

CHAPTER-V

EXECUTIVE SUMMARY

Trend of revenue in respect of Taxes on Motor Vehicles The revenue collection under motor vehicle increased by 93 per cent in 2011-12 as compared to 2007-08.

Trend of revenue in respect of State Excise The revenue collection under State Excise increased by 117 per cent in 2011-12 as compared to 2007-08.

Revenue Impact of Audit Reports in respect of Taxes on Motor Vehicles During the last five years i.e. 2006-07 to 2010-11, we had pointed out cases of under-assessments, loss of revenue, non/short levy/recovery and other irregularities with revenue implication of ₹ 10.73 crore in 6,183 cases. Of these, the Department had accepted audit observations in 5,560 cases involving ₹ 8.74 crore and had recovered ₹ 1.02 crore in 1,254 cases.

Revenue Impact of Audit Reports in respect of State Excise During the last five years i.e. 2006-07 to 2010-11, we had pointed out cases of under-assessments, loss of revenue, non/short levy/recovery and other irregularities with revenue implication of ₹ 102.12 crore in 966 cases. Of these, the Department had accepted audit observations in 826 cases involving ₹ 36.75 crore and had recovered ₹ 3.51 crore in 509 cases.

Results of audit in respect of Taxes on Motor Vehicles We reported under assessments, non/short levy, non-recovery, etc. of revenue and other similar cases amounting to ₹ 25.84 crore in 1,646 cases on the basis of test check of the records of taxes on motor vehicles conducted during the year 2011-12.

During the year 2011-12 as well as during earlier years, the Department concerned accepted the underassessment, short levy, etc. and recovered ₹ 51.24 lakh in 367 cases, out of which 23 cases involving ₹ 3.22 lakh were pointed out during the year 2011-12.

Results of audit in respect of State Excise We reported under assessments, non/short levy, non-recovery, etc., of revenue and other similar cases amounting to ₹ 928.41 crore in 358 cases on the basis of test check of the records of taxes on State excise conducted during the year 2011-12.

The Department accepted the underassessment, short levy, etc. and recovered ₹ 163.54 lakh in 103 cases, out of which 46 cases involving ₹ 19.95 lakh were pointed out during the year 2011-12 and the rest during the earlier years.

What we have highlighted in this Chapter

A. Taxes on Motor Vehicles

- One Time Tax (OTT) was short levied at ₹ 16.61 lakh on imported vehicles.

(Paragraph 5.3.2)

- Non-follow up of RBI instructions by banks resulted in loss of interest to the Government at ₹ 10.53 lakh.

(Paragraph 5.3.3)

- Fitness certificates of 1,24,960 newly registered transport vehicles that had completed two years of life during 2010-11 were not renewed resulting in non-realisation of fitness certificate fees of ₹ 4.95 crore.

(Paragraph 5.3.4)

B. State Excise

- Failure of the department to check the correctness of licence fees with the parameters fixed by Commissioner of State Excise resulted in short recovery of licence fees at ₹ 1.15 crore.

(Paragraph 5.6.1)

- Non-consideration of revised supervision charges for deployment of the departmental staff at the premises of the licencees for the period from January 2006 to March 2011 resulted in non-recovery of supervision charges at ₹ 27.33 lakh.

(Paragraph 5.6.2)

CHAPTER-V TAXES ON MOTOR VEHICLES AND STATE EXCISE

SECTION A – TAXES ON MOTOR VEHICLES

5.1 Introduction

5.1.1 Tax revenue administration

Levy and collection of taxes and other receipts under the Motor Vehicles sector are regulated by the Central Motor Vehicles Act, 1988, Bombay Motor Vehicle Tax Act, 1958, and the Bombay Motor Vehicles Transportation of Passengers Act, 1958, and the Rules made thereunder. These Acts and Rules are implemented by the Transport Commissioner under the overall control of the Principal Secretary (Transport) to the Government in Home Department, assisted by an Additional Commissioner, a Joint Commissioner, Deputy Commissioners and Regional and Deputy Transport Officers. The motor vehicles receipts mainly comprise of taxes on motor vehicles and taxes on goods and passengers.

