

**SIXTEENTH KERALAM LEGISLATIVE ASSEMBLY**

**COMMITTEE**

**ON**

**PUBLIC UNDERTAKINGS  
(2026-2028)**

**FIRST REPORT**

( Presented on .....14th..... October 2026 )

**SECRETARIAT OF THE KERALAM LEGISLATURE  
THIRUVANANTHAPURAM**

**2026**

**SIXTEENTH KERALAM LEGISLATIVE ASSEMBLY**

**COMMITTEE**

**ON**

**PUBLIC UNDERTAKINGS  
(2026-2028)**

**FIRST REPORT**

**On**

**Kerala State Road Transport Corporation**

**(Based on the audit para contained in the Report of the Comptroller and  
Auditor General of India for the year ended 31<sup>st</sup> March, 2023)**

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## **COMMITTEE ON PUBLIC UNDERTAKINGS**

**(2026-2028)**

### **COMPOSITION**

***Chairperson:***

Prof. Abid Hussain Thangal

***Members:***

Shri G. R. Anil

Shri I. C. Balakrishnan

Shri Chandy Oommen

Shri Jyothikumar Chamakkala

Shri C. R. Mahesh

Shri P. Mammikutty

Shri A. C. Moideen

Shri Kurukkoli Moideen

Smt. Uma Thomas

Shri Vishnu Mohan

***Legislature Secretariat:***

Shri Shaji C. Baby, Secretary-in-Charge

Smt. Reena V. R., Joint Secretary

Smt. Mable Antony, Deputy Secretary

Shri Ratheeshmon P., Under Secretary

## INTRODUCTION

I, the Chairperson, Committee on Public Undertakings (2026-28) having been authorised by the Committee to present the Report on its behalf, present this First Report on Kerala State Road Transport Corporation, based on the Report of the Comptroller and Auditor General of India for the year ended 31<sup>st</sup> March, 2023 relating to the Public Sector Undertakings of the State of Kerala.

The aforesaid Report of the Comptroller and Auditor General of India was laid on the Table of the House on 25.3.2025. The consideration of the audit paragraphs included in this report and the examination of the departmental witness in connection thereto were made by the Committee on Public Undertakings (2023-2026) at its meeting held on 23.12.2025.

This Report was considered and approved by the Committee (2026-2028) at its meeting held on 16.09.2026.

The Committee places on record its appreciation for the assistance rendered to them by the Accountant General (Audit), Kerala in the examination of the Audit paragraphs included in this Report.

The Committee wishes to express thanks to the officials of the Transport Department of the Secretariat, Kerala State Road Transport Corporation for placing the materials and information solicited in connection with the examination of the subject. The Committee also wishes to thank in particular the Secretaries to Government, Transport and Finance Department and the officials of the Kerala State Road Transport Corporation who appeared for evidence and assisted the Committee by placing their views before the Committee.

Thiruvananthapuram,  
14<sup>th</sup> October 2026.

  
**Prof. ABID HUSSAIN THANGAL**  
Chairperson,  
Committee on Public Undertakings.

**REPORT  
ON  
KERALA STATE ROAD TRANSPORT CORPORATION**

**Audit Para 5.6 (2022-2023)**

**5.6 - Avoidable payment of GST**

**Failure to apply the relevant provisions of Goods and Services Tax in the execution of contract with a private party resulted in avoidable payment of Goods and Services Tax of ₹1.55 crore.**

Kerala State Road Transport Corporation (Corporation) invited (02 August 2017) limited tenders from vehicle manufacturers for hiring of 25 premium segment diesel fuelled Multi-Axle (Semi-Sleeper Class- BS IV) buses on wet lease<sup>1</sup> basis for a period of five years. The successful bidder had the option to operate the buses either directly or engage an operator for this purpose. Scania Commercial Vehicles India Private Limited (Scania) emerged (August 2017) as the successful bidder and appointed Maha Voyage LLP (Maha Voyage) as its operator. Consequently, on experimental basis, the Corporation hired (August 2017) 10 Scania buses from Maha Voyage for a period of five years. As requested (August 2017) by Scania, an agreement was signed (15 September 2017) between the Corporation and Maha Voyage for hiring Scania buses on wet lease basis. Maha Voyage would provide driver, take care of the operational expenses of the buses

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<sup>1</sup> Under the wet lease model, the lessor who owns the buses will provide buses as well as one or more crew members to the lessee, for a fixed rate per-kilometre.

and the Corporation would pay hiring charges to Maha Voyage at the accepted rates, ranging<sup>2</sup> from ₹23 to ₹27.72 per kilometre.

During the period of the contract from November 2017 to October 2022, the Corporation paid ₹17.11 crore<sup>3</sup> towards hire charges to Maha Voyage.

Clause 51 of the agreements mentioned above stated that Goods and Services Tax (GST) on hiring charges, if applicable and paid by Maha Voyage, would be reimbursed by the Corporation on production of proof of payment. However, as per the Government of India Notification No.09 of 2017 dated 28 June 2017, the applicable GST rate for 'services by way of giving on hire to a state transport undertaking a motor vehicle meant to carry more than twelve passengers' was 'Nil'. Hence, neither Maha Voyage nor the Corporation was liable to pay GST on the hire charges. This was also confirmed (February 2022) by the Central and State GST Departments.

