

## CHAPTER IV: TAXES ON VEHICLES

### 4.1 Results of audit

Test check of the records relating to taxes on vehicles during the year 2008-09 revealed non-assessment of tax and loss of revenue amounting to Rs. 21.88 crore in 5,962 cases which can be categorised as under:

(Rupees in crore)

Sl. no.	Category	Number of cases	Amount
1.	Non/short levy of vehicle tax, penalty and composition fee on public service vehicles	1,820	13.33
2.	Non/short levy of vehicle tax and penalty on goods vehicles	2,948	6.37
3.	Other irregularities	1,194	2.18
<b>Total</b>		<b>5,962</b>	<b>21.88</b>

The department accepted under assessment/loss in 4,851 cases involving Rs. 19.09 crore which were pointed out in audit during 2008-09. An amount of Rs. 64.12 lakh had been recovered in 311 cases.

A few illustrative audit observations involving Rs. 20.22 crore highlighting important audit findings are mentioned in the following paragraphs.

## **4.2 Audit observations**

Scrutiny of records of various Transport Offices revealed several cases of non-compliance of the provisions of the Motor Vehicles Act 1988 (MV Act) and Madhya Pradesh Motoryan Karadhan Adhinyam, 1991 (Adhinyam), and Government notifications 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 on the part of the Regional Transport Officers (RTO) 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 improve the internal control system.

## **4.3 Non-compliance of provisions of Acts/Rules**

The provisions of the MV Act and Adhinyam and Rules made thereunder provide for:

- i) collection of tax/fees at prescribed rates on various classes of vehicles within the due dates; and
- ii) levy of penalty for various offences.

It was noticed that the RTOs did not observe some of the above provisions which resulted in non/short levy of tax/fee/fine of Rs. 20.22 crore as mentioned in paragraphs 4.3.1 to 4.3.7.

### **4.3.1 Non-realisation of vehicle tax and penalty on vehicles**

According to provisions of the Adhinyam, tax shall be levied on every motor vehicle used or kept for use in the State at the rates specified in the first schedule to the Adhinyam. If the owner of the vehicle defaults in payment of tax, he/she shall be liable to pay penalty at the rate of one third of the unpaid amount of tax for the default of each month upto February 2003 and thereafter two *per cent* per month upto three months and four *per cent* thereafter but not exceeding twice the unpaid amount of tax upto September 2004; thereafter, rate of penalty has been four *per cent* per month. In case of non-payment, the taxation authority (TA) is required to issue a demand notice and recover the dues as arrears of land revenue.

Test check of records of 30 transport offices between April 2008 and March 2009 revealed that vehicle tax amounting to Rs. 11.13 crore in respect of 4,851 vehicles for the period between November 2002 and March 2008 was neither paid by the vehicle owners, nor was any action taken by the TAs to realise the tax. Besides, penalty of Rs. 7.46 crore though leviable was not levied.

This resulted in non-realisation of revenue of Rs. 18.59 crore as mentioned below:

(Rupees in crore)

Sl. no.	No. of offices	Category of vehicles No. of vehicles	Period involved	Tax not paid	Penalty leviable	Total
1.	30 <sup>1</sup>	Public service vehicles <u>kept as reserve</u> 1,111	11/02 to 3/08	4.58	3.20	7.78
2.	30 <sup>2</sup>	<u>Goods vehicles</u> 2,939	4/03 to 3/08	3.61	2.52	6.13
3.	28 <sup>3</sup>	Public service vehicles plying on regular stage <u>carriage permits</u> 397	4/03 to 3/08	2.23	1.32	3.55
4.	15 <sup>4</sup>	<u>Maxi cabs</u> 404	4/04 to 3/08	0.71	0.42	1.13
<b>Total</b>		<b>4,851</b>		<b>11.13</b>	<b>7.46</b>	<b>18.59</b>

After this was pointed out, 10 TAs<sup>5</sup> intimated (between December 2008 and July 2009) that an amount of Rs. 64 lakh had been recovered in 311 cases. In the remaining cases, all the TAs stated (between April 2008 and March 2009) that action for recovery would be/was being taken/show cause notices were being issued/demand notices had been issued to the defaulting vehicle owners. Further development has not been reported (October 2009).

The matter was reported to the Transport Commissioner (TC) and the Government between May 2008 and April 2009; reply has not been received (October 2009).

<sup>1</sup> Regional Transport Office (RTO)- Bhopal, Gwalior, Hoshangabad, Indore, Jabalpur, Morena, Rewa, Sagar and Ujjain.

Additional Regional Transport Office (ARTO)- Chhatarpur, Chhindwara, Guna, Katni, Khandwa, Mandsaur, Satna and Seoni.

District Transport Office (DTO)- Balaghat, Badwani, Betul, Damoh, Dewas, Jhabua, Neemuch, Panna, Raisen, Ratlam, Shivpuri, Sidhi and Tikamgarh.

