

CHAPTER IV - TAXES ON VEHICLES

4.1 Results of audit

Test check of the records of the Transport Department during 2008-09 revealed non/short levy of motor vehicles tax, fees, penalties, fines etc. amounting to Rs. 77.79 crore in 26,574 cases, which could be classified under the following categories:

(Rupees in crore)

Sl. no.	Category	No. of cases	Amount
1	Non-pursuance of certificate cases	5,199	49.46
2	Lack of control over collection of taxes	1,926	12.69
3	Non/ short levy of taxes	1,299	1.58
4	Inflated demand against vehicles issued no objection certificates	267	1.46
5	Other cases	17,883	12.60
Total		26,574	77.79

The department accepted non/short levy of motor vehicles tax, fees, penalties, fines etc. of Rs. 26.81 crore in 21,385 cases pointed out in audit during the 2008-09.

A few illustrative audit observations involving Rs. 22.79 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 indicated several cases of non-observance of the provisions of the Acts/Rules resulting in non/short levy of tax/penalty 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 do 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 provisions of Acts/Rules

The Bihar Motor Vehicles Taxation Act (BMVT), 1994 (adopted by the Government of Jharkhand), Motor Vehicles Act, 1988, Central Motor Vehicles Rules, 1989 and Rules made thereunder provide for:

- (i) payment of motor vehicles tax by the owner of vehicles at the prescribed rate;*
- (ii) timely deposit of collected revenue into the Government account;*
- (iii) payment of registration fee at prescribed rate; and*
- (iv) payment of authorization fee and composite fee for vehicles covered under national permit.*

The Transport Department did not observe some of the provisions of the Act/Rules in cases as mentioned in the succeeding paragraphs:

4.3.1 Non-realisation of taxes

The Bihar Motor Vehicles Taxation Act and Rules, 1994, provide for the maintenance of a taxation register for each district transport office. The register contains all details relating to demand, collection and balance of tax. Besides, any exemption of tax granted to a vehicle is recorded in it. The Rule further provides that tax is to be paid by the owner of a vehicle, within 15 days of commencement of the quarter, to the tax official in whose jurisdiction the place of registration falls. In case of non-payment of tax within the stipulated period, the tax authority may impose penalty at the prescribed rates.

It was noticed in audit that 3,646 vehicle owners had not paid any tax but the departmental officers had not made any effort to raise the demand and recover the amount. This resulted in non-realisation of tax of Rs. 16.18 crore, as mentioned in the following paragraphs:

4.3.1.1 Non-realisation of tax from transport vehicles

According to the instructions issued by the State Transport Commissioner, Bihar, in November 1990, the tax officials are required to raise demand notices against the owners of the vehicles, who default in payment of tax.

Test check of the taxation registers of 12 district transport offices¹ between May 2008 and March 2009 indicated that the owners of 2,226 transport vehicles did not pay the tax and additional tax during 2007-08. Although no reasons were found recorded for non-payment of tax, the department did not raise demand for tax and penalty against the defaulting vehicle owners. This resulted in non-realisation of tax of Rs. 14.44 crore, including penalty of Rs. 9.62 crore.

4.3.1.2 Non-realisation of tax from trailers

The BMVT Act further provides that trailer is a transport vehicle and shall not be eligible for any exemption from payment of tax, irrespective of nature of its use.

Test check of the taxation registers of 12 district transport offices² between May 2008 and March 2009 indicated that the owners of 1,404 trailers were liable to pay road tax and additional motor vehicle tax of Rs. 1.66 crore for the period between February 2004 and March 2008. However, neither did the owners pay tax nor did the department raise demands against the defaulting trailer owners. Thus non-enforcement of the provisions of the Act/Rules resulted in non-realisation of tax of Rs. 1.66 crore, including penalty of Rs. 1.11 crore.

4.3.1.3 Non-realisation of tax on surrendered vehicles

The Act provides that if owner of a motor vehicle does not intend to use his vehicle due to disability of motor vehicle caused by mechanical breakdown or other causes for any period more than a month and not exceeding six months at a time, he can be exempted from payment of tax by the competent authority provided his claim for exemption is supported by required documents. In the absence of any extension, the vehicle would be deemed to have been used and the vehicle owner will be liable to pay tax.

Test check of records of three district transport offices³ between July 2008 and March 2009 indicated that 16 vehicles were surrendered between July 2005 and January 2008, but after the expiry of surrendered period, the vehicle owners did not apply for extension. Accordingly, these vehicles were liable to pay tax but neither was it paid by the vehicle owners nor was it demanded by the concerned officers. This resulted in non-realisation of tax amounting to Rs. 7.99 lakh including penalty for the period between October 2005 and April 2009.

After the cases were pointed out between May 2008 and March 2009, the district transport officers stated that demand notice would be issued. Further reply has not been received (January 2010).

The matter was reported to the department and Government in April 2009; their replies have not been received (January 2010).

¹ Bokaro, East Singhbhum (Jamshedpur), Dhanbad, Dumka, Garhwa, Giridih, Gumla, Hazaribag, Lohardaga, Palamu, Ranchi and West Singhbhum (Chaibasa).

² East Singhbhum (Jamshedpur), Bokaro, Dhanbad, Dumka, Garhwa, Giridih, Gumla, Hazaribag, Lohardaga, Palamu, Ranchi and West Singhbhum (Chaibasa).

³ Garhwa, Giridih and Ranchi.

