont.....

J. & K. R.L.W. 380 380

The rates are uniform for all vehicles exceeding 18000 lbs. RIW @ Rs.95 per quarter (Rs.330 p.a.) For trailers Rs.40 per annum.

a) Tax is higher for vehicles operating under temporary licences, i.e. Rs.25 for a week.

b) In addition to road tax, tolls are levied by the State Govt.

Kerala R.L.W.	2100	2900	All vehicles exceeding 10500 RLW thetax isuniform viz.%.725 per quarter.	a) Rates effective as per Act 24 of 1963 dated 15.4.1963.	b) Rates higher for vehicles under temporary licences.
			upto 1000Kg RLW-50 per quarter		
			1001 to 1500Kg -99	-do-	
			1501 to 2000 -113	-do-	
			2001 to 3000 -158	-do-	
			3001 to 4000 -203	-do-	
			4001 to 5500 -300	-do-	
			5501 to 7000 -375	-do-	



1	2	3	4	5	6
Madhya Pradesh	R.L.W.	1435	2100	For vehicles exceeding 12 tonnes RLW, the levy is @ Rs.100 per every 1000Kg or part thereof per annum Trailers: upto 760Kg ULW -Rs.75 p.a. 761 to 1520 ULW -Rs.150 " 1521 to 2030 " -Rs.225 " 2031 to 3050 " -Rs.375 " 3051 to 4060 " -Rs.525 "	Effective from March, 1964
Madras	R.L.W.	2400	3200	Vehicles exceeding 10500Kg, the rate is Rs.800 per quarter Trailers: RLW not exceeding 1000Kg. Rs.33.50 1001 to 1500 -Rs.63.50 1501 to 2000 -Rs.80 2001 to 3000 -Rs.105 3001 to 4000 -Rs.135 4001 to 5500Kg. -Rs.200 5501 to 7000Kg. -Rs.250 7001 to 9000Kg. -Rs.300 9001 to 10500Kg. -Rs.350 Above 10500Kg. -Rs.400	a) Effective from September, 1962. b) Rates higher for vehicles under temporary licences.

Mahara-shtra	R.L.W.	1520	2640	Rs.1100 for 7500Kg plus Rs.70 for every 250 Kg. in excess or 6500 Kg.	a) Effective from March, 1966 b) Two-third rates for vehicles in municipal limits. c) The diesel vehicles will have to pay in addition a surcharge of 50% subject to the maximum of Rs.530 in each case.
				Tax on trailers is the same as on trucks.	

1	2	3	4	5	6
Mysore	R.L.W.	2600	3200	For vehicles of 12 tonnes RLW the tax is Rs.720 per quarter. For all the heavy vehicles, the additional tax is at Rs.25 for every 250Kg. in excess of 12000 Kg. RLW(per quarter) Trailers I - tonne RLW -Rs.50 per quarter 1-1½ tonne -Rs.99 -do- 1½ to 2 tonne -Rs.113 -do- 2 - 3 tonne -Rs.158 -do- 3 - 4 tonne -Rs.200 -do- 4 - 5½ tonne -Rs.300 -do- 5½-7 tonne -Rs.375 -do- 7 - 9 tonne -Rs.450 -do-	a) Rates effective from January, 1966. b) Higher rates under temporary licences.
Orissa	R.L.W.	2200	3000	The rate if Rs.3000 per annum for vehicles upto 12 tonnes RLW plus Rs.200 for every additional 1 tonne or part thereof. Trailers - upto 1 tonne RLW Rs.120 p.a. 1 to 3 tonne RLW Rs.450 p.a. Over 3 tonne RLW Rs.900 p.a.	Effective from May, 1966.
Punjab	U.L.W.	593.75	875	For vehicles of ULW of 2 to 3 tonnes, the tax is Rs.593.75 and for ULW 3 to 4 tonnes, the rate is 875, and vehicles exceeding 4 tonnes ULW, the rate is Rs.1000 p.a. Trailer - Rs.62.50 p.a.	
Rajasthan	Pay-load	2200	2320	The rate is uniform at Rs.2200 p.a. for all vehicles of load carrying capacity of 5 to 9 tonnes. The corresponding rate for vehicles of payload 2 to 5 tonnes is Rs.1660 for vehicles of 9 to 15 tonnes, Rs.2320. Trailers: upto 1 ton payload Rs.85 p.a. Exceeding 1 ton " Rs.160 "	a) The tax is applicable to vehicles operating under general permit valid throughout the State. The corresponding rate for vehicles operating in a single region is Rs.1450 p.a. & for vehicles operating on single route in a region the rate is Rs.822 p.a.

