

**CHAPTER- IV:**  
**TAXES ON VEHICLES, GOODS AND PASSENGERS**

**4.1 Results of audit**

Test check of the records of the motor vehicles, goods and passengers tax, conducted during the year 2008-09, revealed evasion, non/short realisation of tax and other irregularities amounting to Rs. 14.87 crore in 276 cases, which fall under the following categories:

(Rupees in crore)

Sr. No.	Particulars	Number of cases	Amount
1.	Evasion of <ul style="list-style-type: none"> <li>• Token tax</li> <li>• Passenger and goods tax</li> </ul>	112 5	2.13 0.33
2.	Non/short realisation of <ul style="list-style-type: none"> <li>• Token tax and composite fee</li> <li>• Passenger and goods tax</li> </ul>	37 14	0.64 0.40
3.	Other irregularities <ul style="list-style-type: none"> <li>• Vehicles tax</li> <li>• Passenger and goods tax</li> </ul>	88 20	10.95 0.42
<b>Total</b>		<b>276</b>	<b>14.87</b>

During 2008-09, the department accepted under assessments of Rs. 5.06 crore involved in 89 cases which had been pointed out in audit in earlier years.

A few illustrative audit observations involving Rs. 6.62 crore are mentioned in the succeeding paragraphs.

## **4.2 Audit observations**

*Scrutiny of records in the offices of Transport Department relating to revenue received from taxes on vehicles, taxes on goods and passengers revealed several cases of non-observance of the provisions of the Acts/Rules resulting in non/short levy of tax/penalty/token tax and other cases as mentioned in the succeeding paragraphs in this chapter. These cases are illustrative and are based on a test check carried out in audit. Such omissions are pointed out in audit each year, but not only the irregularities persist; these remain undetected till an audit is conducted. There is need for the Government to consider directing the Department to improve the internal control system including strengthening internal audit so that such omission can be avoided, detected and corrected.*

## **4.3 Non-observance of the provisions of Acts/Rules**

*The Himachal Pradesh Motor Vehicles Taxation Act (HPMVT), 1972 and Rule provide for:*

- (i) payment of motor vehicles tax/token tax by the owner of vehicles at the prescribed rate;*
- (ii) token tax to be paid in advance and within the prescribed period; and*
- (iii) payment of special road tax, composite fee/registration fee at prescribed rate.*

*The Transport Department did not observe some of the provisions of the Act/Rules in cases as mentioned in the paragraph 4.3.1 to 4.3.7 for levy and collection of token tax, special road tax, etc. which resulted in non/short realisation of tax/permit fee of Rs. 5.47 crore.*

### **4.3.1 Non/short realisation of token tax**

Under the Himachal Pradesh Motor Vehicles Taxation (HPMVT) Act, 1972, and Rules made thereunder, token tax is payable by the owners of vehicles in advance quarterly or annually in the prescribed manner. The vehicles that have been declared off the road and registration certificate (RC) of which have been deposited with the concerned Registering and Licensing Authority (RLA), shall be exempted from payment of tax for that period. Further, the State Government directed (20 March 2002) the Director Transport, all District Magistrates and RLAs to recommend cases for exemption from payment of token tax by the owners of tractor-trailors on the undertaking/production of documents prescribed to the effect that the tractor-trailor, were not being used for commercial activities. If an owner of motor vehicle fails to pay the tax due within the prescribed period, the taxation authority after giving opportunity of being heard, shall direct the owner to pay penalty at the rate of 25 per cent per annum of the tax due to be calculated in the manner prescribed in the HPMVT (First Amendment) Rules, 2006.

