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# From the Indian Tolls Act to FASTag: Evolution of Toll Laws in India

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## ABSTRACT

*The regulation of toll collection in India has undergone a significant transformation, reflecting the Nation's infrastructural growth, technological adoption, and evolving policy frameworks. Beginning with the Indian Tolls Act of 1851, which provided the earliest statutory authority for levying tolls on roads and bridges, the legal regime surrounding toll gates has gradually expanded to accommodate changing governance models and transportation needs. Subsequent legislations, including the Tolls on Roads and Bridges Act of 1875 and the Indian Tolls (Army & Air Force) Act of 1901, introduced a more structured approach to toll administration and defined exemptions for specific categories, such as defense personnel. With the liberalization of the economy and the surge in public-private partnerships, the National Highways Authority of India (NHAI) emerged as a central institution overseeing toll operations. The enactment of the National Highways Fee (Determination of Rates and Collection) Rules, 2008 marked a crucial milestone in standardizing toll collection practices across the country.*

*In the recent years, the integration of technology and automations has redefined tolling mechanisms, most notably through the mandatory adoption of FASTag, an electronic toll collection system that streamlines payments and reduces congestion of roads. This shift not only reflects India's push towards digital governance but also raises important questions about transparency, user rights, and the balance between revenue generation and commuter convenience. The research explores the historical trajectory of toll laws, analyses the interplay between statutory provisions and administrative rules, and evaluates judicial interpretations that have shaped the present framework. By tracing this evolution from colonial-era toll statutes to modern electronic systems, the study aims to provide a comprehensive understanding of how legal and policy measures have responded to the twin imperatives of infrastructure financing and public accountability. Ultimately, the paper underscores the need for a dynamic regulatory approach that harmonizes technological innovation with equitable access and legal safeguards.*

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## I. INTRODUCTION

The rapid expansion of road infrastructure in India has necessitated the creation of robust mechanisms for financing, maintaining, and regulating highways and related facilities. One of the most significant instruments in this regard has been the system of toll collection, which serves as both a revenue-generating mechanism and a policy tool to sustain infrastructural development. The legal foundations for toll collection in India were laid as early as the mid-nineteenth century with the enactment of the Indian Tolls Act, 1851. This statute, although simple in scope, established the framework for levying tolls on roads and bridges. Over time, additional legislations such as the Tolls on Roads and Bridges Act, 1875 and the Indian Tolls (Army & Air Force) Act, 1901 introduced greater clarity, exemptions, and administrative structure.

With the onset of economic liberalization during the 1990 and the emergence of public-private partnerships in highway projects, toll collection assumed renewed importance. The establishment of the National Highways Authority of India (NHAI) further centralized the governance of tolls, culminating in the National Highways Fee (Determination of Rates and Collection) Rules, 2008. These rules sought to standardize toll rates, improve compliance, and ensure transparency in collection. The legal regime thus evolved from scattered colonial statutes into a more structured framework aligned with India's infrastructure policies.

The Member of Parliament namely Mr P.Wilson have stated in the Raja Sabha that "*We must unite to oppose unreasonable fee in the Toll Plaza and call for their elimination nationwide.*"<sup>2</sup> Mr Nitin Gatkari, the Union Minister for Road Transport and Highway had stated that "*I am the father of toll tax in India, toll is necessary mechanism to finance infrastructure.*"<sup>3</sup> These contradictions has to be viewed on one side and on another side the contemporary technological innovation has reshaped toll collection through the introduction of FASTag, an electronic tolling system that has been made mandatory for vehicles nationwide. While this system offers efficiency and reduced congestion, it also introduces new debates around user rights, data privacy, and equitable access. Against this backdrop, the present research paper undertakes a critical examination of the evolution of toll laws in India. By tracing the trajectory from colonial-era statutes to modern electronic systems, the study aims to highlight the strengths and limitations of the existing legal framework while proposing pathways for a more inclusive and

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<sup>2</sup> The Hindu Bureau, *DMK MP Wilson Bats for Abolition of Toll Plazas, Says Fee Rules Favour Contractors*, THE HINDU, Nov. 3, 2024, <https://www.thehindu.com/news/national/tamil-nadu/dmk-mp-wilson-bats-for-abolition-of-toll-plazas-says-fee-rules-favour-contractors/article68825991.ece>.