5.1.2 Trend of receipts

The actual receipts from motor vehicle tax etc., during the years 2007-08 to 2011-12 and the total tax receipts of the State during the same period is exhibited in the following table:

(₹ in crore)

Year	Budget estimates ¹	Actual receipts	Variation excess (+)/shortfall (-)	Percentage of variation	Total tax receipts of the State	Percentage of actual receipts vis-à-vis total tax receipts
2007-08	2,070.00	2,143.11	(+) 73.11	(+) 3.53	47,528.41	4.51
2008-09	2,426.18	2,220.22	(-) 205.96	(-) 8.49	52,029.94	4.27
2009-10	2,600.00	2,682.30	(+) 82.30	(+) 3.17	59,106.33	4.54
2010-11	2,860.00	3,532.90	(+) 672.90	(+) 23.53	75,207.09	4.70
2011-12	4,000.00	4,137.42	(+)137.42	(+)3.44	87,608.46	4.72

As can be seen from the above table, the revenue collection under motor vehicle increased by 93 per cent in 2011-12 as compared to 2007-08.

5.1.3 Cost of collection

The gross collection in respect of motor vehicle tax receipts, the expenditure incurred on their collection and the percentage of such expenditure to the gross collection during the years 2009-10 to 2011-12 along with the relevant all India average percentage of expenditure on collection to gross collection for

¹ Original budget estimates.

the preceding years are mentioned in the following table:

(₹ in crore)

Head of revenue	Year	Gross collection ²	Expenditure on collection	Percentage of expenditure to gross collection	All India average percentage for the corresponding preceding years
Taxes on vehicles	2009-10	2,682.29	76.96	2.86	2.93
	2010-11	3,532.90	90.62	2.56	3.07
	2011-12	4,137.42	92.22	2.28	3.71

As can be seen from the above table, the overall cost of collection of taxes on motor vehicles for the year 2009-10 to 2011-12 is lower than the all India average for the corresponding preceding years.

5.1.4 Impact of Audit Reports

Revenue impact

During the last five years i.e. 2006-07 to 2010-11 we had pointed out under-assessments, loss of revenue, non/short levy/recovery and other irregularities with revenue implication of ₹ 10.73 crore in 6,183 cases. Of these, the Department had accepted audit observations in 5,560 cases involving ₹ 8.74 crore and had recovered ₹ 1.02 crore in 1,254 cases. The details are shown in the following table:

(₹ in crore)

Year	Amount objected		Amount accepted		Amount recovered	
	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
2006-07	509	0.60	509	0.60	194	0.15
2007-08	633	0.91	633	0.91	200	0.16
2008-09	1,080	1.47	1,080	1.47	335	0.33
2009-10	3,196	4.50	2,703	4.15	302	0.12
2010-11	765	3.25	635	1.61	223	0.26
Total	6,183	10.73	5,560	8.74	1,254	1.02

The Government may consider issuing instructions to the Department to recover the amount involved in accepted cases on priority basis.

² Figures as per the Finance Accounts.

5.1.5 Results of audit

We reported under assessments, non/short levy, non-recovery, etc. of revenue and other similar cases amounting to ₹ 25.84 crore in 1,646 cases as shown below, on the basis of test check of the records of taxes on motor vehicles conducted during the year 2011-12:

(₹ in crore)

Sl. no.	Nature of receipts	No. of cases	Amount
1.	Non/short levy of tax due to application of incorrect rates	1,464	24.01
2.	Short levy of tax due to incorrect exemption/classification	47	1.60
3.	Excess refund/miscellaneous	135	0.23
Total		1,646	25.84

In response to our observations in the local audit reports during the year 2011-12 as well as during earlier years, the Department concerned accepted the underassessment, short levy, etc. and recovered ₹ 51.24 lakh in 367 cases, out of which 23 cases involving ₹ 3.22 lakh were pointed out during the year 2011-12 and the rest during the earlier years.

A few audit observations involving ₹ 91.54 lakh are included in the succeeding paragraphs.

5.2 Audit observations

Scrutiny of the records of Regional Transport Offices (RTOs)/Dy. Regional Transport Offices (Dy. RTOs) revealed several cases of non-observance of provisions of the Bombay Motor Vehicles Tax Act, 1958, as mentioned in the succeeding paragraphs of this chapter. These cases are illustrative and are based on a test check carried out in audit. Such omissions are pointed out in audit every year, but not only the irregularities do persist; these remain undetected till an audit is conducted. There is need for the Government to improve the internal control system so that occurrence of such cases can be avoided.