**4.3.1.1** Test check of the records between June 2008 and February 2009 of 19 RLAs<sup>1</sup> and seven Regional Transport Officers<sup>2</sup> (RTOs), revealed that for 2,574 vehicles, token tax amounting to Rs. 1.33 crore for the years 2006-07 to 2007-08, was neither deposited by the vehicle owners nor had the taxation authorities taken any action to recover it. There was nothing on record to show that any of these vehicles were in the exempt category. Scrutiny also revealed that token tax registers of four RLAs<sup>3</sup> were incomplete and in such circumstances, monitoring of collection of tax by RLAs could not be ascertained. Thus, failure to take action as per the rules/instructions by the concerned taxation authorities resulted in non-recovery of token tax of Rs. 1.33 crore. Besides, penalty of Rs. 35.39 lakh at the prescribed rate was also leviable for non-payment of tax.

After the cases were pointed out, the Additional Commissioner Transport, Shimla intimated between December 2008 and July 2009 that a sum of Rs. 7.01 lakh had been recovered from 164 vehicles of RLA Paonta Sahib and three RTO's<sup>4</sup> and efforts were being made to recover the balance amount. Further report on recovery and reply from the remaining taxation authorities has not been received (September 2009).

The matter was reported to the department and the Government between July 2008 and March 2009; their reply has not been received (September 2009).

**4.3.1.2** Test check of the records of eight RLAs<sup>5</sup>, between June 2008 and February 2009, revealed that token tax payable for 257 vehicles, for the years 2006-07 to 2007-08, amounted to Rs. 21.92 lakh. Against this the owners of the vehicles paid Rs. 11.24 lakh only. No action had been taken by the taxation authorities to recover the amount of Rs. 10.68 lakh short realised.

After the cases were pointed out between June 2008 and February 2009, the Additional Commissioner Transport, Shimla intimated in June 2009 that in case of RLA Shimla (Urban) Rs. 76,000 had been recovered from seven vehicles. Reply from the remaining RLAs has not been received (September 2009).

The matter was reported to the department and the Government between July 2008 and March 2009; their reply has not been received (September 2009).

### **4.3.2 Short levy of token tax due to incorrect application of rates**

According to Transport Department notification of December 2003, token tax in the case of construction equipment vehicles (based on maximum prescribed mass) were leviable at the rate of Rs. 6,000 (light), Rs. 9,000 (medium) and Rs. 12,000 (heavy) per annum with effect from 1 January 2004. These rates were revised by the Transport Department to Rs. 8,000 (light), Rs. 11,000 (medium) and Rs. 14,000 (heavy) per annum with effect from 11 June 2007.

<sup>1</sup> Bharmour, Chamba, Churah, Dalhousie, Dharamsala, Jaisinghpur, Kangra, Kullu, Manali, Nurpur, Palampur, Paonta Sahib, Parwanoo, Rampur, Rohru, Shimla (Urban), Shimla (Rural), Theog and Una

<sup>2</sup> Bilaspur, Chamba, Dharamsala, Hamirpur, Kullu, Shimla (including flying squad) and Solan

<sup>3</sup> Dharamsala, Kangra, Nurpur and Rohru

<sup>4</sup> Chamba, Hamirpur and Kullu

<sup>5</sup> Bharmour, Chamba, Churah, Dalhousie, Manali, Parwanoo, Shimla (Urban) and Una

The token tax in respect of recovery van having mass upto 7.5 tonnes is leviable at the rate of Rs. 5,000 per annum.

Test check of the records of three RLAs<sup>6</sup> and RTO, Chamba, between August 2008 and February 2009 revealed that token tax of Rs. 18.14 lakh was payable by 118 construction equipment vehicles owners for the period January 2004 to March 2008, against which only Rs. 11.86 lakh was paid at pre revised rates. Further, it was noticed in two RLAs<sup>7</sup>, that owners of 15 vehicles had not paid tax of Rs. 1.48 lakh that was due from 1.1.2004. The department did not detect the mistake. This resulted in short levy of token tax of Rs. 7.76 lakh.

