TAXES AND PUBLIC BUS TRANSPORT

The Indian Paradox

A product of WRI Ross Center for Sustainable Cities
URBAN PUBLIC TRANSPORT IN INDIA
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Generally exempt from tax payments

Delhi Metro – exempt from all taxes except:

- Wealth Tax
- Fringe Benefits Tax
URBAN BUS TRANSPORT IN INDIA

Largely by government-owned entities (State Transport Undertakings)

Cannot function on purely commercial principles:

Fare-setting

Concessions for various sections of commuters

Operating on low-demand routes to ensure connectivity
THE CURRENT TAX STATUS – LIST OF TAXES APPLICABLE ON PUBLIC BUSES

- Multiple taxes levied on public buses at various stages of operation

- Stamp Duty
- Property Tax
- Excise Duty
- Entry Tax
- VAT/Sales Tax
- Customs Duty
- Octroi
- Motor Vehicle Tax
- Passenger Tax
- Municipal Levies
- Labour Cess
- GST
THE CURRENT TAX STATUS FOR PUBLIC BUSES – WHERE ARE TAXES LEVIED?

ON IMMOVABLE PROPERTY

- Stamp Duty
- Property Tax
- Excise Duty
- Customs Duty
- GST
- Entry Tax/Octroi

ON BUS OPERATIONS

- Excise Duty
- MV Tax
- Customs Duty
- Passenger Tax
- GST
- Ad. Tax
- Entry Tax/Octroi
- VAT/Sales Tax
- Labour Cess
- Municipal Levies

ON BUS PURCHASE

MISC
The most significant taxes on public buses include:

**Average Public Bus Cost Components**

- Direct Taxes (Motor Vehicle Tax, in some states Passenger Tax)
- Indirect Taxes (Excise Duty, VAT/Sales Tax and Customs Duty) levied on fuel consumed by public buses

- Staff: 46%
- Fuel and Lubricants: 28%
- Other: 8%
- Tyres and Tubes: 3%
- Spares: 3%
- Interest: 4%
- Depreciation: 4%
- Direct Taxes: 4%
TAX BREAKDOWN – WHERE DO THESE TAXES GO?

CENRAL TAXES
- Excise Duty
- Customs Duty
- GST

STATE TAXES
- Property Tax
- Stamp Duty
- GST
- MV Tax
- Advt.Tax
- Passenger Tax
- VAT/Sales Tax
- EntryTax/Octroi
- Labour Cess
- Municipal Levies
ISSUES WITH THE EXISTING TAX SYSTEM FOR PUBLIC BUSES

• Impact on the financial stability of public bus operators

Cost Components of the Average Public Bus Operator

- Taxes: 20%
ISSUES WITH THE EXISTING TAX SYSTEM FOR PUBLIC BUSES

• Impact on the financial stability of public bus operators

<table>
<thead>
<tr>
<th>Year</th>
<th>Operators Surveyed</th>
<th>Loss-Making Operators</th>
<th>Operators whose Direct Tax Payments Exceeded Losses</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>21</td>
<td>13</td>
<td>5</td>
</tr>
<tr>
<td>2012</td>
<td></td>
<td>14</td>
<td>3</td>
</tr>
<tr>
<td>2013</td>
<td></td>
<td>15</td>
<td>5</td>
</tr>
<tr>
<td>2014</td>
<td></td>
<td>15</td>
<td>6</td>
</tr>
<tr>
<td>2015</td>
<td></td>
<td>14</td>
<td>6</td>
</tr>
</tbody>
</table>
ISSUES WITH THE EXISTING TAX SYSTEM FOR PUBLIC BUSES

• Huge variations in taxation across states

• Even when controlling for revenue, Haryana Roadways, for example, is taxed 15 times higher than the Metropolitan Transport Corporation
**ISSUES WITH THE EXISTING TAX SYSTEM FOR PUBLIC BUSES**

<table>
<thead>
<tr>
<th>Public Bus Agency</th>
<th>Gross Revenue</th>
<th>Tax Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rajasthan State Road Transport Corporation</td>
<td>INR 1837 Crore</td>
<td>INR 316 Crore</td>
</tr>
<tr>
<td>Gujarat State Road Transport Corporation</td>
<td>INR 2862 Crore</td>
<td>INR 565 Crore</td>
</tr>
<tr>
<td>Bhavenmumbai Electric Supply &amp; Transport</td>
<td>INR 1508 Crore</td>
<td>INR 90 Crore</td>
</tr>
<tr>
<td>Karnataka State Road Transport Corporation</td>
<td>INR 3205 Crore</td>
<td>INR 485 Crore</td>
</tr>
<tr>
<td>Bangalore Metropolitan Transport Corporation</td>
<td>INR 2257 Crore</td>
<td>INR 310 Crore</td>
</tr>
<tr>
<td>Uttar Pradesh State Road Transport Corporation</td>
<td>INR 3275 Crore</td>
<td>INR 693 Crore</td>
</tr>
<tr>
<td>Calcutta State Transport Corporation</td>
<td>INR 72 Crore</td>
<td>INR 12 Crore</td>
</tr>
<tr>
<td>Andhra Pradesh State Road Transport Corporation</td>
<td>INR 4808 Crore</td>
<td>INR 846 Crore</td>
</tr>
<tr>
<td>Metropolitan Transport Corporation Chennai</td>
<td>INR 1376 Crore</td>
<td>INR 126 Crore</td>
</tr>
</tbody>
</table>

*Tax paid includes all direct taxes and fuel tax for the year 2014-15*
ISSUES WITH THE EXISTING TAX SYSTEM FOR PUBLIC BUSES – BUSES TAXED MORE THAN PRIVATE VEHICLES
ISSUES WITH THE EXISTING TAX SYSTEM FOR PRIVATE BUSES

• Implicitly ‘subsidises’ private vehicles and promotes congestion
• Reduces funds available with operators to reinvest in the system – poorer service quality
• More frequent requests for fare hikes
• Little incentive for operators to introduce newer technology in maintenance
HOW COULD THIS BE IMPROVED?

• Reducing taxes and increasing financial support – easy to suggest

• Who should pay for high-quality public transport?
THANK YOU