

Chapter-IV Taxes on Vehicles

4.1 Tax administration

The Transport Department functions under the overall charge of the Principal Secretary (Transport). Issue of driving license and levy and collection of tax/fee/penalty on vehicles is administered and monitored by the Transport Commissioner (TC). He is assisted by one Additional Transport Commissioner (Enforcement), two Joint Transport Commissioners (Administration/Finance), three Deputy Transport Commissioners and an internal audit wing at headquarters level. There are 10 Divisional Deputy Transport Commissioners, 10 Regional Transport Offices, (RTOs), 10 Additional Regional Transport Offices (ARTOs) and 30 District Transport Offices (DTOs) at the field level. The Additional Transport Commissioner (Enforcement) monitors the computerisation activities in the Department. Taxes on vehicles are collected under the provisions of the following Acts and Rules and notifications issued thereunder:

The Motor Vehicles(MV) Act, 1988;

Central Motor Vehicles(CMV) Rules,1989;

Madhya Pradesh Motoryan Karadhan Adhiniyam(Adhiniyam), 1991 and

Madhya Pradesh Motoryan Karadhan Niyam(Niyam), 1991

4.2 Internal Audit

The Internal Audit Wing (IAW) in the Department was constituted in 1992 under the direct control of TC. The Internal Audit is being conducted under the supervision of JTC (Finance) with the objective of conducting internal audit of all subordinate offices and issuing instructions for taking proper corrective action on irregularities detected during such examination.

Internal audit is a vital component of Internal Control. It is generally defined as the control of all controls to enable an organisation to assure itself that the prescribed systems are functioning reasonably well.

During the period 2013-14 IAW had planned audit of 38 units, out of which only three units were audited. The low percentage (eight *per cent* of the planned units) of inspection of units during 2013-14 was due to the Assembly and Lok Sabha Election. Moreover, the prevailing low percentage of inspection during the last five years¹ indicate that the Department does not have proper planning for the inspection of units and working of the IAW needs strengthening.

4.3 Result of audit

Test check of the records of 21 units involving total revenue of ₹ 312.15 crore out of 51 units relating to taxes on vehicles during the year 2013-14 revealed underassessment of tax and other irregularities involving ₹ 36.82 crore in 4,17,423 cases which fall under the following categories in the **Table-4.1**.

¹ During 2009-10 to 2013-14 total 274 units planned for audit of which only 108 units actually audited ie, about 39 *per cent*.

Table - 4.1

(₹ in crore)			
Sl. No.	Categories	Number of cases	Amount
1.	Performance Audit on "Assessment and collection of tax on public service vehicles plying on regular stage/contract carriage permit"	1	16.83
2.	Non/Short levy of vehicles tax and penalty on public service vehicles	963	11.33
3.	Non/Short levy of vehicle tax and penalty on goods vehicles	1,114	3.09
4.	Other	4,15,345	5.57
	Total	4,17,423	36.82

During the course of the year, the Department accepted underassessment and other deficiencies of ₹ 11.74 crore in 22,564 cases, which were pointed out in audit during the year 2013-14 and reported realisation of ₹ 1.16 lakh in seven cases.

A Performance audit on "**Assessment and collection of tax on public service vehicles plying on regular stage/contract carriage permit**" having money value of ₹ 16.83 crore and few illustrative cases involving ₹ 10.17 crore are discussed in the following paragraphs.

4.4 Performance Audit on “Assessment and collection of tax on public service vehicles plying on regular stage/contract carriage permit”

Highlights

The Department had not barred 75 vehicles, which had completed 15 years of life from the year of manufacturing, from plying on stage carriage permit.

(Paragraph 4.4.7.1)

The Department did not take any action against the defaulting vehicle owners, which resulted in non levy of tax amounting to ₹ 7.28 crore including penalty of ₹ 3.73 crore in respect of 270 vehicles.

(Paragraph 4.4.7.3)

Taxation Authorities failed to detect the application of incorrect rate of tax which resulted in short levy of tax of ₹ 1.22 crore besides penalty of ₹ 1.28 crore in respect of 215 vehicles.

(Paragraph 4.4.7.4)

The Department did not initiate action for cancelling the registration certificates of these vehicles whose fitness certificates had expired.

(Paragraph 4.4.7.7)

No action for issuance of revenue recovery certificates was taken up by the Department in follow up of demand notices of ₹ 1.52 crore in respect of 115 vehicles.

(Paragraph 4.4.7.8)

4.4.1 Introduction

The Transport Department is responsible for registration of vehicles, grant of permits for vehicles and exercises control over vehicles plying in the state. The Department also levies and collects taxes, penalties and issues fitness certificates to the vehicles under the provisions of Madhya Pradesh *Motoryan Karadhan Adhiniyam (Adhiniyam), 1991* and Madhya Pradesh *Motoryan Niyam (Niyam), 1991* and rules made thereunder.