After the cases were pointed out between August 2008 and February 2009, the Additional Commissioner Transport, Shimla intimated between April and August 2009 that a sum of Rs. 1.08 lakh (RTO Chamba: Rs. 69,000 and RLA Shimla Urban: Rs. 39,000) had been recovered from 36 vehicles and efforts were being made to recover the balance amount. Further report on recovery and reply from the remaining RLAs has not been received (September 2009).

The matter was reported to the department and the Government between September 2008 and March 2009; their reply has not been received (September 2009).

#### **4.3.3 Short realisation of one time tax**

As per Transport Department notification dated 11 June 2007, issued under the HPMVT Act 1972, one time tax was leviable on personal motor vehicles and motor cycle/scooters used or kept for use in Himachal Pradesh. One time tax was leviable at prescribed rate on the price of vehicles based on engine capacity.

Test check of the records of nine RLAs<sup>8</sup>, between June 2008 and February 2009, revealed that in the case of 388 personal vehicles registered between 11 June 2007 and 29 December 2007, one time token tax was not realised at the prescribed rates. Against the leviable tax of Rs. 12.67 lakh, the RLAs charged Rs. 9.40 lakh only. This resulted in short realisation of one time tax of Rs. 3.27 lakh.

After this was pointed out between June 2008 and February 2009, the Additional Commissioner Transport, Shimla intimated between July and August 2009 that a sum of Rs. 65,000 (RLA Dharamsala: Rs. 38,000 and Nurpur: Rs. 27,000) had been recovered from 77 vehicles and efforts were being made to recover the balance amount. Further report on recovery and reply from the remaining RLAs has not been received (September 2009).

The cases were reported to the department and the Government between July 2008 and March 2009; their reply has not been received (September 2009).

---

<sup>6</sup> Shimla (Rural), Shimla (Urban) and Una

<sup>7</sup> Shimla (Rural) and Shimla (Urban)

<sup>8</sup> Churah: 15 cases: Rs. 19,000; Dharamsala: 47 cases: Rs. 38,000; Hamirpur: 67 cases: Rs. 47,000; Kangra: 52 cases: Rs. 34,000; Kullu: 45 cases: Rs. 77,000; Nurpur: 71 cases: Rs. 47,000; Rampur: 6 cases: Rs. 8,000; Rohru: 20 cases: Rs. 30,000 and Una: 65 cases: Rs. 27,000

#### **4.3.4 Non/short payment of special road tax**

As per the HPMVT (Amendment) Act, 1999, there shall be levied, charged and paid to the State Government, a special road tax (SRT) on all transport vehicles used or kept for use in Himachal Pradesh. According to the Transport Department notification dated 22 March 2002, SRT is payable in advance on the 15<sup>th</sup> of every month. The rates are based on the classification of routes on which vehicles are plying such as national highways, state highways, rural roads and local buses/mini buses operating within a radius of 30 kilometers. The Transport Department had fixed (January 2006) the rates of SRT for the above routes as Rs. 6.04, Rs. 5.03 and Rs. 4.03 per seat per kilometer respectively effective from 1 April 2005. For failure to pay the SRT within the prescribed period, penalty at the rate of 25 *per cent* per annum of the tax due as prescribed in the Transport Department notification dated 26 July 2006, is also to be levied.

**4.3.4.1** Test check of the records of seven RTOs, between August 2008 and January 2009, revealed that in 173 cases, SRT amounting to Rs. 1.46 crore for the period 2007-08 was not paid by the owners of the vehicles. The RTOs had not initiated any action for the recovery of SRT due. Besides non-realisation of SRT, penalty of Rs. 36.50 lakh at the prescribed rate was also leviable for non-payment of tax.

After the cases were pointed out between August 2008 and January 2009, the Additional Commissioner Transport, Shimla intimated between January 2009 and March 2009 that in the case of RTOs Chamba, Hamirpur and Nahan, a sum of Rs. 30.50 lakh had been recovered from 57 vehicles owners and efforts were being made to recover the balance amount. Further report on recovery and reply from the remaining RTOs has not been received (September 2009).