b) Effective from 1.4.1966.

Rates are applicable to vehicles operating on A class routes. Lower rates are prescribed for class B&C routes.

Information as in March, 1966. Figures in brackets are the rates revised by the State Government but kept in abeyance.

	2	3	4	5	6
Other Pay-load.		1732.50	2475		
East Bengal	R.L.W.	1295 (1455)	2575 (2735)		
			Trailers: upto 500Kg. Rs.125 p.a. 501-2000 Rs.215 p.a. 2001 to 4000 Rs.375 p.a. 4001-8000 Rs.775 p.a.		
Delhi	RLW	600	1000		
				Upto 10 tonnes RLW, the rate is Rs.700 p.a. and for every additional tonne or part thereof, the rate is Rs.100 per ann. Trailer: RLW-2 tonnes Rs.100 p.a. Over 2 tonnes Rs.200 p.a.	
Himachal Pradesh.	ULW	200	400		
				U.L.W. 2 to 3 tonnes Rs.200 p.a. U.L.W. 3 to 4 tonnes Rs.300 p.a. U.L.W. over 4 tonnes Rs.400 p.a.	
Tripura	ULW	150	200		
				U.L.W.-2-3 tonnes Rs.150 p.a. 3-4 tonnes Rs.200 p.a. 4-5 tonnes Rs.300 p.a.	
Manipur	Payload	450	630		
				Rate for first 20 cwt. Rs.120 p.a. and for each subsequent 10 cwt. Payload Rs.30 p.a. light trailer Rs.60 Heavy trailer Rs.120	
Pondicherry	--	480	--		
				For all types, the rate is fixed at Rs.480 p.a.	

ANNEXURE VPASSENGER TAX AS ON 1.9.1966.  
(Rate and Method of assessment)

State	Date of assessment	Rate of tax	Rate of compounded tax	Method of assessment and collection	Remarks
1	2	3	4	5	6
Assam	30.7.62	10%	No composition	Same as for goods tax	
Bihar	April, 1950	12½% of fare	Composition admissible at 10 NP per mile on the basis of 25 seating capacity of a bus. The fee is prescribed by the Commissioner.	-do-	
Gujarat		20% of the fare for vehicles operating outside the municipal limits.	No composition	-do-	a) The rate is 1% for vehicles operating within the municipal limits. b) The fare prescribed by the Govt. is inclusive of the passenger tax.
Kerala	April, 1963	10% of fare	Rs.25 per seat per quarter	-do-	
Madhya Pradesh	31.7.59	15% of the fare, (inclusive of tax)	According to the formula $R(FAT) \times \frac{R-65}{100}$ where F is total amount of fare collected for full complement of passengers on the entire route for a single one way trip.	Tax to be paid every month into the Treasury according to the Returns submitted. A fleet owner is to submit monthly returns while the others are to submit i) daily returns; ii) weekly returns; and iii) monthly returns. the Tax Officer on the basis of the Returns assesses the tax and issues Demand Notice.	No tax on those vehicles confined to municipal areas. The Act provides separate procedure for fleet owners of hundred or more buses.





When a passenger is carried at concessional fare or without being charged, the fare normally payable shall be deemed to be the fare payable by such passenger.

Tax to be paid every month in the Treasury as per the Returns submitted.

Composition is admissible on the following formula:

$$F \times T \times X \times R$$

Where F=Fare  
T=No. of one way trips to be made during the period  
R=Rate of tax (given in Col.3).

