

# CHAPTER - IV

## Motor Vehicles Tax

<b>EXECUTIVE SUMMARY</b>	
<b>Increase in tax collection</b>	Tax collection in respect of Motor Vehicles Taxes for the year 2011-12 increased by 7.61 <i>per cent</i> over the previous year which was attributed by the Department to higher collection under State Motor Vehicles Act.
<b>Internal audit not conducted</b>	Transport Department has no Internal Audit Wing. As a result, deficiencies due to internal control failure as discussed in paragraphs 4.8 to 4.13 were detected.
<b>Very low recovery by the Department against observations pointed by Audit</b>	During 2007-08 to 2011-12, Audit had pointed out non/short levy, non/short realisation, underassessment/loss of revenue, etc. with revenue implication of ₹ 108.01 crore in 61 paragraphs. Of these, the Department accepted 27 paragraphs involving ₹ 18.22 crore of which only a meagre amount of ₹ nine lakh has been recovered by the Department.
<b>Results of audit conducted in 2011-12</b>	<p>In 2011-12, test check of the records of 15 units relating to Motor Vehicle Tax receipts indicated non-realisation/blocking of revenue and other irregularities involving ₹ 214.25 crore in 235 cases.</p> <p>The Department accepted non-realisation/blocking of revenue and other deficiencies of ₹ 54.72 crore in 84 cases, of which 70 cases involving ₹ 54.08 crore were pointed out in audit during 2011-12 and the rest in earlier years. An amount of ₹ 24.89 lakh was realised in 12 cases at the instance of audit.</p>
<b>What has been highlighted in this Chapter</b>	<p>In this Chapter cases of short realisation of composite fee, non-realisation of special tax, non/short realisation of fitness fee, non/short realisation of permit fee, non-realisation of audio fee and non/short realisation of dealer's tax in the offices of the State Transport Authority, West Bengal, Director, Public Vehicles Department, Kolkata, Regional Transport Officers and Additional Regional Transport Officers amounting to ₹ 4.28 crore have been presented.</p> <p>Similar omissions on the part of the Assessing Authorities (AAs) were pointed out in the Stand Alone Report on "Collection of motor vehicle taxes, fees and fines" in the year 2010, despite</p>

	which the irregularities persisted. These remained undetected till these were again pointed out by Audit. Such irregularities/omissions were apparent from the records made available to Audit but were not detected by the AAs.
<b>Conclusion</b>	<b>Transport Department may take appropriate steps to prepare an e-Tax Demand Register and initiate immediate action to recover the revenue pointed out by Audit, more so in cases where Audit contention has been accepted.</b>

## CHAPTER IV: MOTOR VEHICLES TAX

### 4.1 Tax administration

Taxes on vehicles consist of receipts under the Central Motor Vehicles Act and the State Motor Vehicles Taxation Act etc. Assessment and collection of Motor Vehicles tax is governed by the Central Motor Vehicles Act, 1988, the Central Motor Vehicles Rules, 1989, the West Bengal Motor Vehicles Tax Act, 1979, the West Bengal Motor Vehicles Rules, 1989 and the West Bengal Additional Tax and One-time Tax on Motor Vehicles Act, 1989. Motor Vehicles Tax is administered by the Transport Department headed by the secretary who is assisted by one Special Secretary, five joint secretaries, two assistant secretaries, one registrar and one statistical officer at the Headquarters. The Secretary, State Transport Authority (STA), West Bengal, Director, Public Vehicles Department (PVD), Kolkata, 18 Regional Transport Officers (RTOs) and seven Additional Regional Transport Officers (ARTOs) administer the provisions of the Motor Vehicles Acts and Rules.