The matter was reported to the department and the Government between September 2008 and February 2009; their reply has not been received (September 2009).

**4.3.4.2** Test check of the records of five RTOs<sup>9</sup>, between August 2008 and February 2009, revealed that in 83 cases, SRT of Rs. 43.61 lakh for the period January 2006 to March 2008 was assessed short by RTOs due to incorrect classification of routes/application of rates. Thus the owners of the vehicles deposited the SRT short by Rs. 43.61 lakh.

The matter was reported to the department and the Government between September 2008 and March 2009; their reply has not been received (September 2009).

#### **4.3.5 Non-levy of penalty for late payment of special road tax**

Under Section 3-A of HPMVT Act, 1972, as amended from time to time, there shall be levied, charged and paid to the State Government, monthly SRT on all transport vehicles used or kept for use in the State. SRT is payable in advance on the 15<sup>th</sup> of every month. As per Transport Department notification dated 26

<sup>9</sup> Bilaspur: 13 cases: Rs. 2.03 lakh; Dharamsala: 8 cases: Rs. 1.22 lakh; Nahan: 12 cases: Rs. 10.16 lakh; Shimla: 37 cases: Rs. 24.93 lakh and Una: 13 cases: Rs. 5.27 lakh

July 2006 deemed to have come into force on 31 July 2002, if the owner of a vehicle fails to pay the tax due within the prescribed period, the taxation authority after giving opportunity of being heard, shall direct the owner to pay the penalty at the rate of 25 *per cent* per annum of the tax due. The penalty so levied shall be calculated/computed proportionately on day to day basis in case the delay is less than one year and shall not exceed the sum of tax due from such owner.

Test check of the records of nine RTOs<sup>10</sup>, between June 2008 and February 2009, revealed that SRT amounting to Rs. 9.96 crore for the period December 2006 to March 2008 was not paid by the Himachal Road Transport Corporation (HRTC) within the prescribed period. The delay in payment of SRT ranged between 16 and 362 days for which penalty of Rs. 97.47 lakh though leviable was not levied by the RTOs concerned.

The matter was reported to the department and the Government between July 2008 and March 2009; their reply has not been received (September 2009).

#### **4.3.6 Short realisation of composite fee**

Under Rule 69-A of the Himachal Pradesh Motor Vehicles (First Amendment) Rules, 2005, there shall be levied, charged and paid to the State Government, a composite fee at the rate of Rs. 5,000 in lump sum to be paid in advance at the time of issue of national permit, in respect of each goods carriages, authorised to ply in the State of Himachal Pradesh, under a national permit granted by an appropriate authority of any other State. The validity of national permit is one year from the date of issue of permit.

Test check of the records of RTO Una in February 2009 revealed that in the case of 1,202 goods carriages, composite fee was paid/collected at pre revised rate of Rs. 2,500 per vehicle instead of Rs. 5,000 per vehicle for the period 2007-08 in two barriers<sup>11</sup> under the control of RTO Una. This resulted in short realisation of composite fee of Rs. 30.05 lakh.

The cases were reported to the department and the Government in March 2009; their reply has not been received (September 2009).

#### **4.3.7 Non-levy of special registration fee**

Under the Himachal Pradesh Motor Vehicles (Amendment) Rules, 2001, special registration fee for the allotment of registration numbers from 0001 to 9999 was leviable with effect from 10 August 2001 at the prescribed rates. These rates were revised in June 2002. The Transport Department further clarified (23 December 2003) that registration numbers from 0001 to 0100 shall not be allotted to the Government vehicles in future but shall be left open to private individuals. In case these numbers had been allotted to the Government vehicles, notices were to be issued to the department/officer concerned to surrender these numbers.