4.4 Non-realisation of fee in respect of national permits

Motor Vehicles Act and Central Motor Vehicles Rules, stipulate that national permit may be granted to goods carriages to operate throughout the territory of India or in such contiguous States, not being less than four in number, including the State in which the permit is issued. The permits are granted subject to fulfilment of certain conditions and payment of fee.

It was noticed in audit that 1,216 permit holders had not paid the prescribed fee. However, these escaped notice of the concerned regional transport authorities and state transport authority which resulted in non-levy of fee of Rs. 3.28 crore as mentioned in the following paragraphs:

4.4.1 Non-renewal of authorisation of national permit

A national permit shall be issued for a period of five years. The owner of a vehicle is required to obtain authorisation on payment of authorisation fee of Rs. 500 per annum alongwith composite fee in the shape of bank drafts for transmission to states where the vehicle is to be plied. This authorisation is a continuous process unless the permit expires or is surrendered by the permit holder.

Test check of records of offices of the Transport Commissioner, Jharkhand, Regional Transport Authorities, Hazaribag and Ranchi in February and March 2009 indicated that in 733 cases subsequent authorisation for plying goods vehicles under national permits was neither renewed for the period falling between April 2005 and March 2008 during the periodicity of permits nor were the national permits surrendered. This resulted in non-realisation of authorisation fee of Rs. 9.68 lakh and composite fee of Rs. 3.03 crore.

4.4.2 Non-realisation of fee for variation in national permit

The Act provides that a permit holder may apply to the transport authority for any variations in conditions of the national permit, alongwith prescribed fee of Rs. 2,000 per variation and the Transport Authority may in its discretion, vary such conditions of the permit.

Test check of records of three offices⁴ between January and February 2009 indicated that in 483 cases applied for variations in conditions of national permits issued to them between 2004-05 and 2007-08, the concerned authorities allowed the variation in national permits though the prescribed fee was not paid by the vehicle owners. This resulted in non-realisation of Rs. 15.18 lakh.

After the cases were pointed out, the Regional Transport Authority, Hazaribag stated in February 2009 that the prescribed fee was being realised from November 2008 on the instructions of Transport Commissioner dated October 2008. The reply was, however, silent about realisation of fees for the period 2004-05 and 2007-08. No reply has been received (January 2010) from the other two offices.

The matter was reported to the department and Government in April 2009; their replies have not been received (January 2010).

⁴ Regional Transport Authorities, Hazaribag, Ranchi and Transport Commissioner, Ranchi.

4.5 Delay in deposit of revenue collected by banks

Under the provisions of the Bihar Financial Rules (adopted by the Government of Jharkhand), all transactions must be brought to account without delay and money received should be forthwith credited to the Government account. Instructions (March 1996) of State Transport Commissioner, Bihar and Transport Commissioner, Jharkhand (January 2001), stipulates that the amount collected by the banks during April to February should be transferred to the State Bank of India, Doranda branch, Ranchi in such a manner that all the receipts during a particular month are transferred latest by the first week of the following month. The amount deposited in the month of March is to be transferred by 31 March positively so that all amount deposited during a financial year are transferred to the Government account in the same financial year. Further, as per instructions issued by the Reserve Bank of India in April 2006 interest at the rate of eight *per cent* per annum, on an average quarterly balance exceeding Rs. 1 crore, is payable by the banks on delayed remittances to the Government account.

Test check of records of Transport Commissioner, Jharkhand and four district transport offices⁵ between August 2008 and March 2009 indicated that the collecting bank, i.e., four branches of Punjab National Bank at Bokaro, Dhanbad, Jamshedpur and Ranchi and one branch of Bank of India at Ranchi delayed the transfer of collected revenue of district transport offices and office of the Transport Commissioner into the Government account through State Bank of India, Doranda branch by one to 11 months and retained Rs. 70.49 crore at the end of March 2008. The collecting banks did not credit the leviable interest of Rs. 3.12 crore during 2007-08 for delayed transfer of the Government revenue into State Bank of India, Doranda, Ranchi. The department also did not pursue the matter of non-payment of interest by the banks.

After the cases were pointed out between August 2008 and March 2009, the district transport officers stated that correspondence would be made with the bank authorities for realisation of interest while Transport Commissioner did not furnish any reply. Further reply has not been received (January 2010).

The matter was reported to the department and the Government in April 2009; their replies have not been received (January 2010).

4.6 Short levy of additional fee on smart card

Under the provisions of the Central Motor Vehicle Rules, the registering authority shall issue a certificate of registration to the owner of the motor vehicle in form '23' or '23A'. In September 2004, the Government of Jharkhand entered into an agreement with a contractor for issue of registration certificates and driving licences in the form of computerised smart cards. Further, by a notification issued in May 2005, for every smart card, an additional fee of Rs. 200 is leviable under the rules.

Test check of records of District Transport Office, Dhanbad in August 2008 indicated that 21,001 certificates of registration in the form of smart cards

⁵ Bokaro, Dhanbad, Jamshedpur and Ranchi.

were issued levying additional fee of Rs. 101 instead of Rs. 200 between September 2007 and August 2008. This resulted in non-levy of additional fee amounting to Rs. 20.79 lakh.

After the cases were pointed out in August 2008, the District Transport Officer, Dhanbad stated (August 2008) that matter would be referred to the Transport Commissioner.

The matter was reported to the department and Government in April 2009; their replies have not been received (January 2010).