### 4.2 Trend of revenue

Actual receipts from Taxes on Vehicles during the years 2007-08 to 2011-12 along with the budget estimates and the total tax receipts of the state during the same period is exhibited in the following table and chart:

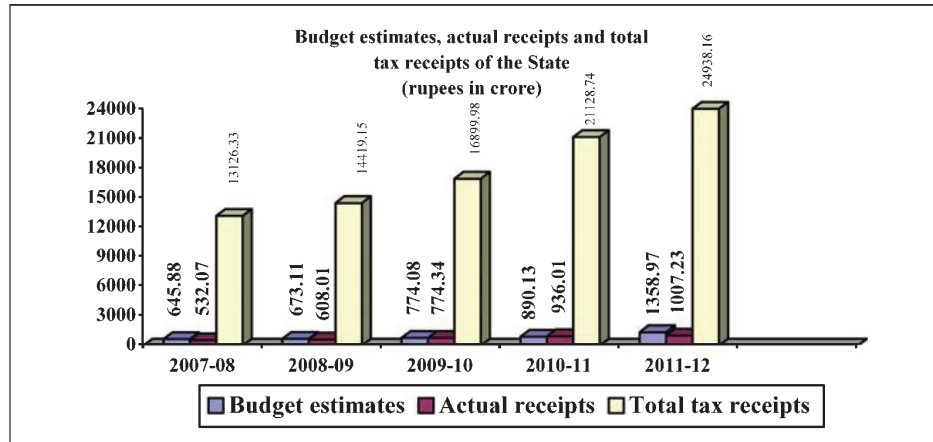
Table 4.1 – Trend of revenue

(₹ in crore)

Year	Budget estimates	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	645.88	532.07	(-)113.81	(-)17.62	13,126.33	4.05
2008-09	673.11	608.01	(-)65.10	(-)9.67	14,419.15	4.22
2009-10	774.08	774.34	(+)00.26	(+)0.03	16,899.98	4.58
2010-11	890.13	936.01	(+)45.88	(+) 5.15	21,128.74	4.43
2011-12	1,358.97	1,007.23	(-)351.74	(-)25.88	24,938.16	4.04

Source : Finance Accounts and Budget Publications of the Government of West Bengal.

**Chart 4.1 – Budget estimates, Actual receipts and Total tax receipts**



Revenue collection in respect of Motor Vehicles Taxes for the year 2011-12 increased by 7.61 per cent over the previous year which was attributed by the Department to higher collection under State Motor Vehicles Act. It was also observed that there was a variation of (-) 25.88 per cent in budget estimates and actual receipts indicative of unrealistic estimation.

### 4.3 Cost of collection

The gross collection of Motor Vehicles Tax and the expenditure incurred on collection during the years 2009-10 to 2011-12 are given in the following table:

**Table 4.2 – Cost of collection**

(₹ in crore)					
Head of revenue	Year	Gross collection	Expenditure on collection	Percentage of expenditure to gross collection	All India average of expenditure on collection for the preceding year
Motor Vehicles Tax	2009-10	774.34	17.88	2.31	2.93
	2010-11	936.01	19.64	2.10	3.07
	2011-12	1,007.23	20.16	2.00	3.71

Source: Finance Accounts.

The table shows a decreasing trend of expenditure over the years indicating positive improvement in tax administration.

### 4.4 Revenue impact of audit reports

During the last five years (including the current year's report), we pointed out non/short levy, non/short realisation, underassessment/loss of revenue etc., with revenue implication of ₹ 108.01 crore in 61 paragraphs. Of these, the Department/Government has accepted audit observations in 27 paragraphs involving ₹ 18.22 crore and has since recovered ₹ nine lakh. Details are shown in the following table:

Table 4.3 – Revenue impact of audit reports

(₹ in crore)

Year of audit report	Paragraph included		Paragraphs accepted by the departments		Amount recovered	
	Number	Amount	Number	Amount	Number	Amount
2007-08	04	4.66	04	1.09	Nil	Nil
2008-09	05	10.69	05	1.17	Nil	Nil
2009-10	42	14.41	09	4.76	Nil	Nil
2010-11	04	73.97	04	9.05	02 <sup>1</sup>	0.07
2011-12	06	4.28	05	2.15	03	0.02
<b>Total</b>	<b>61</b>	<b>108.01</b>	<b>27</b>	<b>18.22</b>	<b>05</b>	<b>0.09</b>

Thus, against the accepted cases of ₹ 18.22 crore, the Department/Government has recovered ₹ nine lakh which is only 0.49 *per cent*.