The sum so determined shall not be less than 75% of the normal tax assessable otherwise.

No composition Same as for goods tax

Himachal Pradesh 8% of fare

Note: In other States and Union Territories, passenger tax is not levied.

## GOODS TAX ON 1.9.1966

## Rate of assessment and method of collection.

State	Taxation Act.	Rate at which assessed	Rate of compounded levy	Method of collection	Remarks
1	2	3	4	5	6

Assam 16.8.1962 10% of freight  
 A) fixed by the Notification  
 Lump sum payment is admissi-  
 ble only to those vehicles  
 operators who cannot  
 maintain accounts or issue  
 tickets (This concession is  
 given only to taxi cabs  
 and auto-rickshaws.).  
 The tax shall be  
 deposited by the  
 owner every month  
 and monthly re-  
 turn to be  
 submitted. The  
 amount to be  
 remitted into the  
 Treasury.  
 A) Even if the operator  
 charges no freight,  
 the tax is assess-  
 able at the normal  
 rate prevalent.  
 b) Information  
 pertains to 1965.  
 It is understood  
 that since  
 April, 1966, the  
 public carriers  
 are permitted to  
 compound the tax  
 at Rs.5,200 /-p.a.



Gujarat 15.9.1962 3% of freight

As fixed by the Government  
 in their Notification. For  
 an ordinary truck, the  
 compounded sum is Rs.67.50  
 per month. The amount will  
 not however exceed Rs.22 per  
 payload of 1 m. tonne.

The tax payable for  
 every month in acc-  
 ordance with the  
 returns submitted.  
 The amount to be  
 remitted either into  
 the Treasury or to  
 the Taxation Officer. pay load.

The option for  
 composition is  
 restricted to  
 operators who  
 possess not more  
 than 4 trucks and  
 35m. tonnes of  
 pay load.

Mysore 31.5.1961 5% of freight

by way of composition shall/shall not  
 collect any amount by way of tax during  
 the period to which such composition  
 applies).  
 (The  
 operator who has been  
 permitted to pay a fee  
 As 37.50 per month. The

Tax to be paid  
 every month into  
 Government  
 Treasury.

Notwithstanding  
 anything contain-  
 ed in the Act, the  
 amount to be ass-  
 essed may be in accor-  
 dance with the reciproc-  
 agreements if any, pro-  
 vided the tax assessable  
 does not exceed the limit  
 prescribed in the Act.

1.	2	3	4	5
Maharashtra	6.9.1962	10% of freight	According to the formula. Rs. $\frac{RLW \times ULW}{60}$ (Weights expressed in kgs.) payable for a month. This comes to Rs. 575 per quarter for a vehicle of RLW 15 tons. The formula was changed in April, 1966 as under;	The tax is to be remitted into Government Treasury before due date of the month. The composition levy may also be paid either monthly or quarterly into the Treasury or sent to the Tax Officer by M.O.
				The Act prescribes minimum freight at 10 paise per ton Km. Even if the operator charges less than this the tax is assessable at the minimum rate prescribed. If the freight is more than the minimum, the tax will be based on the actual freight collected.

$$Rs = \frac{RLW \times ULW}{40}$$

The revised (Weights express in kgs.) formula is kept in abeyance.

Maharashtra-20.8.62  
Shirgaon

3% of freight	Carrying capacity of the vehicle not exceeding 2m. tonnes - Rs. 20 per month.	The payment of tax to be made either into a Govt. Treasury or to the Taxation authority in cash or by cheque demand draft or money order.
Exceeding 2 to 3 tonnes	" 3 to 4	" Rs. 30
" 3 to 4	" 4 to 5	" Rs. 40
" 4 to 5	" 5 to 6	" Rs. 50
" 5 to 6	" 6 to 7	" Rs. 55
" 6 to 7	" 7 to 8	" Rs. 60
" 7 to 8	" 8 m. tonnes	" Rs. 65
		" Rs. 70

The Act lays down that the rate should not exceed Rs. 120 per month.