<sup>2</sup> RTO- Bhopal, Gwalior, Hoshangabad, Indore, Jabalpur, Morena, Rewa, Sagar and Ujjain, ARTO-Chhatarpur, Chhindwara, Guna, Katni, Khandwa, Mandsaur, Satna and Seoni, DTO-Balaghat, Badwani, Betul, Damoh, Dewas, Jhabua, Neemuch, Panna, Raisen, Ratlam, Shivpuri, Sidhi and Tikamgarh.

<sup>3</sup> RTO, Bhopal, Gwalior, Hoshangabad, Indore, Jabalpur, Morena, Rewa, Sagar and Ujjain, ARTO, Chhatarpur, Chhindwara, Guna, Katni, Khandwa, Mandsaur, Satna and Seoni and DTO, Balaghat, Badwani, Betul, Damoh, Jhabua, Neemuch, Panna, Ratlam, Shivpuri, Sidhi and Tikamgarh.

<sup>4</sup> RTO, Bhopal, Gwalior, Hoshangabad and Rewa, ARTO, Chhindwara, Guna, Khandwa, Mandsaur, Satna and Seoni and DTO, Betul, Jhabua, Neemuch, Shivpuri and Sidhi.

<sup>5</sup> RTO, Gwalior, Rewa, ARTO, Chhatarpur, Chhindwara, Guna, Mandsaur and Satna and DTO, Badwani, Neemuch and Panna.

#### **4.3.2 Non-realisation of vehicle tax and non-levy of penalty on public service vehicles plying on all India tourist permits**

All India tourist permit is granted by the State Transport Authority (STA) under section 88 (9) of the Motor Vehicles Act, 1988. Tax is payable at the rates prescribed in the first schedule to the *Adhiniyam*. If the tax due has not been paid within the prescribed period, penalty is also leviable.

Test check of records of five offices<sup>6</sup> between April and December 2008 revealed that 16 operators did not pay vehicle tax in respect of 30 public service vehicles plying on all India tourist permits for the period between February 2006 and March 2008 nor was it demanded by the TAs. This resulted in non-realisation of tax of Rs. 47.22 lakh. Besides, penalty of Rs. 25.65 lakh was also leviable.

After this was pointed out, the RTO, Gwalior stated (December 2008) that show cause notices were being issued to the defaulting vehicle owners whereas the RTO, Jabalpur, ARTO, Chhatarpur and DTOs, Balaghat and Dewas stated (between April and October 2008) that action would be taken after scrutiny of the cases. Further development has not been reported (October 2009).

The matter was reported to the TC and the Government between May 2008 and February 2009; reply has not been received (October 2009).

#### **4.3.3 Non-realisation of vehicle tax and penalty on private service vehicles**

According to section 3 (1) of the *Adhiniyam*, tax shall be levied on every motor vehicle used or kept for use in the state. Tax on private service vehicles is payable at the rate prescribed in item No. VII of first schedule to the *Adhiniyam*. If the tax due has not been paid within the prescribed period, penalty is also leviable.

Test check of records of RTOs, Gwalior and Indore between December 2008 and February 2009 revealed that vehicle tax on 44 private service vehicles for the period between April 2007 and March 2008 was neither paid by the vehicle owners nor was it demanded by the TAs. This resulted in non-realisation of tax of Rs. 25.81 lakh. Besides, a penalty of Rs. 16.94 lakh was also leviable.

After this was pointed out, the TA, Gwalior stated (January 2009) that show cause notices were being issued to the vehicle owners whereas the TA, Indore stated (February 2009) that action would be taken after scrutiny of the cases. Further development has not been reported (October 2009).

The matter was reported to the TC and the Government between February 2009 and March 2009; their reply has not been received (October 2009).

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<sup>6</sup> RTO, Gwalior and Jabalpur, ARTO, Chhatarpur and DTO, Balaghat and Dewas.

#### **4.3.4 Short realisation of vehicle tax and non-levy of penalty on motor vehicles**

According to section 3 (1) of the *Adhiniyam*, tax shall be levied on every motor vehicle used or kept for use in the state at the rates specified in the first schedule. In case of public service vehicles, tax will be calculated on the basis of the seating capacity of the vehicle and distance of the route allowed and for goods vehicles, tax will be levied on the basis of registered laden weight of the vehicle. If the tax due has not been paid within the prescribed period, penalty is also leviable at the rate specified under section 13 of the *Adhiniyam*.

Test check of records of eight offices<sup>7</sup> between June 2008 and January 2009 revealed that vehicle tax of 57 motor vehicles for the period between April 2004 and March 2008 was short deposited by the vehicle owners due to application of incorrect rate of tax. Failure of the TAs to detect the default resulted in short realisation of vehicle tax of Rs. 9.59 lakh. The TAs also failed to levy penalty of Rs. 5.99 lakh on unpaid amount of tax.