5.3 Non-compliance of the provisions of the Acts/Rules

The Bombay Motor Vehicle Tax Act, 1958, provides for levy and collection of Motor Vehicle Taxes. The vehicle registering authorities did not observe the above provisions and prescribed procedure for maintenance of vehicle records in cases as mentioned in the following paragraphs.

5.3.1 Non-recovery of Motor Vehicle Tax

5.3.1.1 During test check of the records of four³ RTOs and three⁴ Dy. RTOs between July 2008 and November 2011, we noticed from the CBRR, that tax

Under Section 4 of the BMV Act, 1958, and the rules made thereunder, tax at the prescribed rate is payable on all vehicles used or kept for use in the State, as per their registered laden weight (RLW) or seating capacity. The details of recoveries to be made from the vehicle owners, issue of demand notices, etc., is maintained in the cash balance review register (CBRR).

amounting to ₹ 42.73 lakh in respect of transport series vehicles, was not recovered from 317 transport vehicle owners for periods ranging from one to 32 months, between April 2007 and October 2011.

Action was not taken by the Department to recover these amounts by handing over the list of defaulters to the flying squad. This resulted in non-realisation of Motor Vehicle Tax of ₹ 42.73 lakh. Further, interest at the prescribed rate was also leviable.

After we pointed out these cases to the Department/Government, the Department accepted the observations, handed over the list of defaulters to the flying squad and communicated recovery of ₹ 13.08 lakh from 137 vehicle owners, between July 2008 and April 2012. Report on recovery of the balance amount is awaited.

5.3.1.2 During test check of the records of three⁵ RTOs and two⁶ Dy. RTOs between May 2008 and June 2011, we noticed from the CBRR, that tax amounting to ₹ 21.67 lakh in respect of non-transport vehicles such as

³ Aurangabad, Mumbai (Central), Nanded and Pune.

⁴ Hingoli, Kalyan and Ratnagiri.

⁵ Kolhapur, Pune and Thane.

⁶ Satara and Vashi.

excavators, tankers, cranes, trailers, loaders, forklifts, etc., was not recovered from 152 vehicle owners for periods ranging from three to 15 months, between February 2007 and February 2012. Action was not taken by the Department to recover these amounts. This resulted in non-realisation of Motor Vehicle Tax of ₹ 21.67 lakh. Further, interest at the prescribed rate was also leviable.

After we pointed out these cases to the Department/Government, the Department accepted the observations and communicated recovery of ₹ 14.31 lakh from 89 vehicle owners between August 2008 and January 2012. Report on recovery of the balance amount is awaited.

We reported the above matters to the Government in April/May 2012; their reply has not been received (January 2013).

5.3.2 Short-levy of One Time Tax (OTT) on imported vehicles

RTOs Kolhapur, Nashik and Thane

As per the provisions of BMV Tax Act, 1958, the rates of OTT leviable on motor car imported into India and used or kept for use in the state is leviable at twice the rate applicable for domestic vehicles.

During the test check of form 20 and data available on computerized application system (VAHAN) between January 2011 and April 2011, we noticed that nine

vehicles⁷ registered under the non-transport category during the years 2007-08 to 2010-11 and were declared as imported vehicles by the Transport Commissioner. However, the owners of these vehicles paid OTT at domestic rates instead of rates applicable to imported vehicles. This resulted in non-realisation of OTT of ₹ 16.61 lakh. Further, interest at the prescribed rate was also leviable.

After we pointed out these cases to the Department/Government between February 2011 and May 2011, the Department accepted the observation and RTO, Nashik recovered ₹ 6.45 lakh from four vehicle owners (between September 2011 and March 2012). Report on recovery of the balance amount is awaited.

We reported the matter to the Government in April 2012; their reply has not been received (January 2013).

⁷ Two Chevrolet Captive LT, two Honda CRV MT, three Camry ACV 40-R, one BMW X 5.3 D CBU and one Montero.