<sup>3</sup> *NDTV, Nitin Gatkari Calls Himself 'Father of Toll Tax' in India. Here's Why* (Sept. 15, 2025),

accountable tolling regime

## II. LEGISLATIONS AND STATUTE

**The Indian Tolls Act 1851:** The *Indian Tolls Act, 1851* is one of the earliest statutes enacted in colonial India to regulate toll collection on public infrastructure. Its primary purpose was to empower governments to levy and collect tolls on specified roads, bridges, and related facilities, thereby generating revenue for the maintenance and development of transport networks. Thus, the *Indian Tolls Act, 1851* represents the beginning of India's toll law regime. Its focus on authorization, transparency, exemptions, and accountability established principles that continue to influence toll regulation, even in the present era of digital tolling systems such as FASTag.

The Act vested the government with powers to impose tolls and to appoint individuals or contractors for collection. This system not only institutionalized toll collection but also established the responsibility of collectors to operate within prescribed rules

A key feature of the Act was the requirement that toll rates be fixed and publicly notified. Toll collectors were mandated to display the official schedule of tolls at collection points, ensuring transparency for road users. The Act provided for exemptions to specific persons, vehicles, and goods, particularly those belonging to the government and military. This recognition of exemptions highlighted the balance between revenue interests and essential public functions

The law imposed penalties for toll evasion, refusal to pay, or illegal toll collection by unauthorized persons. Collectors overcharging or misusing authority were also liable. The toll revenue collected was deemed public revenue, reinforcing its accountability

Although limited in scope, the *Indian Tolls Act, 1851* laid the foundation for subsequent legislations. The *Tolls on Roads and Bridges Act, 1875* expanded and refined provisions, particularly with clearer exemptions, enforcement measures, and obligations to display toll rates and penalties. Together, these Acts created a framework that evolved further through twentieth-century statutes like the *Indian Tolls (Army & Air Force) Act, 1901* and, in modern times, through the *National Highways Fee (Determination of Rates and Collection) Rules, 2008*.

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**Tolls on Roads and Bridges Act 1875 (Bombay Act No III of 1875):** This Act was enacted to authorize the Bombay Presidency government to levy tolls on public roads and bridges, consolidating earlier toll-related laws, including the Indian Tolls Act of 1851. It aimed to

regulate toll collection, ensure proper revenue for road maintenance, and provide legal clarity regarding toll authority. By this the previous The Indian Tolls Act 1851 came to an end. The act gave the authority to collect levy on public roads which is constructed and maintained by the Government. The police officers were engaged in collecting the toll. Unlawful toll collection was punishable under this Act. This Act Standardized toll collection and rates in the Presidency. Provided a consistent legal framework for toll authority and Ensured government revenue for the maintenance and development of roads and bridges. It also Laid the foundation for modern toll systems in India.

**Indian Tolls (Army and Air Force) Act 1901**” The Indian Tolls (Army and Air Force) Act, 1901 (Act No. 2 of 1901) was enacted by the Imperial Legislative Council to exempt military personnel and their property from tolls on public roads, bridges, ferries, and landing places. The Act aimed to facilitate the free movement of the armed forces and their equipment without financial hindrance. The Act came in to force in the year 1901, April 1. According to the Act Toll includes duties, dues, rates, rents, fees, and charges, excluding customs duties, octroi duties, or town duties on the import of goods.

**National Highway Fee (Determination of rates and Collection) Rules 2008**: This rule was enacted on December 5, 2008. The **National Highways Fee (Determination of Rates and Collection) Rules, 2008** ("NH Fee Rules") were notified by the Government of India under the powers conferred by Section 9 of the National Highways Act, 1956. These rules provide a structured framework for levying and collecting user fees (tolls) for the use of national highways, permanent bridges, bypasses, and tunnels, with a focus on transparency, fairness, and technological integration.

It superseded earlier regulations including the National Highways (Temporary Bridge Rules, 1964), the National Highways (Collection of Fees by any person for the Use of Section of National Highways/Permanent Bridge/Temporary Bridge on National Highways) Rules, 1997, and the National Highways (Rate of Fees) Rules, 1997. The rules define key terms such as "Act" (referring to the National Highways Act, 1956), "Concessionaire", "Fee Plaza", "FASTag", and "Gross Vehicle Weight", among others.

