

# **CHAPTER - IV**

## **TAXES ON VEHICLES**

## EXECUTIVE SUMMARY

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<b>What we have highlighted in this Chapter</b>	<p>In this Chapter we present a few illustrative cases of ₹ 11.36 crore selected from observations noticed during our test-check of records during the year 2012-13 relating to non/short levy, non/short realisation etc. in the district transport offices, where we found that the provisions of the Acts/Rules/Government notifications were not observed.</p> <p>It is a matter of concern that similar omissions had been pointed out by us repeatedly in the Audit Reports in the past, but the Department did not take corrective action till we pointed these out in audit.</p> <p>We are also concerned that though these omissions were apparent from the records which were made available to us, the District Transport Officers were unable to detect these mistakes in due course.</p>
<b>Trend of receipts</b>	<p>In 2012-13, though the collection of taxes on vehicles increased by 4.50 <i>per cent</i> as compared to the budget estimates, the percentage of receipt from taxes on vehicles in the total tax receipt of the State decreased over the previous year.</p>
<b>Impact of audit conducted by us during 2012-13</b>	<p>In the course of audit of records of 39 units relating to taxes on vehicles during the year 2012-13, we found non/short levy, non/short realisation of revenue and other irregularities involving ₹ 15.53 crore in 158 cases.</p> <p>The Department accepted non/short levy, non/short realisation and other deficiencies of ₹ 2.10 crore in 32 cases, of which 27 cases involving ₹ 1.68 crore were pointed out during 2012-13 and the rest in earlier years.</p>
<b>Our conclusion</b>	<p>The Department needs to improve the internal control system so that weaknesses in the system are addressed and omissions detected by us are avoided in future.</p> <p>It also needs to take appropriate steps to recover the amount involved at least in accepted cases.</p>

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## CHAPTER-IV: TAXES ON VEHICLES

### 4.1 Tax administration

The levy and collection of taxes on vehicles in the State is governed by the provisions of Motor Vehicles (MV) Act, 1988; Central Motor Vehicles (CMV) Rules, 1989 and the Bihar Motor Vehicle Taxation (BMVT) Act and Rules, 1994. It is administered by the Principal Secretary, Transport Department at the Government level and by the State Transport Commissioner (STC) at the apex level of the Department. In performance of his duties, the STC is assisted by two Joint State Transport Commissioners at the headquarters. The State is divided into nine<sup>1</sup> regions and 38 districts which are controlled by the Secretaries of the Regional Transport Authorities and the District Transport Officers (DTOs) respectively. They are assisted by Motor Vehicle Inspectors (MVIs) in discharging their duties.

### 4.2 Trend of receipts

The variation between the budget estimates (BEs) and the actual receipts from taxes on vehicles during the period 2008-09 to 2012-13 along with the total tax receipts during the same period is mentioned below:

Table- 4.1

(₹ in crore)

Year	Budget estimates	Actual receipts	Variation excess (+)/ shortfall (-)	Percentage of variation	Total tax receipts of the State	Percentage of actual receipts (col.-3) vis-à-vis total tax receipts (col.-6)
1	2	3	4	5	6	7
2008-09	256.60	297.74	(+) 41.14	(+) 16.03	6,172.74	4.82
2009-10	355.00	345.13	(-) 9.87	(-) 2.78	8,089.67	4.27
2010-11	550.00	455.43	(-) 94.57	(-) 17.19	9,869.85	4.61
2011-12	537.00	569.13	(+) 32.13	(+) 5.98	12,612.10	4.51
2012-13	644.40	673.39	(+) 28.99	(+) 4.50	16,253.08	4.14

(Source: Revenue and Capital Receipt (Detail): Finance Accounts, Government of Bihar)

The above table indicates that in 2012-13, though the collection of taxes on vehicles increased by 4.50 per cent as compared to the budget estimates, the percentage of receipt from taxes on vehicles in the total tax receipt of the State decreased over the previous year except 2010-11.

