

Chapter III: Taxes on Vehicles

3.1 Results of audit

Test check of the records relating to the Motor Vehicles Department during the year 2008-09, revealed irregularities amounting to Rs. 12.40 crore in 1,276 cases, which fall under the following categories:

(In crore of rupees)

Sr. no.	Category	Number of cases	Amount
1.	Non/short recovery of special road tax	125	4.44
2.	Non/short recovery of token tax	630	3.00
3.	Other irregularities	521	4.96
Total		1,276	12.40

During the year 2008-09, the department accepted audit observations involving Rs. 2.25 crore in 514 cases and recovered Rs. 1.71 crore in 107 cases pertaining to the audit findings of previous years.

A few illustrative audit observations involving Rs. 6.53 crore are mentioned in the succeeding paragraphs.

3.2 Audit observations

Scrutiny of records in the offices of registering authorities in the Motor Vehicles Department relating to revenue received from taxes on vehicles, revealed several cases of non-observance of the provisions of the Acts/Rules resulting in non/short levy of tax/penalty/interest/permit fee 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. The Government needs to improve the internal control system to avoid occurrence of such cases in future.

3.3 Non-observance of the provisions of Acts/Rules

The Punjab Motor Vehicles Taxation Act, 1924 provides for:-

- (i) payment of motor vehicles tax/special road tax by the owner of vehicles at the prescribed rates;*
- (ii) token tax to be paid in advance and within the prescribed period;*
- (iii) payment of composite fee by the owner of vehicles under National Permit Scheme; and*
- (iv) levy of interest and penalty.*

Non-compliance of some of the provisions of the Acts/Rules by the registering authorities (Motor Vehicles) at the time of registration of vehicles/transfer of permits in cases are mentioned in the paragraphs 3.3.1 to 3.3.6. This resulted in non/short realisation of Government revenue of Rs. 6.53 crore.

3.3.1 Non/short payment of special road tax/motor vehicle tax

Under the Punjab Motor Vehicles Taxation Act, 1924 (PMVT Act), as amended from time to time, there shall be levied and paid to the Government, a special road tax (SRT) on stage carriages at the rate per seat, per kilometre/per day as may be specified by the Government from time to time. Further by a notification issued in November 2007, the Government levied Motor Vehicle Tax (MVT) per kilometer per day per vehicle at the specified rates in place of SRT.

During test check of the records of two Regional Transport Authorities (RTAs) (Ferozepur and Jalandhar) and eight District Transport Officers¹ (DTOs) for the year 2006-07 and 2007-08, it was noticed between February and December 2008 that Alwar depot of Rajasthan State Road Transport Corporation, Jammu and Kashmir State Road Transport Corporation, Muktsar depot of Punjab Roadways and 57 private transport companies paid SRT/MVT amounting to Rs. 3.83 crore against the recoverable amount of Rs. 6.28 crore worked out on the basis of entire mileage to be covered during the period from April 2006 to March 2008. The department neither demanded the tax due nor took any action as required under the PMVT Act. This resulted in non/short

¹ Amritsar, Bathinda, Gurdaspur, Jalandhar, Moga, Muktsar, Patiala and Ropar.

recovery of SRT/MVT of Rs. 2.84 crore including penalty and interest of Rs. 32.54 lakh calculated upto March 2008.

After the cases were pointed out, RTA Ferozepur and five DTOs² stated that recovery would be made. Replies from the other RTA/DTOs were awaited (September 2009).

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

3.3.2 Non-realisation of special road tax and token tax from all India tourist buses

As per the PMVT Act, SRT and token tax shall be levied on tourist buses at the rates prescribed by Government from time to time, which is to be collected in advance on monthly/quarterly/yearly basis. Failure to pay the tax within the prescribed period attracts penalty and interest.

During test check of the records of the State Transport Commissioner, Punjab (STC), it was noticed in August 2008 that SRT amounting to Rs. 59.13 lakh and token tax of Rs. 4.48 lakh in respect of tourist buses was neither demanded by the department nor paid by the vehicle owners during the year 2007-08. This resulted in non-realisation of tax amounting to Rs. 73.99 lakh including interest of Rs. 6.60 lakh (calculated upto March 2008) and minimum penalty of Rs. 3.78 lakh.

After the case was pointed out in August 2008, the STC intimated in June 2009 that notices for recovery had been issued to the owners of the tourist buses.

The matter was brought to the notice of department and referred to the Government in February 2009; their replies were awaited (September 2009).