**Government may take appropriate steps to improve recovery position of outstanding dues.**

#### 4.5 Working of internal audit wing

Internal audit wing of an organisation is a vital component of its internal control mechanism and is generally defined as the control of all controls to enable the organisation to assure itself that the prescribed system is functioning reasonably well.

We observed that the Transport Department had no internal audit wing. As a result, deficiencies due to internal control failure as discussed in paragraphs 4.8 to 4.13 were detected.

<sup>1</sup>Partly accepted.

## 4.6 Results of audit

In 2011-12 we test checked the records of 15 units relating to Motor Vehicles Tax and found non-realisation/blocking of revenue and other irregularities involving ₹ 214.25 crore in 235 cases which fall under the following categories:

**Table 4.4 – Results of audit**

(₹ in crore)

Sl. no.	Categories	No. of cases	Amount
1	Non-realisation of tax, additional tax and penalty	96	170.98
2	Non-realisation of special tax	14	34.47
3	Short realisation of composite fee	1	1.28
4	Non-realisation of audio fee	12	1.08
5	Non-realisation of special fee	11	1.08
6	Short realisation of fitness inspection fee/fine	14	1.16
7	Non-realisation of penalty for delayed payment of tax	10	1.18
8	Other cases	77	3.02
<b>Total</b>		<b>235</b>	<b>214.25</b>

During the year, the Department accepted non-realisation/blocking of revenue and other deficiencies of ₹ 54.72 crore in 84 cases, of which 70 cases involving ₹ 54.08 crore were pointed out in audit during the year 2011-12 and the rest in earlier years. An amount of ₹ 24.89 lakh was realised in 12 cases at the instance of audit.

A few illustrative cases involving ₹ 4.28 crore are mentioned in the following paragraphs.

## 4.7 Audit observations

Scrutiny of the records in the offices of the State Transport Authority (STA), West Bengal, Public Vehicles Department (PVD), Kolkata, Regional Transport Officers (RTOs) and Additional Regional Transport Officers (ARTOs) pointed out short realisation of composite fee, non-realisation of special tax, non/short realisation of fitness fee, non/short realisation of permit fee, non-realisation of audio fee, non/short realisation of dealer's tax as mentioned in the succeeding paragraphs in this chapter. These cases are illustrative and are based on test check carried out in audit. Similar omissions were pointed out by audit repeatedly but these persisted and also remained undetected till next audit. There is need to improve the internal control system so that recurrence of such cases can be avoided.

## 4.8 Short realisation of composite fee

As per Rule 87 (2) of the Central Motor Vehicles (CMV) Rules, 1989 the State Transport Authorities (STAs) of different states grant National Permit (NP) to goods carriages and collect composite fee in the form of bank draft from the holders of such permits and dispatch these to the STA of the concerned state for permitting those vehicles to ply in that state\*. Further, Rule 128(4) of the West Bengal Motor Vehicles (WBMV) Rules, 1989 provides that the annual rate of composite fee for goods carriages of other states in West Bengal shall be the same as fixed by those states from time to time for permitting the vehicles of WB to ply in those states.

*\*Amended with effect from 07.05.2010.*

We found during scrutiny in March 2011 of the Bank Draft Received Register maintained in STA, WB that composite fees were received ranging from ₹ 1,040 to ₹ 3,800 through 10,425 bank drafts from 15 states<sup>2</sup> during April 2009 to March 2010 instead of prescribed rates ranging between ₹ 3,000 and ₹ 5,000. Thus, composite fees were collected by those states at lower rates.

The states were liable to send the composite fees of ₹ 4.49 crore instead of ₹ 2.36 crore. We also noticed that the Bank Draft Received Register was not reviewed by the authorities. Thus, the STA, WB was not in a position to watch whether the composite fees received from other states were at prescribed rate or at lower rate. Consequently, the STA, WB could not take up the matter with the concerned authorities for realisation of the balance amount.

Thus, lack of internal control mechanism to watch receipt and remittance of composite fees resulted in short realisation of revenue of ₹ 2.13 crore.

The STA, WB did not furnish any reply to the cases pointed out by audit (December 2012).