### 4.3 Cost of collection

The gross collection of receipts from taxes on vehicles, expenditure incurred on collection and the percentage of such expenditure to gross collection during the years 2008-09 to 2012-13 along with the all-India average percentage of

<sup>1</sup> Bhagalpur, Darbhanga, Gaya, Katihar, Madhubani, Muzaffarpur, Patna, Purnea and Vaishali.

expenditure on collection to gross collections for the relevant previous years are mentioned below:

**Table- 4.2**

(₹ in crore)

Year	Gross collection	Expenditure on collection	Percentage of expenditure to gross collection	All India average percentage for the previous year
2008-09	297.74	6.95	2.33	2.58
2009-10	345.13	10.41	3.02	2.93
2010-11	455.43	16.92	3.72	3.07
2011-12	569.13	22.31	3.92	3.71
2012-13	673.39	25.28	3.75	2.96

(Source: Finance Accounts, Government of Bihar)

The above table indicates that during the years 2009-10 to 2012-13, the percentage of expenditure on collection was more than the all-India average percentage for the previous year.

**The Government needs to take appropriate measures to keep the percentage of expenditure on collection below the all India average in the coming years.**

#### 4.4 Analysis of arrears of revenue

The arrears of revenue in respect of taxes on vehicles as on 31 March 2013 amounted to ₹ 185.47 crore, of which ₹ 113.06 crore was outstanding for more than five years. As reported by the Department (August 2013) the aforesaid sum of ₹ 185.47 crore was under Revenue Recovery Certificate. The following table depicts the position of arrears of revenue during the period 2008-09 to 2012-13.

**Table- 4.3**

(₹ in crore)

Year	Opening balance of arrears	Addition during the year	Amount collected during the year	Closing balance of arrears
2008-09	113.06	7.68	2.24	118.50
2009-10	118.50	17.84	2.00	134.34
2010-11	134.34	36.05	2.48	167.91
2011-12	167.91	18.55	1.39	185.07
2012-13	185.07	3.17	2.77	185.47

(Source: Information furnished by the Department)

The above table shows that the balance of arrears increased gradually from ₹ 118.50 crore in 2008-09 to ₹ 185.47 crore in 2012-13, which indicates lack of promptness on the part of the departmental officers in realising the Government dues.

**The Department needs to take effective steps in realising the arrears of revenue.**

## 4.5 Working of internal audit wing

There is an internal audit wing called Finance (Audit) which works under the Finance Department and internal audit of the different offices of the Government is conducted on the basis of requisitions received from the Administrative Department. The Chief Controller of Accounts can also select units for internal audit on availability of audit team. The Finance Department did not conduct internal audit of the Transport Department during 2012-13. Further the Department stated (July 2013) that efforts would be made to constitute internal audit wing in the Department.

## 4.6 Impact of audit

### 4.6.1 Status of compliance to Audit Reports (2007-08 to 2011-12)

During the years between 2007-08 and 2011-12, we have pointed out audit observations involving ₹ 288.21 crore in respect of receipts from Taxes on vehicles through our Audit Reports. The Department/Government accepted cases involving ₹ 129.96 crore, of which an amount of ₹ 5.46 crore only was recovered till 31 March 2013 as mentioned below:

**Table- 4.4**

(₹ in crore)

Year of Audit Report	Amount involved in the Audit Report	Amount accepted	Amount recovered
2007-08	36.18	33.72	5.43
2008-09	57.68	57.68	Nil
2009-10	20.96	20.39	0.03
2010-11	17.81	17.81	Nil
2011-12	155.58	0.36	Nil
<b>Total</b>	<b>288.21</b>	<b>129.96</b>	<b>5.46</b>

**The Government may take appropriate steps to recover the amounts involved, at least in accepted cases.**

### 4.6.2 Status of compliance to Inspection Reports (2007-08 to 2011-12)

During the period from 2007-08 to 2011-12, we had pointed out in our inspection reports, cases of non/short levy, non/short realisation of revenue etc., with revenue implication of ₹ 682.13 crore in 1,146 cases. Of these, the Department/ Government had accepted audit observations in 842 cases involving ₹ 488.25 crore which also include the cases pointed out by us during earlier years and had since recovered ₹ 1.35 crore. The details are shown in the following table:

Table- 4.5

(₹ in crore)