The Transport Department provides the service to the public through public service vehicles (PSVs) which comprise “stage carriage” and “contract carriage”.

“Stage carriage” means a motor vehicle constructed or adapted to carry more than six passengers excluding the driver for hire or reward at separate fares paid by or for individual passengers, either for the whole journey or for stages of the journey; and “Contract carriage” means any motor vehicle contracted or adapted for use solely for the carriage of passengers, or any motor vehicle not so constructed or adapted when used for the carriage of passengers.

As per Section 72, 74 and 88 (9) of the Motor Vehicle Act, 1988 stage carriage and contract carriage permits are granted for a period of five years. In case of contract carriage permits, a periodical authorization is required.

Since persistent irregularities on assessment and levy of taxes on public service vehicles plying on regular stage/contract permits were noticed during the previous

audits, therefore the topic "Assessment and collection of tax on public service vehicles plying on regular stage/contract carriage permit" was selected for the Performance Audit.

4.4.2 Organisational set up

The Transport Department functions under the overall charge of the Principal Secretary (Transport). Issue of driving license and levy and collection of tax/fee/penalty on vehicles is administered and monitored by the Transport Commissioner (TC). He is assisted by one Additional Transport Commissioner (Enforcement), two Joint Transport Commissioners (Administration/Finance), three Deputy Transport Commissioners and an internal audit wing at headquarters level. There are 10 Regional Transport Offices, (RTOs), 10 Additional Regional Transport Offices (ARTOs) and 30 District Transport Offices (DTOs) at the field level. The DTC (Enforcement) monitors the computerisation activities in the Department.

4.4.3 Audit objectives

The audit was conducted with a view to assess, whether;

- assessment, levy, collection of tax and exemptions were in accordance with the Acts and Rules;
- Rules and procedures prescribed in the Act/Rule for issue of permits/NOC/fitness were followed;
- Department has taken follow up initiatives relating to issuance of demand notices, seized vehicles;

4.4.4 Audit criteria

Audit criteria were derived from the following while conducting the audit:

- The Motor Vehicles (MV) Act, 1988;
- Central Motor Vehicle (CMV) Rules, 1989;
- Madhya Pradesh *Motoryan Karadhan Adhinyam, (Adhinyam)* 1991;
- Madhya Pradesh *Motoryan Karadhan Niyam. (Niyam)*, 1991;
- Madhya Pradesh Motor Vehicles Rules, 1994 (MPMV Rules) and notifications/instructions issued there under; and
- Central Motor Vehicles (Amendment) Rule 2010 notified on 07.05.2010 by Ministry of Road Transport and Highways.

4.4.5 Scope and methodology of Audit

For the study of the subject, we test checked the records (Permit register, NOC issuance register, vehicle/permit surrender register and computer database relating to the registration, tax, fitness, and NOC) between January 2014 and August 2014 for the period between 2009-10 and 2013-14 in respect of 17² units out of 51 units amongst the Regional Transport Officers (RTOs)/District Transport Officers (DTOs), which was approved by Nodal Officer by way of random sampling method.

² RTO-Bhopal, Gwalior, Indore, Jabalpur, Morena, Rewa, Sagar, Shahdol and Ujjain, DTO- Balaghat, Bhind, Burhanpur, Datia, Mandla, Rajgarh, Sheopur and Tikamgarh

The scope of the audit includes the examination of data relating to registration of vehicles, assessment, levy and collection of taxes available online on “VAHAN”³. This data can be accessed through internet on the web site www.mpransport.org.in i.e. e-sewa.

An entry conference was held on 6th March 2014 with the Principal Secretary, Transport Department to discuss the objectives, scope and methodology of audit. The audit findings were reported to the Government in August 2014 and were discussed with the Principal Secretary, Transport Department in the exit conference held on 5th September, 2014. The views of the Government/Department have been incorporated suitably in the relevant paragraphs.

4.4.6 Acknowledgement

The Indian Audit and Accounts Department acknowledges the co-operation of the Transport Department in providing necessary information and records to audit.

Audit observations

The Performance Audit revealed a number of deficiencies in the system and compliance and also in the provisions of the Act and rules. Some of the important points are discussed in succeeding paragraphs:

4.4.7 Levy and collection of tax and penalty on PSVs plying on regular stage carriage permit

4.4.7.1 Non adherence to stipulated conditions for grant of permits

As per Government of Madhya Pradesh, Transport Department notification of 24 November 2010, the permit granting authority while granting stage carriage permit shall abide with the following conditions among other things in order to ensure safe, secure and convenient transport services to passengers.

That no stage carriage permit shall be granted for:

- (i) Ordinary route within the State to a vehicle which has completed 15 years from the year of manufacturing.
- (ii) Long distance route of 150Km or above in a single trip, the ordinary bus having seating capacity not less than 50+2 shall be permitted to ply.