Composition of tax is permitted for each quarter and for more than one quarter if the operator so chooses.

Notwithstanding anything contained in the Act, the amount to be assessed may be in accordance with the reciprocal agreements if any, provided the tax assessable does not exceed the limit prescribed in the Act.



1.	2.	3.	4.	5.	6.
Kerala 15.4.63	5% of freight	Composition is permissible for the unexpired period of the currency of the permit or for a period of three months whichever is less. The composition rate is Rs. 112.50 per quarter.	The tax is payable every month into Govt. Treasury in accordance with the returns.	Only half the rates are payable in respect of goods carried by transport cooperatives. No tax is leviable on goods transported for export.	
Madras 31.12.52	5% of freight	Compounded levy at 37.50 per month.	Tax to be paid every month into Govt. Treasury in case of compounded levy, the option is given to the operators to pay either quarterly or in three equal monthly instalments.		
Punjab 1.9.1952	Rs. 12.15 per annum in plains; Rs. 8.10 per annum in hilly regions.	The tax has now been increased to Rs. 1,820 per annum in plains and Rs. 1,115 per annum in hilly regions with effect from 1.4.66, but kept in abeyance.	The tax shall be collected by the owner and paid to the State Government in the manner prescribed.	Even if the operator charges no freight the tax is assessable at the normal rate prevalent.	
Bihar July 1950	12%	Rs. 100 per month in South Bihar	Rs. 80 per month in North Bihar	No tax on the Transport of mineral ore, including coal.	
Sept. 1951	of freight				

.....cont.....

ANNUAL MOTOR VEHICLES TAX (ROAD TAX) ON STAGE CARRIAGES AS ON 1ST SEPTEMBER, 1966.

State	Basis of tax.	Tax on 40 seater	Tax on 52 seater	Tax on 60 seater	Levy on vehicles of higher capacity	Remarks
1	2	3	4	5	6	7
Andhra Pradesh	Seating capacity	1) 9,600	12,480	14,400	Rs. 60 per seat for seat per quarter under (ii). For every standing passenger if permitted, add. tax @ Rs. 18 / Rs. 32.50 per passenger per quarter for (i) and (ii) vehicles respectively.	For Municipalities and Municipalities are lower. Tax is inclusive of Surchage (passenger tax) Effective from 1.10.1965.
) Vehicles permitted to cover more than 160 kms. a day.						
Madhya Pradesh	"	1,600	2,080	2,400	Rs. 40 for every seat	(Figures relate to 1965)
Uttar Pradesh	"	2,190	2,550	2,790	Rs. 1980 for 33 persons + Rs. 30 for every additional person beyond 33 persons.	a) Effective from 1.10.64
Uttar Pradesh	"	(4,000)	(5,200)	(6,000)		b) Figures in brackets are as proposed by the State Govt. - uniformly at Rs. 100 per seat per annum.
Gujarat	"	1,352	1,712	2,032	The rate specified for 9 seaters namely Rs. 400, + Rs. 32 for every additional passenger & Rs. 16 per standing passenger.	a) Effective according to Notification 31.3.1963. b) Motor vehicles using fuel other than motor spirit will pay in addition Rs. 600 per annum. c) The maximum rates specified under the Act are still higher. d) The rates are two-thirds for vehicles operating within the local area.

1.	2.	3.	4.	5.	6.
Rajasthan	1) 25% of freight on metalled road; 11) 20% of freight on other roads	Rs. 1080 per annum for vehicles having payload of 5 to 9 tonnes and Rs. 1820 per annum for vehicles of payload exceeding 9 tonnes, for vehicles operating throughout the State.	11) Rs. 960 per annum for 5-9 tonnes payload of vehicles and Rs. 1200 per annum for other heavier vehicles in any one region.		
Uttar Pradesh	1954 5% of freight		Rs. 3.50 per month per quintal of the authorised payload and Rs. 4.00 for vehicles of other States plying on temporary permits.		
Himachal Pradesh	1952 8 1/2% of freight				

Note: In other States and Union Territories, goods tax is not levied.