Year	No. of units audited	Pointed out		Accepted		Recovered	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
2007-08	47	201	141.29	215	142.94	5	0.37
2008-09	46	217	98.30	210	96.04	5	0.98
2009-10	38	310	253.13	295	201.23	Nil	Nil
2010-11	48	198	19.04	64	19.43	Nil	Nil
2011-12	34	220	170.37	58	28.61	2	0.0024
<b>Total</b>	<b>213</b>	<b>1,146</b>	<b>682.13</b>	<b>842</b>	<b>488.25</b>	<b>12</b>	<b>1.35</b>

The low recovery of ₹ 1.35 crore (0.28 per cent) against the accepted cases involving ₹ 488.25 crore indicates lack of promptness on the part of the Government/Department in realising the Government dues.

**We recommend that the Government may take appropriate steps to recover the amounts involved, at least in accepted cases.**

#### 4.6.3 Status of compliance to Inspection Reports 2012-13

In the course of audit of records of 39 units relating to taxes on vehicles during the year 2012-13, we found non/short levy, non/short realisation of revenue and other irregularities involving ₹ 15.53 crore in 158 cases which fall under the following categories:

Table- 4.6

(₹ in crore)

Sl. No.	Categories	No. of cases	Amount
1	Non-realisation of motor vehicle taxes	22	4.12
2	Non-levy of one time tax on three wheelers at the time of registration	17	1.27
3	Short/Non-realisation of trade tax	18	1.18
4	Short realisation of one time tax from personalised vehicles	9	0.69
5	Non-levy of one time tax on trailers at the time of registration	18	0.76
6	Non-levy of one time tax on Goods carriage at the time of registration	5	0.58
7	Grant of permit to Stage carriages without tax clearance certificate	4	0.79
8	Delivery of vehicles without temporary registration resulted in loss of revenue	4	2.91
9	Other cases	61	3.23
<b>Total</b>		<b>158</b>	<b>15.53</b>

During the period 2012-13, the Department accepted non/short levy, non/short realisation and other deficiencies of ₹ 2.10 crore in 32 cases, of which 27

cases involving ₹ 1.68 crore were pointed out during the course of the year and the rest in earlier years. The Department also reported recovery of ₹ 1.03 lakh in four cases which were pointed out between 2008-09 and 2012-13.

At the instance of audit, the Department recovered an amount of ₹ 56,584 in one case during 2012-13.

A few illustrative cases involving tax effect of ₹ 11.36 crore are mentioned in the following paragraphs.

#### **4.7 Non-compliance of the provisions of the Acts/Rules**

*The provisions of the Central Motor Vehicles (CMV) Rules, 1989, Bihar Motor Vehicles Taxation (BMVT) Act, 1994, Motor Vehicles (MV) Act, 1988 and Rules made thereunder require levy and payment of:*

- *taxes on motor vehicles/additional tax by the vehicle owners at the appropriate rates;*
- *tax/additional tax in advance and within the prescribed period and*
- *penalty up to double the tax, if the tax is not paid within 90 days.*

*Non-compliance of the provisions of the Acts/Rules in some cases as mentioned in paragraphs 4.8 to 4.16 resulted in non/short levy, non/short realisation of tax etc. of ₹11.36 crore.*

#### **VAHAN - An introduction**

The Government of India, in order to have a National Register of registered motor vehicles and driving licences and to provide valuable data for the Centre and State security agencies, issued directives to all State Governments to adopt 'VAHAN'<sup>2</sup> and 'SARATHI'<sup>3</sup> softwares. The softwares were developed by the National Informatics Centre (NIC), New Delhi. Apart from the National Register, these softwares were also intended to help develop the State Register of motor vehicles and licences. This computerisation effort was taken up by the State Government under a Central Sector Scheme and was to be implemented through the NIC on behalf of the Ministry of Road Transport and Highways (MoRTH), New Delhi in coordination with State Transport Department.

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<sup>2</sup> An application developed for registration of vehicles and road tax clearance.

<sup>3</sup> An application developed for issue of various licences.

