

Govt panel proposes additional taxes on personalised vehicles

A government sub-committee looking into probable sources of funds for urban transport projects in the 12th Plan has suggested the creation of a national fund, resource for which can be generated through **taxes on vehicles and petrol consumption**.

The recent report of the Sub-Committee on Financing Urban Infrastructure in the 12th Plan said investments to the tune of 87,000 crore were required in the Five Year Plan duration.

The huge investment needs cannot possibly be met only from traditional budgetary sources, the sub-committee, constituted by the Urban Development ministry, said.

"Learning from the global examples, a dedicated urban transport fund has been recommended at the national level as envisaged in (National Urban Transport Policy) or NUTP-2006," it said.

The sub-committee said it had identified some sources of revenue for the creation of the National Urban Transport Fund which were based on 'Polluters pay Principle' and aimed to reduce the use of personal vehicles.

The report suggested imposing a green surcharge of 2 on petrol sold across the country as the fuel is "exclusively consumed by **personalised vehicles** and its other uses are limited".

"Based on the estimates, this green surcharge on sale of petrol in the country will generate about 3,100 crore in the base year," it said.

The sub-committee in its report also suggested that a green cess on existing personalised vehicles be applied to raise funds for urban infrastructure.

"All vehicles in India are required to be insured every year. There are several enterprises which provide insurance to the vehicles at the rate of 3% of the annual insured value both for car and two-wheelers," the report noted. "It is proposed that an additional 4% of the vehicle's insured value shall be collected as green cess," it said.

The sub-committee estimated that during the first year itself, the total collection from this source for the NUTF could be about 18,000 crore.

The sub-committee also recommended an urban transport tax on purchase of new cars and two-wheelers for which an additional tax of 7.5% and 20% on personalised petrol and diesel vehicles respectively has been proposed.

The government constituted sub-committee claimed these levies would not only help in generating resources for urban transport projects but would also discourage the use of personalised vehicles.