

CHAPTER-III: TAXES ON MOTOR VEHICLES

3.1 Tax administration

The Transport Department is responsible for registration of vehicles, grant of permits and licences for vehicles and exercises control over vehicles plying in the State. The Department also issues licences to drivers, conductors and traders and fitness certificate of vehicles. Levy and collection of taxes, fees and penalties under the provisions of the Motor Vehicles Act, 1988, the Central Motor Vehicles Rules, 1989, the Rajasthan Motor Vehicles Taxation Act (RMVT Act), 1951, the Rajasthan Motor Vehicles Taxation Rules, 1951 and the Rajasthan Motor Vehicles Rules, 1990 are other responsibilities of the Department. Work relating to registration and fitness of vehicles, grant of licences, collection of taxes, fees, penalties *etc.* has been computerised in the Department.

The Transport Department is headed by Transport Commissioner who is assisted by three Additional Commissioners and seven Deputy Commissioners at headquarter level. The entire State is divided into 11 regions, headed by Regional Transport Officers cum *ex-officio* Member Regional Transport Authority. Besides, there are 37 vehicles registration cum taxation offices headed by District Transport Officers.

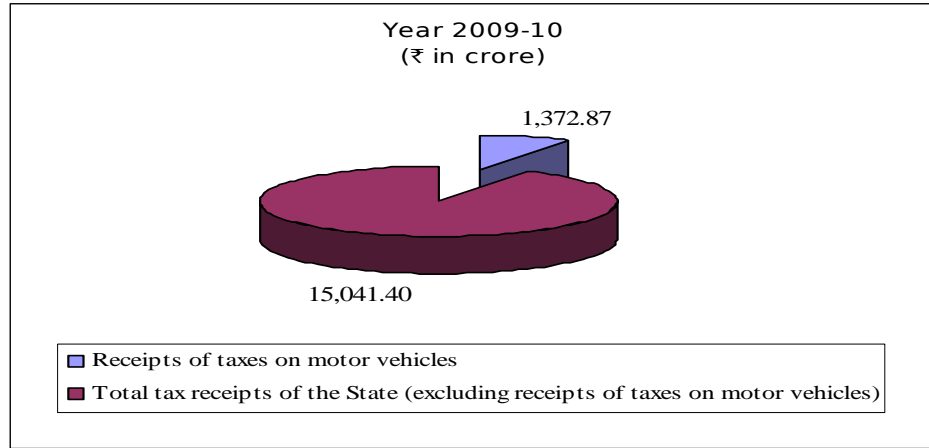
3.2 Trend of receipts

Receipts of taxes on motor vehicles during the years from 2005-06 to 2009-10 along with the total tax receipts of the State have been exhibited in the following table:

(₹ in crore)

Year	Budget estimates	Receipts of taxes on motor vehicles	Variation excess (+)/shortfall (-)	Percentage of variation	Total tax receipts of the State	Percentage of actual receipts vis-à-vis total tax receipts
2005-06	880.00	908.18	(+) 28.18	(+) 3.20	9,880.23	9.19
2006-07	950.00	1,023.61	(+) 73.61	(+) 7.74	11,608.24	8.82
2007-08	1,075.00	1,164.40	(+) 89.40	(+) 8.32	13,274.73	8.77
2008-09	1,200.00	1,213.56	(+) 13.56	(+) 1.13	14,943.75	8.12
2009-10	1,300.00	1,372.87	(+) 72.87	(+) 5.61	16,414.27	8.36

Receipts of taxes on motor vehicles during the year 2009-10 along with total tax receipts of the State (excluding receipts of taxes on motor vehicles) is shown in the following pie chart:



Though in actual terms, receipts of taxes on motor vehicles registered marginal increase every year but the percentage of receipts of taxes on motor vehicles as compared to total tax receipts of the State is decreasing every year in comparison to the year 2005-06. By the year 2009-10, these receipts accounted for 8.36 per cent of total tax receipts of the State.

3.3 Cost of collection

The gross collection of the revenue receipts, expenditure incurred on collection and the percentage of such expenditure to gross collection during the period from 2005-06 to 2009-10 alongwith the relevant all India average percentage of expenditure on collection to gross collection for same period are as follows:

(₹ in crore)

Sl. no.	Year	Gross collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average percentage of expenditure
1.	2005-06	908.18	13.67	1.51	2.67
2.	2006-07	1,023.61	15.56	1.52	2.47
3.	2007-08	1,164.40	17.44	1.50	2.58
4.	2008-09	1,213.56	29.25	2.41	2.93
5.	2009-10	1,372.87	27.04	1.97	NA

Increase in expenditure on collection of revenue during the year 2008-09 was due to increase in salary of staff on account of implementation of recommendations of sixth central pay commission in the State.