## 4.8 Non-realisation of motor vehicle taxes

Under Section 5 and 9 of the Bihar Motor Vehicles Taxation (BMVT) Act, 1994, motor vehicles tax is to be paid to the taxing officer in whose jurisdiction the vehicle is registered. The vehicle owner can pay the tax to the new taxing officer in case of change of residence/business, subject to the production of No Objection Certificate (NOC) from the previous taxing officer. Further, the taxing officer may exempt the vehicle owner from payment of tax, if he is satisfied that the prescribed conditions have been fulfilled by the vehicle owner. The District Transport Officers (DTOs) are required to issue demand notice to ensure timely realisation of tax.

Further under Rule 4 (2) of the BMVT Rules, 1994, non-payment of tax beyond 90 days attracts penalty at the rate of 200 *per cent* of the tax due. Under Section 22 of the BMVT Act, if the tax or penalty or both has not been paid in accordance with the provisions of the Act, an officer not below the rank of Inspector of Motor Vehicles or any other officer specially authorised by the State Transport Commissioner, may seize the motor vehicles and detain it till the payment of tax.

We observed that the Government / Department did not install a mechanism for periodic review of the taxation registers by the DTOs and also did not prescribe a time frame within which a notice of demands is to be issued to the defaulting vehicle owners.

We scrutinised the taxation registers and the VAHAN database of 29 District Transport offices for the period 2011-12 and found (between July 2012 and March 2013) in 19 District Transport offices<sup>4</sup> that out of 7,347 transport vehicles test-checked (total number of registered vehicles: 1,34,449), the owners of 671 vehicles did not pay tax of ₹ 1.19 crore pertaining to the period between February

2008 and April 2013 within the due dates and the concerned DTOs neither seized the defaulting vehicles nor initiated action towards realisation of the dues from the defaulting vehicle owners. In none of the cases, change of addresses of the owners or surrender of documents for securing exemption from payment of tax was found on record. This resulted in non-realisation of tax of ₹ 3.48 crore including penalty of ₹ 2.30 crore as detailed in **Annexure-X**. This shows the slackness of the DTOs towards the implementation of VAHAN database as well as weak monitoring mechanism of higher authorities, though we have pointed out repeatedly in the previous years.

After we pointed this out, the Government accepted the audit observations (July 2013) and stated that in 11 DTOs<sup>5</sup> a sum of ₹ 41.04 lakh had been recovered from 96 vehicle owners, Revenue Recovery Certificates cases

<sup>4</sup> Arwal, Begusarai, Bettiah (West Champaran), Bhagalpur, Bhojpur, Gaya, Gopalganj, Jehanabad, Madhepura, Madhubani, Motihari (East Champaran), Munger, Muzaffarpur, Nalanda, Patna, Purnea, Sitamarhi, Siwan and Vaishali.

<sup>5</sup> Arwal, Begusarai, Bettiah, Bhagalpur, Gaya, Gopalganj, Jehanabad, Nalanda, Patna, Sitamarhi and Vaishali.



against 162 vehicle owners were initiated for ₹ 71.04 lakh in eight DTOs<sup>6</sup> and notice of demands had been issued against 304 vehicle owners for ₹ 1.74 crore in seven DTOs<sup>7</sup>. We await further report in the cases and reply in remaining cases (November 2013).

Mention was made in Audit Report (Revenue Receipts) for the year ending 31 March 2008 in paragraph 4.2 titled 'Non-realisation of motor vehicle taxes'. The Department/Government stated that ₹ 4.95 crore has been recovered. The PAC had recommended (August 2013) that recovery procedures made by the Department and results thereof may be intimated. Despite PAC recommendation, no corrective measures have been taken to prevent recurrence of such cases.

#### 4.9 Short realisation of one time tax from trailers

Under Section 5 and 7 of BMVT Act, 1994 as amended by Bihar Finance Act, 8 of 2010 (effective from 09 April 2010), a one time tax (OTT) of ₹ 4,000 shall be payable by all trailers upto 3,000 Kgs registered laden weight and ₹ 6,000 shall be payable by all trailers more than 3,000 Kgs registered laden weight used or kept for use for other than agricultural purpose. The OTT payable by trailers already registered shall be calculated after deducting the tax amount already paid. Previously the tax on trailers having laden weight of 5000 kgs was ₹ 600 per quarter (Road Tax: ₹ 240 and Additional Tax ₹ 360) upto 8 April 2010. Further, under Rule 4(2) of the BMVT Rules, 1994 non-payment of tax within due date attracts penalty ranging between 25 and 200 *per cent* of the tax due.