Statement showing the minimum motor vehicle taxes charged for vehicles operating under temporary permits - 1966.

State	R.M.V. 9 tonnes Payload 6½ tonnes U.L.W. 2½ tonnes	RLW 13 tonnes P. load 9½ tonnes ULW 3½ tonnes	Remarks
Andhra Pradesh	i)Rs.74 for 7 days ii)Rs.274 for 30 days	Rs.91 for 7 days Rs.337 for 30 days	The rates are higher than those prescribed for regular permits.
Bihar	Rs.54 for 15 days	Rs.107 for 15 days	Rates same as for regular permits.
Gujarat & Maharashtra	Rate of taxes are same as of regular permits. But if the operators desire to pay tax quarterly, the amount would be of the annual rate + 10% thereof. Payment for less than a quarter:- Quarterly rate less 1-1/12th of the annual rate of the tax for every complete calendar months which has expired during the quarter. Thus vehicles operating on temporary permits had to pay a higher tax.		Part of the calendar months is treated as full month.
Jammu & Kashmir.	i)Rs.25 for 7 days ii)Rs.45 for 30 days	Rs.25 for 7 days Rs.45 for 30 days	The rates are higher than for regular permits.
Kerala	i)Rs.115 for 7 days ii)Rs.344 for 30 days	i)Rs.169 for 7 days ii)Rs.506 for 30 days	-do-
Mysore	i)Rs.75 for 7 days ii)Rs.225 for 30 days	i)Rs.95 for 7 days ii)Rs.235 for 30 days	-do-
Madras	i)Rs.83 for 7 days ii)Rs.247 for 30 days	i)Rs.120 for 7 days. ii)Rs.360 for 30 days	-do- -do-
Orissa	Rates same as regular permits payable for a month.		
Rajasthan	i)Rs.12 per day charged for one week on light vehicles ii)Rs.18 per day charged for one week on heavy vehicles. (For vehicles of other States only).		

Note:- The Acts of Motor Vehicle Taxation pertaining to other States do not prescribe separate rates for vehicles operating on temporary permits. However, such vehicles have to pay higher levies by way of counter signature fee.

SCHEME OF THE GRADUATED STANDARD  
TAX FOR INTER STATE OPERATORS

Taxes on Inter State vehicles Centralisation inevitable. Extracts from the report before us that, though road transport started as a State subject because the radius of its operation had been very limited and, therefore, its regulation and control could be best exercised by State Authorities, it has now expanded to such an extent that Central assumption of responsibility has become inevitable. According to this school of opinion, a State Government may continue to deal with road transport within the State, without prejudice to the growth of Inter-State trade and the traffic which it generates. We are largely in agreement with this view. It is evident that the need for inter-State agreements and the various procedural difficulties that currently tend to impede development of road transport will be obviated if some form of standard or uniform tax applicable to all inter-State traffic can be evolved.

Graduated standard tax for Inter State operation. 8.23. We would suggest that a graded scale of a tax based on the distance covered by a vehicle outside its "home State", and not on the number of States through which it passes or the rates of taxes in force in those states, is well worth trying. The vehicle should

continue to pay the taxes charged by the State in which it is registered but its tax liability on routes outside the State limits should be fixed with reference to an absolute all India standard which may be (\*\*)  
(Rs. 2,500 per annum for a vehicle which has pay load upto 7 tonnes (corresponding to RLW upto 11 tonnes) or Rs. 3,000 for a vehicle which has a pay load of over 7 tonnes (RLW or over 11 tonnes) and which has a permit for a route 600 miles or above in length outside the "Home State". The extra-State route mileage will have to be reasonably reduced, say, by 50 miles, for the purpose of the calculation, since under the existing reciprocal agreements, a vehicle is exempt from tax in a contiguous State if it has suffered tax in the "Home State" and the route mileage falling in the contiguous State is ordinarily about 50 miles.