5.3.3 Delay in remittances resulting in loss of interest

During scrutiny of the Personal Ledger Account (PLA) and cash book of RTO (Central), Mumbai during

As per the Rule 8(1) of the Maharashtra Treasury Rule, 1968, all money received by or tendered to the Government Offices on account of the revenues of Maharashtra State, shall without undue delay and that at any rate within two days of the receipt of the money be paid in full into the treasury or into the Bank and shall be included in the treasury accounts. Further, as per the instructions issued by Reserve Bank of India (February 2006), the banks authorised to collect Government revenue should credit the revenue so collected in the Government Account within three days after its realisation, failing which interest at two *per cent* above bank rate be chargeable annually.

September 2011, we noticed that in 48 instances there were delays ranging from eight to 41 days in remittance of revenue by the State Bank of India on account of motor vehicle tax aggregating ₹ 26.82 crore. Interest at the prescribed rate on such delays was recoverable from the defaulting bank as per RBI instructions.

The interest so recoverable from the bank works out to ₹ 10.53 lakh at the rate of eight⁸ *per cent* during the periods between 2006-07 and 2010-11. The Department did not take any action for the levy and recovery of the amount from the defaulting bank. This resulted in non-recovery of interest of ₹ 10.53 lakh.

After we pointed out the matter in December 2011, the Department in February 2012 requested the State Bank of India, Jacob Circle, Mumbai to scrutinize the matter and send a demand draft for the amount of interest payable. Further reply is awaited.

We reported the matter to the Government in June 2012; their reply has not been received (January 2013).

5.3.4 Outstanding fitness fee due to non-renewal of fitness certificate

RTOs, Amravati, Nagpur Urban, Nagpur Rural and Dy. RTOs, Akola, Bhandara, Buldhana, Chandrapur, Gondia, Wardha, Washim and Yavatmal

As per the provisions of Motor Vehicle Act, 1988 and Maharashtra Motor Vehicles Rules, 1989, (Chapter-IV – Registration of Motor Vehicles), a transport vehicle shall not be deemed to be validly registered unless it carries a certificate of fitness. A fitness certificate granted under the Act in respect of a newly registered transport vehicle is valid for two years and is required to be renewed every year on payment of prescribed fee.

During the test check of records of renewal of certificate of fitness (January 2012 to March 2012) we noticed that fitness certificates of 1,24,960 newly registered transport

⁸ Bank rate considered is six *per cent* + two *per cent*.

vehicles (Light Motor Vehicles, three wheeled Light Motor Vehicles and Heavy Motor vehicles) that had completed two years of life during 2010-11 were not renewed. This resulted in non-realisation of fitness certificate fees of ₹ 4.95 crore including minimum compounding fee of ₹ 1.25 crore besides endangering public life.

After we pointed out (January 2012 to March 2012) all the RTOs/Dy. RTOs confirmed the number of vehicles for which fitness certificates were not renewed except RTO Amravati who stated that the number of vehicles for which fitness certificate were not renewed is overstated as it does not include fitness certificates renewed during the camp held from April 2010 to December 2010 and that the number of such vehicles will be intimated later. Dy. RTO, Chandrapur and Akola stated (August 2012) that fitness certificates for 458 vehicles were renewed (between April 2012 and June 2012) and recovered ₹ 21.93 lakh; five⁹ offices stated that action will be taken to recover the outstanding fees and remaining four¹⁰ offices were silent on action proposed.

We reported the matter to the Government in May 2012. Their reply is awaited (January 2013).

⁹ RTO Nagpur Urban and Rural, Dy. RTO Bhandara, Wardha and Yavatmal.

¹⁰ RTO Amravati, Dy. RTO Buldhana, Gondia and Washim.

SECTION B: STATE EXCISE

5.4 Introduction

5.4.1 Tax revenue administration

Levy and collection of state excise and other related receipts are regulated by the Bombay Prohibition Act, 1949 (BP Act), Bombay Prohibition (Privilege Fees) Rules, 1954 (BP(PF) Rules) and Maharashtra Potable Liquor (Periodicity and Fees for Grant, Renewal or Continuance of Licence) Rules, 1996 (MPL(PFGRC) Rules). These Acts and Rules are implemented by the Commissioner of State Excise under the overall control of the Principal Secretary to the Government in Home Department, assisted by Joint Commissioners and Deputy Commissioners. At the district level he is assisted by the Superintendents of State Excise (SSE) working under the Regional Deputy Commissioners. The state excise receipts mainly comprise of excise duty leviable on spirits, fees on licences and privilege fees.

