

AN EXAMINATION OF STATE COMPENSATION TO ANDHRA PRADESH MUNICIPALITIES

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THE purpose of this paper is to spotlight on the issue of the Andhra Pradesh State Government's compensation to its municipalities in lieu of the taxes on motor vehicles. The first section describes the constituent parts of the compensation, the second section is devoted to analyze the basis of compensation and examines the stationary compensation in terms of increasing revenue for the State from the motor vehicles tax and pleads for a rise in the compensation. Finally, the third section summarizes the whole issue.

SECTION I

The municipalities in India were authorized in the past to levy certain taxes on the motor vehicles plying in their local jurisdictions. Among such levies, the wheel tax and fees on those motor vehicles which use the cart-stands for parking purposes are the important ones. The wheel tax which was meant to meet the depreciation caused by the wheels of motor vehicles was levied in addition to the states' tax on motor vehicles. Such an additional levy has raised a problem; the motor vehicles "registered" for the purposes of wheel tax in such municipalities usually operate in areas much wider than the municipal areas themselves without contributing to the revenues of the other municipalities.

This issue has raised the problem of inter-municipal jurisdictions and led to awareness by the individual municipalities of the problem of wear and tear (or depreciation) caused to their roads by the vehicles registered elsewhere. As their tax jurisdiction is limited, these municipalities have often resented the existing system and made the demand for a suitable formula. Moreover, the fees-levying power of the municipalities in respect of the vehicles which use the cart-stands for parking purposes hinders the smooth movement of the motor vehicles.

The dual taxing power of the municipalities on the motor vehicles and consequent difficulties have made the Government of India to appoint a Committee called the "Motor Vehicles Taxation Enquiry

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