We scrutinised the taxation register/Tax Clearance Table of the VAHAN database of 29 District Transport offices, for the period 2011-12 and found (between July 2012 and February 2013) in 15 District Transport offices<sup>8</sup> that out of 5,271 test-checked trailers (total number of registered vehicles: 5,646), the owners of 519 trailers, which were registered between March 2009 and February 2012, did not pay differential tax as per the amended

provisions of the Bihar Finance Act, 8 of 2010. The Department did not update the rate in the VAHAN database as per the amended provisions and DTOs also not verified the payment detail maintained in registers with the VAHAN database. This resulted in short realisation of the OTT of ₹ 63.34 lakh including the leviable penalty of ₹ 44.42 lakh as detailed in **Annexure-XI**.

After we pointed this out, the Government stated (July 2013) that a sum of ₹ 6.04 lakh had been recovered from 47 vehicle owners in eight District Transport offices<sup>9</sup>, Revenue Recovery Certificate proceedings were initiated

<sup>6</sup> Arwal, Bettiah, Bhagalpur, Gaya, Jehanabad, Nalanda, Sitamarhi and Vaishali.

<sup>7</sup> Arwal, Begusarai, Gopalganj, Muzaffarpur, Patna, Purnea and Vaishali.

<sup>8</sup> Arwal, Begusarai, Bettiah, Bhagalpur, Bhojpur (Ara), Jehanabad, Madhepura, Madhubani, Munger, Muzaffarpur, Nalanda, Patna, Purnea, Sitamarhi and Vaishali.

<sup>9</sup> Arwal, Bettiah, Bhagalpur, Jehanabad, Nalanda, Patna, Sitamarhi and Vaishali.

against 106 vehicle owners for ₹ 14.57 lakh in six District Transport offices<sup>10</sup> and notice of demands had been issued against 233 vehicle owners for ₹ 25.90 lakh in four District Transport offices<sup>11</sup>. We await further report in the cases and reply in remaining cases (November 2013).

In reply to similar issue pointed out in paragraph 4.4 of the Audit Report (Revenue Sector) 2011-12, the Department had stated that demand had been raised. The nature of lapses/irregularities are still persisting which shows ineffectiveness of the internal control system of the Department to prevent recurring leakage of revenue.

#### 4.10 Short realisation of one time tax from three wheelers

Under Section 5 and 7 of BMVT Act, 1994 as amended by Bihar Finance Act, 8 of 2010 (effective from 9 April 2010), a one time tax (OTT) of ₹ 7,500 and ₹ 5,000 for seven and four seated three wheelers vehicles (excluding driver) respectively shall be levied on all three wheelers up to one year of age at the time of registration for a period of ten years from the date of first registration in the State. The OTT payable by three wheelers already registered shall be calculated after deducting the tax amount already paid and no OTT shall be payable if the vehicle has already paid tax more than ₹ 7,500 and ₹ 5,000, as the case may be. Previously the tax on three wheelers was ₹ 248 per quarter (Road Tax: ₹ 88 and Additional Tax: ₹ 160) upto 8 April 2010.

Further, under Rule 4(2) of the BMVT Rules, 1994 non-payment of tax beyond 90 days attracts penalty at the rate of 200 *per cent* of the tax due.

We scrutinised the taxation registers/Tax Clearance Table of the VAHAN database of 29 District Transport offices for the period 2011-12 and found (between July 2012 and February 2013) in 15 District Transport offices<sup>12</sup>, that out of 4,753 test-checked three-wheelers (total number of registered vehicles: 4,811), the owners of 675 vehicles, which were registered between July 2009 and March 2012, did not pay the differential tax as per the amended provisions of the Bihar Finance Act, 8 of 2010. The DTOs did not adhere to the amended provisions of

the Act *ibid* and also not verified the payment detail maintained in registers with the VAHAN database, which resulted in short realisation of the OTT of ₹ 91.43 lakh including the leviable penalty of ₹ 65.33 lakh as detailed in **Annexure-XII**.