5.4.2 Trend of receipts

The actual receipts from state excise etc., during the years 2007-08 to 2011-12 and the total tax receipts of the State during the same period is exhibited in the following table.

(₹ in crore)

Year	Budget estimates ¹¹	Actual receipts	Variation excess (+)/ shortfall (-)	Percentage of variation	Total tax receipts of the State	Percentage of actual receipts vis-à-vis total tax receipts
2007-08	3,500.00	3,963.05	(+)463.05	13.23	47,528.41	8.34
2008-09	4,500.00	4,433.76	(-)66.24	1.47	52,029.94	8.53
2009-10	4,800.00	5,056.63	(+)256.63	5.35	59,106.33	8.56
2010-11	5,800.00	5,961.85	(+)161.85	2.79	75,027.09	7.95
2011-12	8,500.00	8,605.47	(+)105.47	1.24	87,608.46	9.82

As can be seen from the above table, the revenue collection under State Excise increased by 117 per cent in 2011-12 as compared to 2007-08.

5.4.3 Cost of collection

The gross collection in respect of State Excise receipts, the expenditure incurred on their collection and the percentage of such expenditure to the gross collection during the years 2009-10 to 2011-12 along with the relevant all India average percentage of expenditure on collection to gross collection for the preceding years are mentioned in the following table:

¹¹ Original budget estimates.

(₹ in crore)

Head of revenue	Year	Gross collection ¹²	Expenditure on collection	Percentage of expenditure to gross collection	All India average percentage for the corresponding preceding years
State Excise	2009-10	5,056.63	62.62	1.24	3.65
	2010-11	5,961.85	62.68	1.08	3.64
	2011-12	8,605.47	61.58	0.72	3.05

As can be seen from the above table, the overall cost of collection of State Excise Duty for the year 2009-10 to 2011-12 is lower than the all India average for the corresponding preceding years.

5.4.4 Impact of Audit Reports

Revenue impact

During the last five years i.e. 2006-07 to 2010-11 we had pointed out under-assessments, loss of revenue, non/short levy/recovery and other irregularities with revenue implication of ₹ 102.12 crore in 966 cases. Of these, the Department had accepted audit observations in 826 cases involving ₹ 36.75 crore and had recovered ₹ 3.51 crore in 509 cases. The details are shown in the following table:

(₹ in crore)

Year	Amount objected		Amount accepted		Amount recovered	
	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
2006-07	232	2.61	232	2.61	232	2.61
2007-08	524	66.07	390	2.33	249	0.55
2008-09	20	0.19	18	0.18	15	0.18
2009-10	189	1.89	185	1.74	13	0.17
2010-11	1	31.36	1	29.89	0	0.00
Total	966	102.12	826	36.75	509	3.51

Thus, the recovery in respect of accepted cases was only ten per cent of the accepted amount. We recommend that **the Government may consider issuing instructions to the Department to recover the amount involved in accepted cases on priority basis.**

¹² Figures as per the Finance Accounts.

5.4.5 Results of audit

We reported under assessments, non/short levy, non-recovery, etc., of revenue and other similar cases amounting to ₹ 928.41 crore in 358 cases on the basis of test check of the records of taxes on State excise conducted during the year 2011-12 as shown below:

(₹ in crore)			
Sl. no.	Nature of receipts	No. of case	Amount
1	Non-recovery of transport fee	59	70.02
2	Non/short recovery of licence/privilege fees/excise duty/application fee	84	6.05
3	Non-recovery of compounding fees/loss of revenue due to reduction in manufacturing costs, etc.	40	848.05
4	Non/short recovery of supervision charges/interest/bonus	86	3.16
5	Non-recovery of toddy instalments	89	1.13
	Total	358	928.41

The Department accepted the underassessment, short levy, etc. and recovered ₹ 163.54 lakh in 103 cases, out of which 46 cases involving ₹ 19.95 lakh were pointed out during the year 2011-12 and the rest during the earlier years.