After this was pointed out, the RTOs, Jabalpur and Sagar, ARTOs, Satna and Seoni and DTOs, Ratlam, Shivpuri and Sidhi stated (between June 2008 and January 2009) that action would be taken after scrutiny of the cases whereas ARTO, Mandsaur stated that demand notices had been issued (December 2008) to the defaulting vehicle owners. Further developments have not been reported (October 2009).

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

#### **4.3.5 Non-levy of penalty on belated payment of vehicle tax**

According to the provisions under section 13 of the *Adhiniyam*, if the tax in respect of any motor vehicle is not paid on due date as specified in section 5, the owner shall, in addition to the payment of tax due, be liable to pay penalty at the rate of four *per cent* per month on the unpaid amount of tax. Rule 10 (1) of *Madhya Pradesh Motoryan Karadhan Niyam, 1991, (Niyam)* further specifies that the penalty shall be paid by the owner of the vehicle alongwith the amount of tax.

Test check of records of 12 offices<sup>8</sup> between June 2008 and January 2009 revealed that vehicle tax in respect of 413 motor vehicles for the period between April 2003 and March 2008 was paid by the owners after delay ranging from 1 to 59 months. However, penalty was not levied and demanded by the TAs. This resulted in non-levy of penalty of Rs. 13.96 lakh.

After this was pointed out, the ARTOs, Chhatarpur and Mandsaur and DTO, Panna stated (between December 2008 and March 2009) that demand notices had been issued to the defaulting vehicle owners, of which, an amount of Rs. 12,729 was recovered in five cases. In case of remaining offices,

<sup>7</sup> RTO, Jabalpur and Sagar, ARTO, Mandsaur, Satna and Seoni and DTO, Ratlam, Shivpuri and Sidhi.

<sup>8</sup> RTO, Jabalpur and Rewa, ARTO, Chhatarpur, Khandwa, Mandsaur and Seoni and DTO, Betul, Damoh, Jhabua, Panna, Raisen and Shivpuri.

it was stated (between June 2008 and January 2009) that action for recovery would be taken after scrutiny of the cases. Further developments have not been reported (October 2009).

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

#### **4.3.6 Non-realisation of vehicle tax and penalty on public service vehicles of other states plying on inter-State routes**

Under the *Adhiniyam*, motor vehicles of other States permitted to ply in the State under reciprocal transport agreement, shall pay tax to the designated authority at the rate specified in the first schedule to the *Adhiniyam*, failing which the owner shall be liable to pay a penalty at the rate specified in the *Adhiniyam*.

Test-check of records of four offices<sup>9</sup> between June and December 2008 revealed that 27 operators did not pay vehicle tax in respect of 29 public service vehicles which were allowed to ply on inter-State routes under reciprocal transport agreement during the period between June 2005 and March 2008, nor was it demanded by the TAs. This resulted in non-realisation of vehicle tax of Rs. 7.36 lakh and penalty of Rs. 4.02 lakh.

After this was pointed out, the RTO, Gwalior stated (December 2008) that show cause notices were being issued to the vehicle owners. The RTO, Sagar and ARTO, Mandsaur stated (December 2008) that demand notices had been issued (December 2008) to the defaulting vehicle owners whereas DTO, Tikamgarh stated (September 2008) that action would be taken after scrutiny of the cases. Further development has not been reported (October 2009).

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

#### **4.3.7 Non-realisation of vehicle tax due to surrender of vehicles without permission**

Under rule 11 of the *Niyam* and Government of Madhya Pradesh, Transport Department notification dated 30 September 2004, no vehicle shall be allowed to be surrendered for a period exceeding 45 days (at a time or in part) in a calendar year. In case of surrender exceeding the said period, the permission can only be granted under special circumstances by the TC by passing an order in writing with reasons and if any vehicle is found surrendered for more than the said period without such permission, then the permit and the registration certificate shall stand revoked and the owner shall have to obtain permit and get the vehicle registered again. Further, as per rule 11 (12), the owner shall be liable to pay tax for the period commencing after the last day of the period for which the intimation of non-use was acknowledged irrespective of whether he has taken possession of the documents deposited with the TA after the expiry of such period or not.

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<sup>9</sup> RTO, Gwalior and Sagar, ARTO, Mandsaur and DTO, Tikamgarh.

Test check of records of DTOs, Panna and Tikamgarh between June and September 2008 revealed that the registration certificates of 15 public service vehicles were allowed to be surrendered for 2 to 12 months in a calendar year, by the TAs without permission of the TC. Since the vehicle owners did not apply for extension of surrender period beyond the initial period of 45 days, they were liable to pay tax at prescribed rates. However, the TAs did not demand the tax of Rs. 6.40 lakh.

After this was pointed out, the DTO, Panna stated (December 2008) that demand notices had been issued to the vehicles owners whereas DTO, Tikamgarh stated (September 2008) that action would be taken after scrutiny of the cases. Further development has not been reported (October 2009).

The matter was reported to the TC and the Government between August and November 2008; their reply has not been received (October 2009).