During the period from November 2017 to March 2019, the Corporation reimbursed the claim of Maha Voyage for ₹1.55 crore towards GST. Though the Corporation stopped the reimbursement of GST for the above service from April 2019 onwards, Maha Voyage continued to raise GST reimbursement claims through the rest of the contract period from April 2019 to

2 (i) 600 to 649 kms - ₹27.72 per km; (ii) 650 to 699 kms - ₹26.40 per km; (iii) 700 to 749 kms - ₹25.50 per km; (iv) 750 to 799 kms - ₹24.00 per km and (v) 800 kms and above - ₹23.00 per km

3 inclusive of ₹1.55 crore towards GST from November 2017 to March 2019.

October 2022. However, the Corporation failed to persuade Maha Voyage not only to refrain from raising such claims but also to file refund claim of the GST remitted (November 2017 to March 2019) by them, within the timeframe of two years from the date of remittance as prescribed under section 54(1) of Central Goods and Services Tax Act 2017. As the period for raising refund claims has since expired (March 2021), the Corporation has incurred an avoidable expenditure of ₹1.55 crore.

The Corporation replied (October 2023) that there was lack of proper and clear guidelines and it had got clarity about the exemption rule only during 2019. From that point onwards, the Corporation had been paying only the invoice amount to Maha Voyage excluding GST. The Government endorsed (November 2023) the reply of the Corporation.

The reply of the Corporation is not acceptable. Though the notification issued by the Central and State Governments (28 and 30 June 2017) regarding the above said exemption had come into force before the agreements were entered into (September/October 2017), the same were not considered and incorporated in the agreements.

Thus, lack of awareness about the provisions of GST laws, failure to incorporate the same in the agreement and to initiate

timely action to persuade Maha Voyage to claim refund of GST within the prescribed time limit, resulted in an avoidable expenditure of ₹1.55 crore towards payment of non-applicable GST.

***Recommendation: Government should direct the Corporation to take legal action against Maha Voyage to make good the loss suffered on account of failure to claim GST refund within the permissible time limit.***

***[ Audit Paragraph 5.6 contained in the Report of the Comptroller and Auditor General of India for the year ended 31<sup>st</sup> March 2023 ]***

***( The Notes furnished by the Government on the audit paragraphs are given in Appendix II)***

**Discussion and Findings of the Committee**

The audit observation was that the failure to apply the relevant provisions of Goods and Services Tax in the execution of the contract with a private party resulted in an avoidable payment of Goods and Services Tax of ₹1.55 crore. The Committee demanded clarification regarding the same. The Chairman & Managing Director, KSRTC informed that Maha Voyage had filed the arbitration case first and KSRTC filed the case after the termination of the contract period, ie after 2022.

The Committee observed that KSRTC had entered into an agreement with Maha Voyage in July 2017 and that GST came into force in September 2017 and the Corporation reimbursed the claim of Maha Voyage towards GST till 2019. The Corporation discontinued GST reimbursement realising that GST need not be paid. However the Corporation failed to persuade Maha Voyage to file the refund claim of GST. The Committee opined that the finding of Accountant General is

correct and added that the Corporation made a serious lapse in claiming the refund. The Committee expressed doubts regarding the legal validity of the case since the Corporation filed the arbitration case only in 2023 after the expiry of the contract period.

The Committee opined that the concerned official was responsible for the matter, as he had made a serious lapse in recovering the GST amount. The Committee suggested either to recover the amount from the concerned official or to take action against him.

The Financial Advisor & Chief Accounts Officer, KSRTC informed that the finance officer during the relevant period was appointed on contract basis and Corporation had made payment to the Company after deducting an amount of ₹1.55 crore, which was to be recovered by KSRTC as GST refund. But the company had claimed this amount in the arbitration case. He added that as per the contract, electric vehicles and High-Speed Diesel (HSD) vehicles were used for service and there were deficiencies on the part of the Company in the operation of electric vehicles. The GST was remitted for the high speed diesel vehicles and after 2019, the Corporation had paid only 90% of the amount after retaining 10% towards GST repayment and a small amount is pending to the Company in this regard.

To a query of the Committee, the witness replied that KSRTC had filed the case claiming the cost of damages since the Company violated the tender conditions. He added that KSRTC had claimed ₹46.64 crore for electric vehicles and ₹14.60 crore for HSD vehicles with an interest rate of 12%. Maha Voyage, had filed the case demanding the amount deducted by KSRTC.

The Committee enquired the reason for not filing the case first though there was breach of contract by the Company. The witness replied that since the Corporation was facing financial constraints, they could not complete the payments on time and there were some payments pending to the company and hence they had not filed the case first. He added that the full payment was not released to the Company since there were many complaints about the company regarding the cancellation of trips owing to breakdown of buses and shortage of crews.

To another query of the Committee, the witness replied that ₹11.50 crore had been paid to the Company and the Company had claimed an amount of ₹14.50 crore. He added that the wet leasing arrangements resulted in loss to the Corporation.