After we pointed this out, the Government stated (July 2013) that in six District Transport offices<sup>13</sup>, a sum of ₹ 5.89 lakh had been recovered from 42 vehicle owners, Revenue Recovery Certificate proceedings were initiated

<sup>10</sup> Arwal, Bettiah, Bhagalpur, Jehanabad, Nalanda and Sitamarhi.

<sup>11</sup> Begusarai, Muzaffarpur, Patna and Vaishali.

<sup>12</sup> Arwal, Begusarai, Bhagalpur, Bhojpur (Ara), Gopalganj, Jehanabad, Madhepura, Motihari (East Champaran), Munger, Muzaffarpur, Nalanda, Patna, Purnea, Sitamarhi and Vaishali.

<sup>13</sup> Begusarai, Bhagalpur, Jehanabad, Nalanda, Sitamarhi and Vaishali.

against 155 vehicle owners for ₹ 23.18 lakh in five District Transport offices<sup>14</sup> and notice of demands had been issued against 230 vehicle owners for ₹ 20.64 lakh in four District Transport offices<sup>15</sup>. We await further report in the cases and reply in remaining cases (November 2013).

In reply to similar issue pointed out in paragraph 4.5 of Audit Report 2011-12, the Department had stated that demand had been raised. The nature of lapses/irregularities are still persisting which shows ineffectiveness of the internal control system of the department to prevent recurring leakage of revenue.

#### 4.11 Short realisation of one time tax from personalised vehicles

Under Section 7 of BMVT Act, 1994 as amended by Bihar Finance Act, 2011 (effective from 1 April 2011), on personalised vehicles, one time tax (OTT) for the whole life of the vehicle at the rate of five *per cent* of the cost of vehicle (excluding sales tax) shall be levied at the time of registration.

We scrutinised the Registration Register/Tax Clearance Table of the VAHAN database of 29 District Transport offices for the period 2011-12 and found (between August and December 2012) in five District Transport offices<sup>16</sup>, that owners of 597

personalised vehicles, which were registered between April 2011 and March 2012, did not pay the differential tax as per the amended provisions of the Bihar Finance Act, 2011. Thus, the DTOs could not adhere to the provisions of the Act *ibid* and accepted the tax prior to date of registration which resulted in short realisation of OTT of ₹ 14.06 lakh.

After we pointed this out, the Government stated (July 2013) that the VAHAN database was programmed to collect registration fees simultaneously with the OTT at the rate applicable on the date of payment and these vehicles were registered on or after 1 April 2011 due to delay in process. The reply was contrary to provisions of Section 7(1) of the BMVT Act 1994 which stipulates that OTT shall be levied at the time of registration at the rate specified.

Similar issue was pointed out in paragraph 4.6 of Audit Report (Revenue Sector) 2011-12. The nature of lapses/irregularities are still persisting which shows ineffectiveness of the internal control system of the department to prevent recurring leakage of revenue.

<sup>14</sup> Arwal, Bhagalpur, Jehanabad, Nalanda and Sitmarhi.

<sup>15</sup> Begusarai, Muzaffarpur, Purnea and Vaishali.

<sup>16</sup> Begusarai, Bettiah, Gopalganj, Muzaffarpur and Siwan.

## 4.12 Non-realisation of one time tax and penalty from goods carriage vehicles

Under the provision of serial no. 2 of Part-C of Schedule-I of the BMVT Act, 1994 as amended by Finance Act, 2011 (effective from 1 April 2011), One time tax (OTT) of ₹ 7700 for goods carriage vehicles excluding trailers up to 1000 kgs registered laden weight capacity and ₹ 5500 per ton or part thereof exceeding 1000 kgs but not exceeding 3000 kgs of registered laden weight capacity shall be levied at the time of registration for a period of ten years from the date of first registration of such vehicles and in cases of vehicles already registered, the differential tax payable shall be calculated after deducting the tax amount already paid.

Further, in case of delay of payment exceeding 15 days, penalty ranging between 25 per cent to 200 per cent of the tax due is leviable under Section 23 of the Act *ibid* read with Rule 4(2) of BMVT Rules, 1994.