<sup>2</sup> Assam, Bihar, Chandigarh, Haryana, Jharkhand, Karnataka, Madhya Pradesh, Maharashtra, Nagaland, Orissa, Punjab, Rajasthan, Tamilnadu, Uttar Pradesh and Uttaranchal.



The Government stated (October 2012) that detailed reply would be furnished shortly; their detailed reply is awaited (December 2012).

#### 4.9 Non-realisation of special tax

Section 3 of the West Bengal Motor Vehicles Tax (WBMVT) Act, 1979 and sections 9B and 10 of the West Bengal Additional Tax and One-time Tax on Motor Vehicles Act, 1989 provide for realisation of special tax for air conditioned vehicles at the prescribed rates based on their use, seating capacity, engine capacity and category of the vehicle. Section 11 (b) (iii) of the WBMVT Act also provides that in case of delay in payment of tax exceeding 60 days after the expiry of grace period of 15 days, penalty equal to the amount of tax payable is also realisable. Further, rule 26 of the WBMVT Rules, 1957 prescribes for maintenance of a Tax Demand Register (TDR) by the Registering Authorities (RAs) to monitor the realisation of tax, which was to be reviewed periodically.

During the course of audit between January and February 2011 by analysis of data of seven Registering Authorities (RAs) we found that special tax and penalty in respect of 1,370 air conditioned vehicles amounting to ₹ 89.31 lakh was not paid by the owners during the period from April 2005 to March 2010. We also noticed that although no provision was made in the information technology (IT) system, the RAs did not maintain the prescribed TDR to monitor the realisation of tax from the defaulters. Thus, lack of monitoring in

absence of TDR in the

changed scenario of IT environment led to non-realisation of special tax and penalty of ₹ 89.31 lakh as detailed in the following table:

**Table 4.5 – Non-realisation of special tax**

(₹ in lakh)			
Sl No.	Name of the RA	No. of Vehicles	Special Tax and penalty realisable
1.	Birbhum	76	10.62
2.	Coochbehar	44	1.14
3.	Jalpaiguri	16	1.86
4.	Murshidabad	265	16.52
5.	Purulia	23	1.78
6.	Public Vehicles Department (PVD), Kolkata	910	54.21
7.	Uttar Dinajpur	36	3.18
<b>Total</b>		<b>1,370</b>	<b>89.31</b>

After we pointed out the cases, the RA, Uttar Dinajpur admitted the audit observation (August 2011) in 35 cases involving ₹ 3.15 lakh and stated that demand notices were being issued to the owners; but did not furnish any report on realisation. In the remaining cases the Department did not furnish any specific reply (December 2012).

The Government while accepting (October 2012) the audit observation stated that in a number of cases demand notices were issued, vehicles were blacklisted and realisation was made. They also stated that detailed reply would be submitted shortly; their detailed reply is awaited (December 2012).

#### 4.10 Non/short realisation of fitness fee

Rules 62 and 81 of the CMV Rules prescribe that the owners of the transport vehicles shall produce their vehicles for inspection annually after completion of two years of registration and to pay the prescribed fees for inspection and renewal of certificate of fitness (CF). Further, rule 57(6) of the WBMV Rules prescribes that the owner of a vehicle shall apply for renewal of CF not less than one month before the date of its expiry and if the owner fails to do so, he shall be liable to pay 150 per cent of the application fee. In addition, if the owner fails to produce the vehicle for inspection for renewal of CF on or before the expiry of last CF he shall be liable to pay 150 per cent of fee for conducting test of fitness together with the amount as prescribed in the Schedule-E-14 of the WBMV Rules.