Category	Details / Conditions
Emergency Vehicles	Ambulances; fire brigade/firefighting vehicles; sometimes police vehicles in emergency duty
Defense Services	Vehicles belonging to the Army, Navy, Air Force – often when on duty or for official purpose
VIP / Dignitary Vehicles	Vehicles transporting high officials (President, Prime Minister, Chief Justice, Judges of SC/HC, Governors, Ministers etc.
Government Vehicles on Official Duty	Vehicles used by government departments (central/state) for official work; NHA/MoRTH requires official purpose & proper
Funeral Vans / Vehicles for Funeral Purposes	Vehicles involved in funeral processions or carrying the dead
Vehicles of Police / Paramilitary Forces	When performing official/duty-related services

Fig 1 showing the categories of vehicle exempted under the Act

**Central Motor Vehicle Rules 1989:** The Central Motor Vehicle Rules 1989 operates under the Motor Vehicles Act, 1988. Rules related to toll, user fees, and payment of charges for using roads, bridges, and ferries are primarily detailed in Chapter III and relevant schedules of the CMVR, read with notifications issued under the National Highways Act, 1956.

Rule 126<sup>4</sup> of the CMVR 1989 talks about the payment of fees, it establishes the requirement that all vehicles using the public roads or any bridges where tolls are imposed should pay the prescribed levy.

Rule 127<sup>5</sup> speaks about the toll plaza, and tolls has to be collected only at the specific and designated toll plaza. It also emphasis that collection must be charged in accordance with the specific amount notified by the Ministry of Road Transport and Highway (MoRTH).

Rule 128<sup>6</sup> exempts the certain vehicles from paying the toll such as

- Central Government and state Government vehicles which are in duty
- Emergency Vehicles such as ambulances, fire engines, etc
- Vehicles of the defence forces which are operational in duty.

<sup>4</sup> Central Motor Vehicle Rules 1989, Rule 126.

<sup>5</sup> Central Motor Vehicle Rules 1989, Rule 127.

<sup>6</sup> Central Motor Vehicle Rules 1989, Rule 128.

Rule 129<sup>7</sup> speaks about the unauthorised collection of tolls, this rule imposes penalties for unauthorized collection of tolls, including fines and legal action against persons demanding toll outside the designated plaza or rate.

Rule 130<sup>8</sup> indicates about the electronic toll collection, it encourages the Electronic Payment Mechanism ie FASTag, RFID to uplift and improve the efficiency, Rule 130 also ensures documentary records of all fee transactions for the purpose of audit.

Rule 131<sup>9</sup> is about there is a designated officer for the purpose of disputes regarding over rate and exempted vehicles, the litigant can also move for an appeal towards the central government authority.

Rule 132<sup>10</sup> emphasis on the utilisation of toll fee for the purpose of maintenance of High Way and the bridges, construction of new roads and bridges, operational expenses of the toll collection.

**National Highways Act 1956:** The National Highways Act was enacted on 11<sup>th</sup> September 1956 and it came into effect on 15<sup>th</sup> April 1956, The ultimate purpose of this act is to “provide for the declaration of certain highways and for the matters connected therewith”<sup>11</sup>

Some of the most important sections of the act are given under

Section 1: Short title, extent, and commencement — it applies throughout India

Section 2: Declaration of certain highways as national highways. The Schedule lists highways declared national initially. The Central Government may, by notification, add or omit highways

Section 3: Defines the term Municipal Area which includes any municipal area with a population of twenty thousand or more the control or management of which is entrusted to a municipal committee, a town area committee, a town committee or any other authority

Section 4: National highways vest in the Union. That means legally the ownership / control of national highways is with the Central Government. Includes attached structures (bridges etc.)

Section 5: Responsibility for development & maintenance lies with Central Government, though some functions may be delegated to State Governments or subordinate authorities

Section 6: Power to issue directions — the Central Government can issue directions & rules for management etc

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<sup>7</sup> Central Motor Vehicle Rules 1989, Rule 129.

<sup>8</sup> Central Motor Vehicle Rules 1989, rule 130.

<sup>9</sup> Central Motor Vehicle Rules 1989, rule 131.

<sup>10</sup> Central Motor Vehicle Rules 1989, rule 132.

<sup>11</sup> National Highways Act, 1956, Act. No. 48 of 1956.

Section 8A: This section is added later by the amendment it provides Power to the Central Government to enter into agreements for development and maintenance of national highways. It allows private persons / entities or other parties to enter into agreements, collect fees, etc., under conditions specified.