We scrutinised the taxation registers/Tax Clearance Table of the VAHAN database of 29 District Transport offices for the period 2011-12 and found (February and March 2013) in the District Transport offices, Bhojpur (Ara) and Gaya that out of 261 goods carriage vehicles, the owners of 131 vehicles, which were registered between April 2010 and March 2011, did not pay the differential tax as per the amended provisions of the Bihar Finance Act, 2011. The DTOs did not adhere to the amended provisions of the Act *ibid*, 2011 and also not realised the OTT of ₹ 43.29 lakh including penalty of ₹ 28.86 lakh. The Department did not amend the rate in the VAHAN database as per the Bihar Finance Act, 2011.

After we pointed this out, the Government stated (July 2013) that a sum of ₹ 98,619 had been recovered from three vehicle owners and Revenue Recovery Certificate cases were instituted against 94 vehicle owners for ₹ 29.83 lakh in District Transport office, Gaya. We await further report in the cases and reply in remaining cases (November 2013).

#### 4.13 Non-realisation of one time tax and penalty from tractors

Under Section 7 (8) of BMVT Act, 1994 as amended by Bihar Finance Act, 2010 (effective from 9 April 2010) one-time tax (OTT) for the life time of the vehicle shall be levied on tractors used or kept for use for other than agricultural purpose at the rate of one percent of the cost of the vehicle excluding Value Added Tax, provided one-time tax payable by tractors already registered shall be calculated after deducting the tax amount already paid. Previously the tax on tractor was ₹ 100 per annum.

Further, under Rule 4(2) of the BMVT Rules, 1994, non-payment of tax within due date attracts penalty ranging between 25 and 200 *per cent* of the tax due.

We scrutinised the Tax Clearance Table of the VAHAN database of 29 District Transport offices, for the period 2011-12 and found (February 2013) in District Transport Office, Bhojpur (Ara) that out of 500 test-checked tractors, the owners of 60 tractors, which were registered between March 2010 and December 2010, did not pay the differential tax as per the amended provisions of the Bihar Finance Act, 2010. The Department did not update the rate in the VAHAN database as per the amended provisions of the Act *ibid*, and also the DTO did not raise demands

for the tax due against the defaulter vehicle owners, which resulted into non-realisation of OTT of ₹ 7.74 lakh including leviable penalty of ₹ 5.16 lakh.

After we pointed this out, the Principal Secretary stated (July 2013) during discussion that the amnesty policy for tractor and trailer is under active consideration of Department and matter would be taken up with Finance Department. Further, the Government instructed the DTO to take action to recover the dues. We await further development in the case (November 2013).

#### 4.14 Non/short realisation of trade tax from the dealers of motor vehicles

Under Section 6 of the BMVT Act, 1994 and the Rules framed thereunder, tax at an annual rate as prescribed shall be paid by a manufacturer or a dealer in respect of motor vehicles which are in his possession in course of his business as a manufacturer/ dealer.

Non-payment of tax within the due date attracts penalty ranging between 25 and 200 *per cent* of the tax due as provided under Rule 4(2) of the BMVT Rules. Further, the STC in September 2007 instructed all DTOs to initiate legal action for realisation of tax and renewal of trade certificate.

We scrutinised the returns furnished by the manufacturers/dealers and the registration registers of 29 District Transport offices for the period 2011-12 and found (between September and December 2012) in seven<sup>17</sup> District Transport offices, that in case of 12 dealers out of 277 dealers of motor vehicles, trade tax at the prescribed rate was either not deposited or deposited short in respect of 17,544 vehicles (15,961 two wheelers and 1,583 three/four wheelers) possessed by them between the period from April

2009 and March 2012. The DTOs did not examine the correctness of payment of trade tax as per the returns submitted by the dealers. This resulted in non/short realisation of trade tax of ₹ 11.20 lakh including leviable penalty.