During the course of audit in January and February 2011 on analysis of data of six RAs we found that 2,245 transport vehicles were plying with the CFs expired during 2006-07 to 2009-10. This jeopardised the public safety and environment besides fitness fees of ₹ 11.19 lakh remaining unrealised. We also noticed that in case of 21,194 transport vehicles, the fitness fees were realised at the rates lower than the prescribed rates due to non-mapping of provisions of rule 57(6) of the WBMV

Rules, which resulted in short realisation of fitness fees of ₹ 33.17 lakh. Thus, there was an overall non/short realisation of fitness fees of ₹ 44.36 lakh as given in the following table:

Table 4.6 – Non/short realisation of fitness fee

(₹ in lakh)

Sl No.	Name of the RA	No. of vehicles	Short realisation of fitness fee (no. of vehicles)	Non realisation of fitness fee (no. of vehicles)
1.	Birbhum	4,723	6.06 (3,147)	5.33 (1,576)
2.	Coochbehar	31	-	0.11
3.	Jalpaiguri	332	-	1.50
4.	Murshidabad	147	-	0.55
5.	Purulia	1,478	2.43 (1,319)	3.70 (159)
6.	PVD, Kolkata	16,728	24.68	-
<b>Total</b>		<b>23,439</b>	<b>33.17</b>	<b>11.19</b>
			<b>44.36</b>	

After we pointed out the cases, the RAs did not furnish any specific reply (December 2012).

The Government accepted (October 2012) the audit observation and stated that detailed reply would be furnished shortly; their detailed reply is awaited (December 2012).

#### 4.11 Non/short realisation of permit fee

Section 66 of the Motor Vehicles (MV) Act, 1988 provides that the owner of a transport vehicle can use his vehicle in a public place only after obtaining a permit from the prescribed authority. Further, rules 126 and 127 of the WBMV Rules prescribe that fees for application and grant/renewal of permit in respect of different kinds of vehicles are realisable as per rates specified in Schedule-‘A’ of the Rules. The permit fees were revised with effect from 20.10.2005 vide notification no. 4026-WT/6M-13 dated 05.10.2005. Further, rule 151 of the Rules provides that in case of delay in applying for renewal beyond 90 days after the expiry of the permit, a late fee of ₹ 3,000 is realisable.

During the course of audit between January and May 2011 we found from the scrutiny of permit registers of nine RAs that 252 public transport vehicles were plying with permits expired during 2006-07 to 2009-10. We also noticed that owners of those vehicles were paying fitness fees and road taxes, however, the RAs did not show due diligence in realising permit fees from them at the time of payment. This resulted in non-

realisation of permit fees including late fee of ₹ 22.92 lakh. We also found that permit fees in case of 349 public transport vehicles were realised during 2006-07 to 2009-10 at the pre-revised rates. This resulted in short realisation of permit fees of ₹ 10.38 lakh. Thus, there was an overall non/short realisation of permit fees of ₹ 33.30 lakh as given in the following table:

Table 4.7 – Non/short realisation of permit fee

(₹ in lakh)

Sl No.	Name of the RA	Permit fee short realised (no. of vehicles)	Permit fee non-realised (no. of vehicles)	Late fee non-realised (no. of vehicles)
1.	Birbhum	2.25 (79)	3.45 (43)	-
2.	Coochbehar	0.26 (18)	-	-
3.	Dakshin Dinajppur	-	2.21 (26)	-
4.	Jalpaiguri	0.79 (55)	-	-
5.	Murshidabad	2.85 (82)	-	-
6.	Nadia	0.26 (9)	-	-
7.	Purulia	3.46 (82)	3.23 (38)	-
8.	PVD, Kolkata	0.51 (24)	9.20 (114)	3.12 (104)
9.	Uttar Dinajpur	-	1.71 (31)	-
<b>Total</b>		<b>10.38 (349)</b>	<b>19.80 (252)</b>	<b>3.12 (104)</b>
		<b>33.30</b>		

After we pointed out the cases, the RA, Birbhum admitted the audit observation (February 2012) and recovered an amount of ₹ 1.18 lakh in 29 cases of short realisation and stated that the realisation was in progress in the remaining cases. The RAs, Coochbehar and Uttar Dinajpur also admitted the audit observations (February 2011 and February 2012 respectively); but did not furnish any report on realisation. The remaining RAs did not furnish any specific reply (December 2012).

The Government while accepting (October 2012) the audit observation stated that in a good number of cases permit fee was realised and a detailed reply would be furnished shortly; their detailed reply is awaited (December 2012).