The Act includes a Schedule which lists the highways initially declared as national highways. Over time, some highways are added or removed via notifications. The Act gives the government powers to acquire land (sections 3A-3J) needed for national highways, with due process (hearings, objections, notifying compensation, taking possession etc.). National highways are under the ownership of the Union. But the Act allows that certain functions (maintenance, etc.) may be carried out by State Government or its agents, if directed.

Over the decades, the categorization, number, and management of highways has evolved (new laws, authorities etc.). For example, National Highways Authority of India (NHAI) was set up later (by National Highways Authority of India Act, 1988) to plan and manage national highways. Some parts of the Act have been amended (e.g. insertion of Section 8A in 1995) to allow more private / contractual involvement.

### III. THE BURDEN OF PAYING TOLL

People have paid about 2.1 Lakh Crores in Toll since the year 2000 for National Highways<sup>12</sup>. For the financial year 2023-24, toll / user-fee collections on national highways were about ₹48,028.22 crore<sup>13</sup>. The average daily toll collection has increased over the years, aided by greater use of FASTag<sup>14</sup> In 2024, some 12.55 lakh refunds were made for incorrect toll deductions (errors like double charging, wrong toll calculation, duplicate transactions etc.) out of ~410 crore FASTag transactions (~0.03%)<sup>15</sup>

### IV. CONCLUSION

Toll is collected even *after* the cost of building the highway or the project has been recovered. This means people keep paying long after the original investment is paid off. Commuters being charged even when roads are under repair, congested, with delays, or not fully completed. E.g.,

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<sup>12</sup> *Commuters Have Shelled out around Rs 2.1 Lakh Crore as NH Toll since 2000: Data*, THE TIMES OF INDIA, Nov. 28, 2024, <https://timesofindia.indiatimes.com/india/commuters-have-shelled-out-around-rs-2-1-lakh-crore-as-nh-toll-since-2000-data/articleshow/115778156.cms>.

<sup>13</sup> Nivedita Singh, *FASTag on Every Lane, Toll Collections on National Highways Improve to Rs 150 Cr Per Day in 2023-24*, NEWS18, <https://www.news18.com/india/fastag-on-every-lane-toll-collections-on-national-highways-improve-to-rs-150-cr-per-day-in-2023-24-8458663.html> (last visited Oct. 19, 2025).

<sup>14</sup> NDTV Profit Desk, *Nearly 13-Lakh Refunds Made For Faulty Toll Collections On National Highways In 2024*, NDTV PROFIT (Mar. 20, 2025), <https://www.ndtvprofit.com/nation/nearly-13-lakh-refunds-made-for-faulty-toll-collections-on-national-highways-in-2024>.

<sup>15</sup> *Ibid.*

Bengaluru-Tumakuru stretch where tolls are being collected despite delays in widening works. Courts have intervened when toll is collected despite the infrastructure failing to provide expected service. For example, the Supreme Court in Kerala suspended toll collection when roads had potholes and traffic jams so severe that travel time far exceeded what was reasonable. The cost of tolls adds significantly to expenses for transporters / commercial vehicles, which can impact prices of goods.<sup>16</sup> Frequent users (daily commuters) bear rising toll fees; increases are often linked to inflation or indexed to rules, regardless of whether the road condition, traffic, or service level justifies them.<sup>17</sup> Errors in toll collection (wrong charges, duplicate charges, etc.) require refunds, indicating lapses in oversight<sup>18</sup> Public Accounts Committee etc. have called for more transparency, regular review, independent oversight (a tariff authority) to check if tolling is fair.<sup>19</sup>

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<sup>16</sup> Policy Circle Bureau, *Toll Collections: Are Motorists Getting Bang for the Buck?* | *Policy Circle*, (Apr. 8, 2025), <https://www.policycircle.org/policy/are-india-toll-collections-fair/>.

<sup>17</sup> Dheeraj Mishra, 'A Regime of Perpetual Tolling': *Public Accounts Committee Flags Current Tolling System, Recommends Creation of AERA-like Tariff Authority to Ensure Fairness*, THE INDIAN EXPRESS, Aug. 13, 2025, <https://indianexpress.com/article/business/regime-perpetual-tolling-public-accounts-committee-flags-system-tariff-authority-fairness-10186209/>.

<sup>18</sup> Desk, *supra* note 14.

<sup>19</sup> Dheeraj Mishra, *supra* note 17.