The Senior Audit Officer opined that the payment of GST was stopped in 2019 and there was a period of two years to claim the refund, but the Corporation failed to persuade Maha Voyage to claim the amount. The witness replied that the Corporation had contacted GST department, but the Company claimed that they had the eligibility for the amount and filed the case. But the Senior Audit Officer contradicted the statement by pointing out that though GST was stopped in 2019, the Corporation sought clarification from GST department only in January 2022. The witness replied that there was a provision to recover the amount from Maha Voyage.

The Senior Audit Officer enquired the basis on which the GST amount was remitted. The witness replied that the amount was remitted since GST department raised the demand and later, it was understood that there was no need to remit the amount. The Committee enquired as to how the Corporation would claim the remitted GST amount. The witness

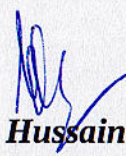
replied that the GST amount would be adjusted against the amount pending to Maha Voyage. But the Senior Audit Officer opined that it could be decided only after the arbitration verdict.

The Committee observed that there was gross negligence on the part of the officials of KSRTC and it was not acceptable to state that the amount would be adjusted at a later stage. The Senior Audit Officer opined that KSRTC should strengthen its finance section to effectively examine the tax matters. The CMD replied that currently the accounting and credit rating are functioning effectively.

**Conclusion/Recommendations of the Committee -**

- 1) The Committee observes that KSRTC failed to apply the relevant provisions of Goods and Services Tax (GST) in the execution of the Contract with a private party, which resulted in an avoidable payment of GST amounting to ₹1.55 crore. So, the Committee recommends KSRTC to be more vigilant in handling GST matters and initiate strong follow-up actions in this regard and report to the Committee.***
- 2) The Committee vehemently criticizes the officials in the Corporation for failing to claim the GST refund within the permissible time limit and also opines that the concerned officials are responsible for making a serious lapse in recovering the GST Amount. So, the Committee suggests either to recover the amount from the concerned officials or take appropriate disciplinary action against them.***
- 3) The Committee observes that there was serious negligence on the part of the officials of KSRTC in recouping the GST amount. So the Committee recommends KSRTC to strengthen its Finance Wing in order to avoid such lapses in future.***

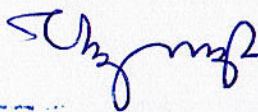
**Thiruvananthapuram,  
October 2026.**

  
**Prof. Abid Hussain Thangal  
Chairperson,  
Committee on Public Undertakings.**

| APPENDIX – I<br>SUMMARY OF MAIN CONCLUSIONS/RECOMMENDATION |           |                      |                                                                                                                                                                                                                                                                                                                                                                                                                    |
|------------------------------------------------------------|-----------|----------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Sl. No.                                                    | Para. No. | Department Concerned | Conclusions/Recommendations                                                                                                                                                                                                                                                                                                                                                                                        |
| 1                                                          | 1         | Transport            | <i>The Committee observes that KSRTC failed to apply the relevant provisions of Goods and Services Tax (GST) in the execution of the Contract with a private party, which resulted in an avoidable payment of GST amounting to ₹1.55 crore. So, the Committee recommends KSRTC to be more vigilant in handling GST matters and initiate strong follow-up actions in this regard and report to the Committee.</i>   |
| 2                                                          | 2         | Transport            | <i>The Committee vehemently criticizes the officials in the Corporation for failing to claim the GST refund within the permissible time limit and also opines that the concerned officials are responsible for making a serious lapse in recovering the GST Amount. So, the Committee suggests either to recover the amount from the concerned officials or take appropriate disciplinary action against them.</i> |
| 3                                                          | 3         | Transport            | <i>The Committee observes that there was serious negligence on the part of the officials of KSRTC in recouping the GST amount. So the Committee recommends KSRTC to strengthen its Finance Wing in order to avoid such lapses in future.</i>                                                                                                                                                                       |

**ACTION TAKEN REPORT ON PARA RELATED TO KSRTC  
CONTAINED IN THE REPORT OF THE COMPTROLLER  
AND AUDITOR GENERAL OF INDIA ON PUBLIC SECTOR  
UNDERTAKINGS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2023**

| Sl. No. | Para No. | Recommendation                                                                                                                                                                                | Action Taken                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|---------|----------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1       | 2        | 3                                                                                                                                                                                             | 4                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| 1       | 5.6      | Government should direct the Corporation to take legal action against Maha Voyage to make good the loss suffered on account of failure to claim GST refund within the permissible time limit. | Clause-51 of the agreement between KSRTC and M/s. Mahavoyage for the wet lease of Scania buses reads as follows;<br>"GST on hiring charges, if applicable & paid by the Second party will be reimbursed by the first party to the Second party on production of proof of payment."<br>Clause-51 of the agreement creates no mandate/obligation for the Corporation to pay GST as the word 'if applicable & paid' is operative. KSRTC has filed an arbitration case (AR No.121/2023) against M/s. Mahavoyage for claiming the refund of GST of ₹1.55 crore. The case is currently pending before Hon'ble sole Arbitrator Mr. Justice T.R.Ramachandran Nair and on the evidence stage. |

  
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