#### 4.12 Non-realisation of audio fee

Schedule F to Rule 218(7) of the WBMV Rules provides for realisation of audio fees at prescribed rates for installation of radio set, gramophone, tape recorder, cassette recorder or any kind of apparatus producing sound effect or voice in the motor vehicle.

During analysis of data of four RAs in January and February 2011 we found that audio fee was not realised from the owners of 8,788 vehicles fitted with audio sets for the period between April 2005 and March 2010. We also noticed that the

VAHAN<sup>3</sup> software was not customised to make the field “audio fee” mandatory for realisation of the due audio fee at the time of payment of road tax. This resulted in non-realisation of audio fee of ₹ 29.42 lakh as detailed in the following table:

Table 4.8– Non-realisation of audio fee

(₹ in lakh)

Sl No.	Name of the RA	No. of Vehicles	Non-realisation of audio fees
1.	Birbhum	196	2.32
2.	Coochbehar	55	0.63
3.	Murshidabad	735	3.04
4.	PVD, Kolkata	7,802	23.43
<b>Total</b>		<b>8,788</b>	<b>29.42</b>

After we pointed out the cases, the RA, Birbhum admitted the audit observation (February 2012) in 196 cases involving ₹ 2.32 lakh and stated that ₹ 0.06 lakh had been realised in seven cases and the process of realisation in the remaining cases was in progress. The other RAs did not furnish any specific reply (December 2012).

The Government accepted (October 2012) the audit observation and stated that steps would be taken to make the “audio fee” field mandatory in the software; their report on action taken is awaited (December 2012).

<sup>3</sup> VAHAN - software used by the Transport Department for registration of vehicles and collection of taxes and fees thereof.

### 4.13 Non/short realisation of dealer's tax

Section 3 (2) of the WBMVT Act prescribes that every dealer or manufacturer who keeps in his possession or control any motor vehicle shall pay dealer's tax on such motor vehicle at the time of its first registration at the prescribed rates. Further, section 11 (b) (iii) of the Act provides that in case of delay in payment of tax exceeding 60 days after the expiry of grace period of 15 days, penalty equal to the amount of tax payable is also realisable from a defaulter dealer.

During analysis of data of six Registering Authorities (RAs) between January and February 2011 we found that dealer's tax and penalty in respect of 1,249 newly registered vehicles amounting to ₹ 18.26 lakh were not realised from the dealers during the period from April 2005 to March 2010. We also found in 43 cases, in RAs, Coochbehar

and Purulia that dealer's tax amounting to ₹ 0.24 lakh was realised at a rate which was lower than the prescribed rate. This resulted in non/short realisation of dealer's tax and penalty of ₹ 18.50 lakh as detailed in the following table:

**Table 4.9 – Non/short realisation of dealer's tax**

(₹ in lakh)

Sl No.	Name of the RA	Short realisation (no. of vehicles)	Non-realisation (no. of vehicles)	Penalty (no. of vehicles)
1.	Birbhum	-	6.36 (952)	6.36 (952)
2.	Coochbehar	0.15 (30)	-	-
3.	Jalpaiguri	-	0.58 (72)	0.58 (72)
4.	Murshidabad	-	1.16 (89)	1.16 (89)
5.	Purulia	0.09 (13)	0.29 (28)	0.29 (28)
6.	PVD, Kolkata	-	0.74 (108)	0.74 (108)
<b>Total</b>		<b>0.24 (43)</b>	<b>9.13 (1,249)</b>	<b>9.13 (1,249)</b>
		<b>18.50</b>		

After we pointed out the cases, the RA, Birbhum accepted the audit observation (February 2012) in 952 cases involving ₹ 12.72 lakh and stated that ₹ 0.35 lakh had been realised in 23 cases and the process of realisation was in progress in the remaining cases. The RA, Jalpaiguri admitted the audit observation (January 2011) in 72 cases involving ₹ 1.16 lakh; but did not furnish report on realisation. In the remaining cases, the Department did not furnish any specific reply (December 2012).

The Government accepted (October 2012) the audit observation and stated that detailed reply would be submitted shortly; their detailed reply is awaited (December 2012).