A few audit observations involving ₹ 1.43 crore are included in the succeeding paragraphs.

5.5 Audit observations

Scrutiny of the records of SSEs/Excise Officers (EOs) revealed several cases of non-observance of provisions of the BP Act, BP(PF) Rules and MPL(PFGRC) Rules as mentioned in the succeeding paragraphs of this chapter. These cases are illustrative and are based on a test check carried out in audit. Such omissions are pointed out in audit every year, but not only the irregularities do persist; these remain undetected till an audit is conducted. There is need for the Government to improve the internal control system so that occurrence of such cases can be avoided.

5.6 Non-compliance of the provisions of the Acts/Rules

The BP Act, BP(PF) Rules and MPL(PFGRC) Rules provide for levy and collection of licence fees and supervision charges at the rates notified from time to time by the Commissioner of State Excise. The State Excise authorities did not ensure that the correct rates of licence fees and supervision charges were levied and recovered as mentioned in the succeeding paragraphs.

5.6.1 Short recovery of licence fees due to application of incorrect population slab

SSEs, Thane and Pune

- (i) As per the 2001 census the population under the Kalyan Dombivli Municipal Corporation (KDMC) was 11,93,512. In 2002, as per notification of the Rural Development and Water Conservation Department, 27 villages were excluded from the KDMC. The population of these villages as per the 2001 census was confirmed to be 1,46,215 by the Tahsildar, Kalyan.

Under the provisions of the MPL(PFGRC) Rules, the rates of licence fees are notified annually by the Commissioner of State Excise in exercise of the powers conferred by clause (i) of Rule 4 of the said Rules for various licences. The fees payable for the licences are based on the population slabs for the city, town or village in which the liquor shops are located.

During scrutiny of the licence renewal register of the SSE Thane in September 2010, we noticed that though the population slab of KDMC as per census 2001 even after excluding 27 villages was more than 10 lakh, the licence fees for issue/renewal of licences for the year 2010-11 in respect of 138 licencees (FL II, FL III and CL III, CL/FL/TOD-III FL/BR-II) were recovered corresponding to population slab below 10 lakh. This resulted in short-recovery of licence fees of ₹ 1.10 crore.

- (ii) During scrutiny of the licence renewal register of SSE, Pune in February 2012, we noticed that four licensees holding licences in FL-BR-II had paid licence fees prescribed for a lower slab of population in their area, for licenses renewed during various periods between 2009-10 and 2011-12. As against aggregate licence fees of ₹ 7.62 lakh only ₹ 2.03 lakh was paid. This resulted in short-recovery of licence fees of ₹ 5.59 lakh.

After we pointed out these cases, SSE Thane accepted the observation and stated that demand notices would be issued and recovery of the differential amount would be effected. SSE Pune stated that action for recovery would be taken after verification. The report on the recovery is awaited.

We brought the above matters to the notice of the Government in June 2012; their reply is awaited (January 2013).

5.6.2 Non-recovery of supervision charges

SSEs; Chandrapur, Jalgaon, Nagpur and Yavatmal

As per the provisions of Section 58(A) of the Bombay Prohibition Act 1949, the cost of deputing the departmental staff at the premises of the licensee is recoverable at the rates prescribed by the Government from time to time. The rates of the supervision charges are revised as and when there is revision in pay scale/dearness allowance. The Government vide its G.R. dated 28 February 2009 had adopted the recommendation of the Sixth Pay Commission with effect from 1 January 2006.

During test check of the supervision charges Register maintained in the Excise Offices attached to eight manufacturers and distilleries in four districts between March 2011 and August 2011, we noticed that though the State Government had adopted the revision of pay structure as per the Sixth

Pay Commission in February 2009, the revised supervision charges for deployment of the departmental staff at the premises of the licensees for the period from January 2006 to March 2011 had not been recovered. This resulted in non-recovery of supervision charges amounting to ₹ 27.33 lakh.

After we pointed out the cases, the Department accepted the observation and communicated recovery of ₹ 9.34 lakh from three distilleries between October 2011 and March 2012. A report on the recovery of the balance amount is awaited.

We brought the matter to the notice of the Government in May 2012; their reply is awaited (January 2013).