6.24. The standard rate can be divided into the following slabs for inter-State routes which are below 600 miles in length outside the home State:-

<u>Distance.</u>	<u>Tax payable.</u>
First 50 miles outside Home State	Nil
From 51 to 150 miles	25% of the standard tax.
from 151 to 350 miles	50 % -do-
from 351 to 600 miles	75 % -do-
over 600 miles	100 % -do-

(\*\*) includes the element of goods tax/passenger tax.

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6.25. The standard tax should depend not merely on inter State route length but also on the period of a permit, in respect of a vehicle operating on a temporary permit. That is to say, the rates suggested by us, viz. Rs.2500/- and Rs.3,000/- relate to a whole year and if any vehicle runs on an inter- State route for a smaller period, the rate should also be proportionately reduced. The following example will illustrate the point.

If a truck with a pay loan of over 7 tonnes holds a permit for a period of 2 weeks on an inter-State route, which is 920 miles long and which covers 300 miles of home State, A, 80 miles of the contiguous state B, 200 miles of State C, 300 miles of State D and the remainder of 40 miles in State E, the standard tax will be divisible among them as follows:-

State A		Nil
State B	For first 50 miles	Nil
	for balance of 80 miles	$\frac{3000 \times 80 \times 2}{570 \times 52} = \frac{1500}{247}$ - about Rs.6/-
State C		$\frac{3000 \times 200 \times 2}{570 \times 52} = \frac{10000}{247}$ = about Rs.40/-
State D		$3000 \times \frac{300}{570} \times \frac{2}{52} = \frac{15000}{247}$ = about Rs.61/-
		$\frac{3000 \times 40 \times 2}{570 \times 52} = \frac{2000}{247}$ = about Rs.8/-
TOTAL:		<u>About Rs.115/-</u>

---4/-

In view of the fact that temporary permits are generally issued for not less than a fortnight on long distance inter-State routes, we suggest the adoption of a fortnight as the basic minimum for purposes of standard tax in regard to vehicles plying on temporary permits.

Since a regular permit is valid for 3 to 5 years in the case of a bus and for 5 years in the case of a truck, the period element will not disturb the tax calculations.

6.26. We may point out that if the above formula is adopted, our recommendation regarding corridor routes in para 6.13 will become redundant, since a State will be legitimately entitled to a fraction of the standard tax in proportion to the length of the route. While the corridor States will gain a share of the revenue raised from transit traffic, there will be no disequilibrium so far as the terminal States are concerned, because, as "home States" where the traffic in question will either originate or end, they will reap the same revenue as in the past.

6.27. It is also necessary to point out that the standard tax proposed takes goods/ passenger tax payable by a vehicle into account and, therefore, the vehicle will have no additional liability for either of these taxes in the intervening States, or destination. We may mention that most of the representatives of



operators who gave evidence before us were in favour of such an integrated standard levy which would be elastic without involving any cumbersome procedures or wasteful delays:

The following are among its other merits:-

- (i) It is equitable in its incidence;
- (ii) Its liability can be easily and definitely fixed.
- (iii) It is clear and simple in its procedure;
- (iv) Its collection is likely to be speedy and effective;  
and
- (v) It is incapable of evasion.

6.28. The responsibility for the recovery of the standard tax will inevitably have to rest on the home State which issues the route permit. Recovery of tax by individual States on route is not advisable either from the states' or the operators' point of view since it entails avoidable expenditure for the former and delay and inconvenience for the latter. The Union Transport Ministry may, in consultation with the Comptroller and Auditor General, evolve a suitable procedure for the deposit of the standard tax in the Home State and for its accounting and distribution to the concerned States. The form of chalan for tax payment should contain cages for specifying the length of the inter-State route for which a permit is held by the operator, the distance covered in each state the period of the permit, proportionate standard tax

payable for the period and its distribution pro rata on mileage basis among the transit States. The Accountants-General of all the States can work out the Aggregate tax collected on behalf of the different States at the end/of every quarter of the the financial year and arrange for the transmission of the credit to them.



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ANNEXURE -IX

South Zone Agreement

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