The percentage of expenditure on collection of taxes on motor vehicles to gross collection was always on lower side in comparison to all India average percentage.

3.4 Impact of audit reports

We, through our audit reports had pointed out cases of non/short levy, non/short realisation, underassessment/loss of revenue, application of incorrect rate of tax, incorrect computation of tax *etc.* with revenue implication of ₹ 107.03 crore in 33 paragraphs during the last five years. Of these, the Department/Government had accepted audit observations in 30 paragraphs involving ₹ 55.87 crore and had since recovered ₹ 19.36 crore in 29 paragraphs (September 2010) as shown in the following table:

(₹ in crore)

Year of Audit Reports	Paragraphs included		Paragraphs accepted		Amount recovered	
	Number	Amount	Number	Amount	Number	Amount
2004-05	8	7.83	6	2.82	6	0.91
2005-06	6	19.07	6	5.65	6	2.01
2006-07	6	7.23	6	5.92	6	2.27
2007-08	10	25.15	10	21.50	10	13.60
2008-09	3	47.75	2	19.98	1	0.57
Total	33	107.03	30	55.87	29	19.36

These audit paragraphs required recovery from large number of vehicles. The Department has to recover the objected amount from owners of each such vehicle.

The Government may issue instructions to the Department to recover the amount involved in the audit paragraphs on priority.

3.5 Working of Internal Audit Wing

Internal Audit Wing is headed by Financial Advisor and assisted by one Sr. Accounts Officer and two Accounts Officers. Five internal audit parties are working in the Department each headed by Assistant Accounts Officer. The position of last five years of internal audit was as under:

Year	Pending units	Units due for audit during the year	Total units due for audit	Units audited during the year	Units remained unaudited	Shortfall in per cent
2005-06	14	77	91	91	-	-
2006-07	0	77	77	77	-	-
2007-08	0	79	79	75	4	5
2008-09	4	79	83	67	16	19
2009-10	16	79	95	89	6	6

There was a shortfall in conducting internal audit ranging between 5 to 19 *per cent* in the years 2007-08 to 2009-10.

We further noticed that Department had not made serious efforts to settle the 10,508 paragraphs of 1,236 inspection reports for the years upto 2008-09

which were outstanding at the end of 2009-10. Year-wise break up of outstanding paragraphs of internal audit reports is as under:

Year	1991-92 to 2004-05	2005-06	2006-07	2007-08	2008-09	Total
Paras	6,915	1,006	802	780	905	10,508

Paragraphs of internal audit reports were outstanding since 1991-92. Thus, the very purpose of internal audit was defeated.

Government may consider strengthening functioning of Internal Audit Wing in order to take appropriate measures for plugging the leakage of revenue and comply with the provisions of the Act. Appropriate instructions may also be issued to the Department for taking action on the reports of Internal Audit Wing.

3.6 Results of audit

During test-check of the records of 44 units relating to receipts of ₹ 1,213.56 crore, we noticed non/short recovery of tax and other irregularities involving ₹ 99.64 crore in 9,411 cases which fall under the following categories:

Sl. no.	Category	Number of cases	Amount (₹ in crore)
1.	Non/short recovery of tax, penalty, interest and compounding fees	9,290	99.42
2.	Non/short computation of motor vehicles tax/special road tax	9	0.02
3.	Other irregularities	112	0.20
Total		9,411	99.64

During the year 2009-10, the Department accepted underassessment and other deficiencies of ₹ 38.44 crore in 8,704 cases, of which 4,137 cases involving ₹ 11.04 crore were pointed out in audit during the year 2009-10 and the rest in earlier years. An amount of ₹ 1.84 crore was realised in 1,314 cases during the year 2009-10, out of which ₹ 1.34 crore in 772 cases pointed out in 2009-10 and rest of ₹ 0.50 crore in 542 cases in earlier years.

A few illustrative audit observations involving ₹ 15.02 crore are mentioned in the succeeding paragraphs.

3.7 Audit observations

During scrutiny of records in Transport Department, we noticed several cases of non-levy of tax, fee and penalty. Some of these omissions were pointed out in earlier years but not only the irregularities persist, these remain undetected till an audit is conducted. These cases are illustrative and are based on a test check carried out by us. There is need to improve the internal control system including strengthening of internal audit.