---

<sup>10</sup> Bilaspur: Rs. 1.29 lakh; Chamba: Rs. 1.19 lakh; Dharamsala: Rs. 62.71 lakh; Kullu: Rs. 2.84 lakh; Mandi: Rs. 3.11 lakh; Nahan: Rs. 10.15 lakh; Shimla: Rs. 3.86 lakh; Solan: Rs. 1.35 lakh and Una: Rs. 10.97 lakh

<sup>11</sup> Mehatpur: 880 vehicles: Rs. 22 lakh and Gagret: 322 vehicles: Rs. 8.05 lakh

Test check of the records of three RLAs<sup>12</sup>, between September 2008 and January 2009, revealed that in 91 cases, special registration fee of Rs. 2.28 lakh, on allotment of special registration numbers falling between 0001 and 9999, was not realised from the owners of personal vehicles, for the period September 2001 to January 2008. Further, in RLA Una, it was noticed in February 2009 that special registration numbers in four cases from the series 0001 to 0100 were allotted to the Government vehicles between May 2003 and August 2003. The RLAs did not issue notices to the concerned department/officers for surrendering the registration numbers resulting in non-realisation of Rs. 90,000. Thus, total non-realisation of special registration fee was Rs. 3.18 lakh.

After the cases were pointed out between September 2008 and January 2009, the Additional Commissioner Transport, Shimla intimated in August 2009 that in the case of RLA Paonta Sahib, Rs. 35,000 had been recovered from 14 vehicles and efforts were being made to recover the balance amount. Further report on recovery and reply from the remaining RLAs has not been received (September 2009).

The cases were reported to the department and the Government between October 2008 and March 2009; their reply has not been received (September 2009).

#### **4.4 Non-realisation of passenger and goods tax**

The Himachal Pradesh Passengers and Goods Taxation Act/Rules provide for levy of passengers tax at the prescribed rate.

While the owners of the vehicles did not pay the tax, the Department also did not issue the demand notice as required mentioned in the paragraph. This resulted in non/short realisation of tax of Rs. 50.88 lakh.

Under the Himachal Pradesh Passengers and Goods Taxation (HPPGT) Act, 1955 and the rules made thereunder, owners of passenger and goods vehicles are required to pay tax, etc. at the prescribed rates either monthly or quarterly. However, if the owner of the vehicle fails to pay the tax due, the taxation authority may direct him to deposit the tax due alongwith a penalty not exceeding five times of the amount of tax so assessed subject to minimum of Rs. 500.

Test check of the demand and collection registers maintained in eight Assistant Excise and Taxation Commissioners<sup>13</sup> (AETCs), revealed between July 2008 and February 2009 that passenger and goods tax amounting to Rs. 45.98 lakh for 980 vehicles<sup>14</sup>, for the period April 2007 to March 2008, was not paid by the owners of the vehicles. The assessing authorities did not issue demand notices to the owners of the vehicles. This resulted in non-realisation of tax of Rs. 45.98 lakh besides minimum penalty of Rs. 4.90 lakh.

The matter was reported to the department and the Government between August 2008 and March 2009; their reply has not been received (September 2009).

---

<sup>12</sup> Paonta Sahib, Parwanoo and Theog

<sup>13</sup> Chamba, Hamirpur, Kangra, Mandi, Nahan, Shimla, Solan and Una

<sup>14</sup> Passenger vehicles: 501: Rs. 28.95 lakh and Goods vehicles: 479: Rs. 17.03 lakh

#### **4.5 Vehicles not registered with the Excise and Taxation Department**

Under the HPPGT Act and rules made thereunder, owners of stage/contract carriages and goods carriers are required to register their vehicles with the concerned excise and taxation officers and pay passenger tax and goods tax at the prescribed rates. Administrative instructions issued in December 1984 also stipulate that Excise and Taxation Department shall take suitable measures to ensure registration of all vehicles under the HPPGT Act and for that purpose maintain close co-ordination with the RLAs. For failure to apply for registration, penalty not exceeding five times the amount of tax so assessed, subject to a minimum of Rs. 500 is also leviable.