After we pointed this out, the Government instructed (July 2013) DTOs to take appropriate action against the dealer or manufacturer to realise the tax. Further, the Government stated (July 2013) that a sum of ₹ 90,900 had been recovered from three dealers in two DTOs (Bettiah and Muzaffarpur), Revenue Recovery Certificate cases were instituted against three dealers for ₹ 3.18 lakh in two District Transport offices (Bettiah and Muzaffarpur) and notice of demands were issued against three dealers for ₹ 4.55 lakh in two DTOs (Purnea and Vaishali). We await further report in the cases and reply in remaining cases (November 2013).

Similar issue was pointed out in paragraph 4.9 of Audit Report (Revenue Sector) 2011-12. The nature of lapses/irregularities are still persisting which shows ineffectiveness of the internal control system of the department to prevent recurring leakage of revenue.

<sup>17</sup> Bettiah (West Champaran), Bhagalpur, Madhepura, Motihari (East Champaran), Muzaffarpur, Purnea and Vaishali.

#### 4.15 Irregular grant of permit to Stage Carriages

Under Section 66 (1) of Motor Vehicles (MV) Act, 1988, no owner of a motor vehicle shall use or permit the use of vehicle as transport vehicle in any public place unless he obtains a permit from Regional or State Transport Authority. Further, the Department had also issued instruction in September 1991 to ensure payment of tax before the issue/renewal of the permits.

We scrutinised (between November 2012 and January 2013) Stage Carriage Registers and files of the office of Regional Transport Authority (RTA), Muzaffarpur and found that permits were granted to 469 stage carriages without ensuring the payment of tax. We further cross-verified the payment of tax of these vehicles with the VAHAN database in five District Transport offices<sup>18</sup> and observed that the

owners of 66 stage carriages had stopped paying tax since the period between July 2001 and September 2011, though the permits were granted to these stage carriages between 2006 and 2012. This shows that RTA could not adhere to the prescribed procedure before granting permit to stage carriages. This resulted in non-realisation of tax of ₹ 5.20 crore including penalty of ₹ 3.45 crore.

After we pointed this out, the Government accepted the audit observation and stated (July 2013) that in District Transport office, Begusarai, Revenue Recovery Certificate case was instituted against one vehicle owner involving ₹ 4.82 lakh and notice of demands against one vehicle owner involving ₹ 94,017 was issued. Further, during discussion (July 2013), the Principal Secretary instructed the RTA, Muzaffarpur to take the matter seriously and submit the reply at the earliest. We await further report in the cases and reply in remaining cases (November 2013).

<sup>18</sup> Begusarai, Motihari (East Champaran), Muzaffarpur, Patna and Vaishali.

#### 4.16 Loss of revenue due to delivery of vehicles without temporary registration

As per Rule 42 of Central Motor Vehicles (CMV) Rules, 1989, no holder of a trade certificate shall deliver a motor vehicle to a purchaser without registration, whether temporary or permanent. Further, Section 43 of the MV Act, 1988 provides that notwithstanding anything contained in Section 40, the owner of a motor vehicle may apply to any registering authority or other prescribed authority to have the vehicle temporary registered in the prescribed manner and for the issue in the prescribed manner of a temporary certificate of registration and a temporary registration mark. The Department vide office order no. 3415 dated 28 July 2009 also made it clear that in accordance with the provision of Section 43 of the MV Act, 1988 the registering authorities shall provide the blocks of the temporary registration numbers to the dealer agencies on their requisition.

We scrutinised owner table of VAHAN database and Registration Registers of 29 District Transport offices for the period 2011-12 and found (between August and October 2012) in three District Transport offices<sup>19</sup> that the holder of trade certificates, delivered 39,476 vehicles (Light Motor Vehicles: 884 and two wheelers: 38,592) to purchaser without allocating temporary registration mark during the period between January 2010 and September 2012. The registering authorities (DTOs) permanently registered the vehicles which were delivered to the purchaser without temporary registration in contravention of the

aforsaid provision of the Act/Rules and departmental order. This resulted in loss of ₹ 35.97 lakh.

After we pointed this out, the Government stated (July 2013) that matter would be discussed and action taken as per rule would be communicated. Further, DTOs Gopalganj and Siwan reported (August and September 2013) that temporary registration has not yet been started. We await further development in the cases (November 2013).

<sup>19</sup> Gopalganj, Siwan and Vaishali (Hajipur).