3.8 Non-compliance of provisions of the Acts/Rules

The provisions of RMVT Act and Rules provides for:-

- (i) Levy and collection of tax on all motor vehicles used or kept for use in the State at the rates prescribed by the State Government from time to time;
- (ii) levy of tax where a vehicle is found plying after the surrender of RC and in addition levy of penalty equal to five times of the amount of tax in such cases; and
- (iii) levy of lump-sum tax on all transport vehicles at the rates prescribed and levy of penalty for default in payment.

During test check of records we noticed that departmental authorities did not observe some of the above provisions in cases as mentioned in paragraphs 3.8.1 to 3.8.4. This resulted in non-realisation of revenue of ₹ 15.02 crore.

3.8.1 Taxes on motor vehicles not realised

Under Section 4 of the RMVT Act, 1951 and the rules made thereunder, motor vehicles tax is to be levied and collected on all motor vehicles used or kept for use in the State at the rates prescribed by the State Government from time to time. Further, under section 6 of the Act, *ibid*, penalty is also leviable on belated payment of tax.

During audit of records of 37 offices for the period 2008-09, we noticed (between May and March 2010) that motor vehicles tax and special road tax in respect of 6,409 vehicles for the period between April 2006 and March 2009 were not paid by the owners of these vehicles. There was nothing on record to show that the vehicles were off the road or were transferred to any other district/State. This resulted in non-realisation of tax amounting to

₹ 13.94 crore as mentioned below. Besides, penalty is also leviable till date of actual payment of tax.

(₹ in crore)

Sl. no.	Category of vehicles	No. of vehicles	Period of tax	Amount of tax	Name of offices
1.	Goods vehicles	2,360	April 2006 to March 2009	3.40	Regional Transport Offices (RTOs) Alwar, Bikaner, Dausa, Jodhpur, Kota, Pali, Sikar and Udaipur; District Transport Offices (DTOs) Barmer, Beawar, Bharatpur, Bhilwara, Bundi, Churu, Deedwana, Dholpur, Dungarpur, Hanumangarh, Jaipur (goods vehicles), Jhalawar, Jhunjhunu, Karauli, Kotputli, Nagaur, Pratapgarh, Rajsamand, Sawaimadhampur, Sirohi, Sriganganagar and Tonk.
2.	Contract carriages (seating capacity upto 13 persons excluding driver)	2,253	April 2006 to March 2009	3.33	RTOs Alwar, Bikaner, Chittorgarh, Dausa, Jodhpur, Kota, Pali, Sikar and Udaipur; DTOs, Banswara, Baran, Barmer, Beawar, Bharatpur, Bhilwara, Bundi, Churu, Dungarpur, Jaipur (contract carriage), Jaisalmer, Jhalawar, Jhunjhunu, Karauli, Kotputli, Nagaur, Rajsamand, Sawaimadhampur, Sriganganagar and Tonk.
3.	Contract carriages (seating capacity more than 13 persons excluding driver)	206	April 2008 to March 2009	2.42	RTOs Ajmer, Bikaner, Chittorgarh, Jodhpur, Kota, Sikar and Udaipur; DTOs, Dungarpur, Jaipur (contract carriage), Jhunjhunu and Pratapgarh.
4.	Stage carriages	513	April 2008 to March 2009	1.78	RTOs Ajmer, Alwar, Bikaner, Jodhpur, Sikar and Udaipur; DTOs Barmer, Bhilwara, Churu, Deedwana, Jaipur (stage carriages), Jhunjhunu, Nagaur and Pratapgarh.
5.	Articulated goods vehicles	561	April 2006 to March 2009	1.49	RTOs Ajmer, Bikaner, Chittorgarh, Jodhpur, Sikar and Udaipur; DTOs Beawar, Bhilwara, Deedwana, Jaipur (goods vehicles), Kotputli, Nagaur, Rajsamand and Sirohi.
6.	Passenger vehicles kept without permits	98	April 2008 to March 2009	0.67	RTOs Alwar, Jodhpur and Kota, DTOs Bhilwara, Churu, Jaipur (stage carriage) and Kotputli
7.	Dumpers/ tippers	418	April 2006 to March 2009	0.85	RTOs Bikaner, Chittorgarh, Kota and Udaipur; DTOs Baran, Barmer, Bhilwara, Bundi, Jaisalmer, Jhunjhunu, Nagaur and Rajsamand.
Total		6,409		13.94	

In terms of provisions of paragraph 5.7.10 of Departmental Manual, the Department is required to issue demand notice in cases of vehicles where the tax has not been deposited/short deposited. Such demand notices were required to be entered in Demand & Collection Register. Further, in cases of vehicles where tax has not been paid, the list of such vehicles with route details along with tax due is required to be intimated to the enforcement branch for their recovery. Furthermore, in respect of vehicles where current/arrears of tax has not been deposited and these vehicles are not in use,

the action to recover the arrears from the movable/immovable property of vehicle owner is required to be taken. We observed that the taxation officers did not initiate action to levy and realise the tax due.