Cross verification of the records of 12 RLAs and eight RTOs with eight AETCs<sup>15</sup>, between July 2008 and February 2009, revealed that 1,333<sup>16</sup> vehicles registered with concerned RLAs and RTOs during 2007-08 were not registered with the Excise and Taxation Department under the HPPGT Act. As a result, tax amounting to Rs. 37.40 lakh for the period 2007-08 was not realised from the owners of the vehicles. There was no co-ordination between the RLAs/RTOs and AETCs to ensure the registration of the vehicles. A minimum penalty of Rs. 6.67 lakh was also leviable.

After this was pointed out between July 2008 and February 2009 in audit, the Additional ETC, Shimla intimated in December 2008 that Rs. 1.05 lakh had been recovered from 54 vehicles of Solan district and the AETC had also been directed to recover the balance amount. Further report on recovery of balance amount and reply from the remaining AETCs has not been received (September 2009).

The cases were reported to the Government between August 2008 and March 2009; their reply has not been received (September 2009).

#### **4.6 Embezzlement/temporary misappropriation of Government money**

*Non-compliance of provisions of the Himachal Pradesh Financial Rules, 1971 by the RLA, Shimla (Urban) resulted in embezzlement/temporary misappropriation of Government money.*

**Under the Himachal Pradesh Financial Rules, 1971, every Government servant is personally responsible for the prompt record of receipts and payments in the relevant account as well as for the correctness of the account in every respect. It further stipulates that all departmental receipts collected during the day should be credited into the treasury on the same day or latest by the morning of the next working day. Every officer receiving money on behalf of Government should maintain a cash book in the prescribed form and close it regularly after it is completely checked. All monetary transactions should be entered in the cash book as soon as they occur and attested by the head of the office or the officer authorised in**

---

<sup>15</sup> Chamba, Hamirpur, Kangra, Mandi, Nahan, Shimla, Solan and Una

<sup>16</sup> Passenger vehicles: 357 : Rs. 12.92 lakh and Goods vehicles : 976 : Rs. 24.48 lakh



this behalf, in token of check. Before attesting the cash book, he should satisfy himself that the amounts have been actually credited into the treasury or the Bank. To provide different kinds of service under one roof, a Sugam Centre at Shimla was inaugurated in May 2007. An Assistant deployed from RLA Shimla (Urban) in the said centre, collects the cash on account of token tax and other fees daily and deposits it into the Government treasury.

4.6.1 Test check of the records of RLA, Shimla (Urban) in November 2008 revealed that cash received as per record generated from the computer with the treasury account (TA-2) supplied by the District Treasury Officer, revealed that Rs. 20.05 lakh collected during April 2007 to August 2007 and November 2007, January 2008 and February 2008 on account of fees and taxes etc. was neither entered in cash book nor found deposited in the Government account. The RLA could not produce the treasury challans in support of having deposited the amount or trace remittance details in the treasury account. Scrutiny further revealed that entries in the cash book were also not attested by the head of office nor by any other officer authorised in this behalf and no reconciliation was carried out. This resulted in embezzlement of Government money of Rs. 20.05 lakh.

4.6.2 Test check of RLA Shimla further revealed that Rs. 20.91 lakh collected on account of token tax, fees etc. during April 2007 to May 2007, though entered in the cash book were not deposited in the treasury within the prescribed period. The delay in deposit of Government money ranged between 26 and 99 days. The department, however, did not exercise the prescribed checks and ensure that Government receipts collected during the day were promptly deposited in the treasury latest by the morning of the next working day. This resulted in temporary misappropriation of Government money of Rs. 20.91 lakh.

After the case was pointed out in November 2008, the Additional Commissioner Transport, Shimla intimated in August 2009 that the official had been placed under suspension by the Deputy Commissioner, Shimla and that the case had also been entrusted to the vigilance department for detailed investigation. Further reply has not been received (September 2009).

The matter was reported to the Government in December 2008; their reply has not been received (September 2009).