3.3.3 Application of incorrect rates of motor vehicle tax

As per the PMVT Act as amended from time to time, there shall be levied and paid to Government MVT on transport vehicles at the rates prescribed by Government from time to time. Government levied tax on the buses registered in other states plying as stage carriages in Punjab the permits of which are countersigned under reciprocal agreement at the rate of Rs. 3.70 and permits not countersigned under reciprocal agreement at the rate of Rs. 5 per km/day/bus with effect from 22 November 2007.

During test check of the records of two RTAs (Patiala and Ferozepur), it was noticed between April and August 2008 that Chandigarh Transport Undertaking (CTU) and Rajasthan State Road Transport Corporation (Jaipur depot) paid tax at pre-revised rate instead of the revised rate for the period from December 2007 to March 2008. This resulted in short levy of tax of Rs. 69.30 lakh.

After the cases were pointed out, the RTA Patiala stated that notification was issued on 04 June 2008 and the matter would be looked into and the RTA Ferozepur stated that the recovery would be made. The reply of the

² Bathinda, Gurdaspur, Jalandhar, Moga and Ropar.

RTA Patiala is not based on facts as the notification was issued on 22 November 2007.

The matter was brought to the notice of the department and referred to the Government between February and March 2009; their replies were awaited (September 2009).

3.3.4 Non-recovery of token tax/interest

Under the provisions of the PMVT Act, token tax is leviable on stage carriages, mini buses, buses of educational institutions and goods carriers at the prescribed rates and is recoverable in advance in equal quarterly instalments. Failure to pay tax by the due dates attracts interest and penalty at the prescribed rates. Where tax due in respect of any vehicle has not been paid, the department may issue notices, impound, seize and detain such vehicles until the tax due is paid.

During test check of the records of two DTOs (Bathinda and Moga), for the year 2006-07 and 2007-08, it was noticed between February and August 2008 that 20 transport companies had not paid the token tax amounting to Rs. 8.53 lakh in respect of 28 buses. The department neither demanded the tax due nor took any action as required under the PMVT Act. This resulted in non-recovery of token tax amounting to Rs. 11.65 lakh including penalty of Rs. 1 lakh and interest of Rs. 2.12 lakh (calculated upto March 2008).

After the cases were pointed out in February 2008, the DTO Bathinda stated that recovery would be made, while the DTO Moga stated in August 2008 that action would be taken to recover the amount. A report on recovery has not been received (September 2009).

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

3.3.5 Short realisation of composite fee

Under the National Permit Scheme (NPS), vehicles registered in one state are authorised to ply in other states on payment of the prescribed composite fee in lump sum. The composite fee is initially received from the owner of the vehicle in the form of a crossed bank draft by the state in which the vehicle is registered and transmitted to the state in which the vehicle is authorised to ply.

During test check of the records of the STC for the year 2007-08, it was noticed in August 2008 that 302 goods carriers registered in other states³ and authorised to ply in Punjab under the NPS, paid composite fee at a rate lower than the rates prescribed. Failure on the part of the department to take up the matter with the concerned states, resulted in short realisation of composite fee of Rs. 6.65 lakh.

After the case was pointed out in August 2008, the STC stated that the matter had already been taken up with the states concerned for recovery. However, the veracity of the contention could not be checked in the absence of any documentary evidence in support of this contention.

³ Haryana, Himachal Pradesh, Jammu and Kashmir, Madhya Pradesh, Rajasthan, Tamil Nadu and Uttar Pradesh.

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

3.3.6 Non-levy of interest and penalty

Under the PMVT Act as amended from June 1993, if the owner of a vehicle fails to pay SRT within the prescribed period, he is liable to pay penalty not exceeding Rs. 5,000 but not less than Rs. 1,000. In addition, the owner is also liable to pay simple interest at the rate of one and half *per cent* per month or a part of month from the date following the due date, till the default continues. Where tax due in respect of any vehicle has not been paid, the department may issue notices, impound, seize and detain such vehicles until the tax due is paid.

During test check of the records of two DTOs (Patiala and Muktsar), it was noticed between April and November 2008 that all the depots of Pepsu Road Transport Corporation (PRTC) and Muktsar depot of Punjab Roadways paid SRT amounting to Rs. 24.67 crore after the specified date pertaining to different periods falling between April 2007 and March 2008. The delay ranged between one and 10 months. Neither any penalty was levied nor interest was charged for the delayed payment of tax. This resulted in non-levy of interest of Rs. 2.07 crore including minimum penalty.

After the case was pointed out in April 2008, DTO Patiala stated that non-reimbursement of dues by various Government departments was the reason for delay in payment of SRT by PRTC whereas DTO Muktsar stated in November 2008 that the matter for the recovery would be taken up with the Punjab Roadways. The fact remains that the SRT was to be paid in advance as per provisions of the PMVT Act.

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