After we pointed out, the Government stated (October 2010) that in respect of 1,426 vehicles, an amount of ₹ 2.76 crore had been recovered and in respect of 82 vehicles, ₹ 20.28 lakh were not recoverable due to issue of no objection certificates, cancellation of registration certificates, change of registration, re-registration of vehicles, surrender of registration certificates, rebate in tax for the period of election duty *etc.* However, the records produced at the time of audit did not reflect the stated position. The Department was required to maintain proper records for effective monitoring and put in place a control mechanism to ensure compliance of prescribed procedures. Further the arrears of tax are recoverable as arrears of land revenue. The report on action taken in the remaining cases is awaited (October 2010).

3.8.2 Non-recovery of special road tax from vehicles plying during the period of surrender of registration certificates

Under the RMVT Act, 1951 and the rules made thereunder, vehicles are not liable to pay tax for the period during which their registration certificates (RC) are surrendered to the Transport Department. However, where a vehicle is found plying after the surrender of RC, the tax on such vehicle shall be payable for entire period of surrender along with a penalty equal to five times the amount of tax.

On cross verification of the records between May 2009 and November 2009 relating to surrender of RC in the five offices¹ with returns/records maintained by Rajasthan State Road Transport Corporation for the years 2007-08 and 2008-09, we found that 25 stage carriage vehicles of Rajasthan State Road Transport Corporation plied during the period of surrender of RC. The Department does not have a system to check the vehicles plying after surrender of

RC. This resulted in non-realisation of special road tax amounting to ₹ 10.55 lakh and penalty amounting to ₹ 52.75 lakh aggregating to ₹ 63.30 lakh.

After we pointed out the cases, the Department stated (July 2010) that action was being taken for recovery.

We reported the matter to the Government (April 2010); their reply is awaited (October 2010).

¹ RTOs Ajmer, Alwar and Chittorgarh; DTOs Jalore and Karauli.

3.8.3 One time tax in respect of construction equipment vehicles not realised

By issue of notification dated 27.3.2006 under section 4(1) (b) of the RMVT Act, 1951, the State Government prescribed the rates of one time tax to be levied on all construction equipment vehicles (non transport vehicles). In terms of these orders in respect of already registered vehicles, one time tax would also be payable at prescribed rates.

During audit of records of four offices² for the year 2008-09, we noticed (between May 2009 and January 2010) that one time tax in respect of 34 already registered construction equipment vehicles was not paid by the owners of these vehicles. The taxation officers did not initiate any action to realise the amount

of tax due. This resulted in non-realisation of one time tax amounting to ₹ 28.97 lakh.

After we pointed out the cases, the Government stated (October 2010) that in respect of nine vehicles, an amount of ₹ 5.58 lakh had been recovered. The report on action taken in the remaining cases is awaited (October 2010).

3.8.4 Outstanding instalments of lump-sum tax not recovered

Under section 4-C of the RMVT Act, 1951 and notifications issued thereunder from time to time, a lump-sum tax on all transport vehicles was to be levied at the rates prescribed by the State Government from time to time. The lump-sum tax could be paid in full or in three equal instalments within a period of one year. Further, under section 6 of the Act, penalty was leviable on late payment of tax.

During audit of records of two offices³ for the years 2008-09, we noticed (between October 2009 and January 2010) that in respect of 80 transport vehicles, in which option of payment of lump-sum tax in three equal instalments was given between March 2006 and November 2008, the owners of these vehicles paid the first instalment but failed to pay the remaining one or two instalments. The taxation officers did not initiate any action to realise the

amount of tax due. This resulted in non-realisation of lump-sum tax amounting to ₹ 15.67 lakh. Besides, penalty was also leviable till the date of payment of tax.

After we pointed out the cases, the Government stated (October 2010) that in respect of 38 vehicles, an amount of ₹ 8.90 lakh had been recovered. The report on action taken in the remaining cases is awaited (October 2010).

² RTOs Ajmer and Kota; DTOs Bhilwara and Dungarpur.

³ RTO Sikar; DTO Bhilwara.