We scrutinised (between January 2014 and August 2014) the records in seventeen offices for the period between April 2009 and March 2014 and found that in 75 vehicles out of 4,279 vehicles, the Department failed in implementing the conditions as envisaged in the guidelines, as a result, those vehicles which had completed 15 years of life from the year of manufacturing were still plying on the roads and paying regular tax. We also noticed that the TA had no hesitation in issuing fitness certificates to these vehicles, which defeated the very purpose of Government to issue the guidelines, besides endangering the lives of the passengers.

After we pointed out, the Principal Secretary, Transport Department in the exit conference (September 2014) accepted the facts and stated that in general, the rules are being followed but in some cases there may be irregularities or negligence which would be taken care of and an early remedial action will be taken.

³ VAHAN -An application developed for registration of vehicles and road tax clearance software which was developed by National Information Centre (NIC) for Transport Department of Madhya Pradesh Government

4.4.7.2 Short levy of tax due to wrong assessment of seating capacity of public service vehicles

According to the Rule 158 (3) of Motor Vehicle Tax Act, 1994 and the instructions issued by the Transport Commissioner on 31.05.2005, the seating capacities of the buses should be decided by the Registration Authority on the basis of the wheel base/model of the respective vehicle as per the provisions of the Motor Vehicle Act.

We scrutinised (between January 2014 and August 2014) the records in seven offices⁴ for the from April 2009 to March 2014 and found that the vehicles of model TATA, LP 1109/42 having wheel base of 4200 mm and model TATA LP 709/38 having wheelbase of 3800 mm were registered in less seating capacity by the registration authority than the prescribed seating capacity according to model. By registering the vehicles in lesser seating capacity ranging from two to 10 seats, the Government suffered a revenue loss of ₹ 9.74 lakh.

After we pointed out, the Principal Secretary, Transport Department stated (September 2014) in the exit conference that, concerned RTO's/DTO's shall be directed to look into this matter.

The seating capacity of the old and new passenger vehicles should be revised as per rules.

4.4.7.3 Non levy of vehicle tax and penalty

According to Section 3 (1) and Section 13 of the *Madhya Pradesh Motoryan Karadhan Adhiniyam, 1991(Adhiniyam)*, tax shall be levied on every public service vehicle plying on regular stage carriage permit at the rate specified in the first Schedule to the *Adhiniyam*. If the owner of the vehicle defaults in making payment of tax, he/she shall be liable to pay penalty at the rate of four *per cent* per month but not exceeding twice the unpaid amount of tax. The Taxation Authority (TA) is responsible to ensure the levy and collection of taxes according to the permits issued, and for the same it is required to maintain a Demand and Collection register to watch the recovery of tax.

We scrutinised (between January 2014 to August 2014) the records in seventeen offices for the period between April 2009 and March 2014 and found that tax amounting to ₹ 3.55 crore was not paid by the vehicle owners in respect of 270 vehicles out of 4,279 vehicles. Besides, no action was taken by the TAs to detect such vehicles and recover the tax according to the provisions of *Adhiniyam* and the rules made thereunder. A penalty of ₹ 3.73 crore though leviable was not levied. This resulted in non-realisation of Government revenue of ₹ 7.28 crore.

After we pointed out, the Principal Secretary, Transport Department accepted the facts and stated (September 2014) in the exit conference that necessary instructions are being issued to concern RTO's/DTO's to recover the outstanding tax dues.

The enforcement wing should be strengthened to detect the vehicles plying without payment of tax and penalty.

4.4.7.4 Short realisation of vehicle tax and non-levy of penalty

According to Section 3 (1) of the *Adhiniyam*, tax shall be levied on every motor vehicle used or kept for use in the State at the rates specified in the first Schedule. In

⁴

RTO-Bhopal, Gwalior, Jabalpur and Sagar, DTO-.Balaghat, Bhind and Mandla

case of public service vehicles, tax will be calculated on the basis of the seating capacity of the vehicle and distance of the route allowed. If the tax due has not been paid within the prescribed period, penalty is also leviable at the rate specified under Section 13 of the *Adhiniyam*.

We scrutinised (between January 2014 to August 2014) the records in seventeen offices for the period between April 2009 to March 2014 and found that vehicle tax in respect of 215 vehicles out of 4,279 vehicles, was paid short by the vehicle owners due to deposit of tax at lower rates. Failure of the TAs to detect the application of incorrect rate of tax resulted in short realisation of vehicle tax of ₹ 1.22 crore. Besides penalty of ₹ 1.28 crore was also leviable.

After we pointed out, the Principal Secretary, Transport Department accepted the facts and stated (September 2014) in the exit conference that necessary instructions are being issued to concern RTO's/DTO's to recover the outstanding tax dues.

4.4.7.5 Non-levy of penalty on belated payment

According to the provisions under Section 13 of the *Adhiniyam*, if the tax in respect of any motor vehicle is not paid on due date as specified in Section 5, the owner shall, in addition to the payment of tax due, be liable to pay penalty at the rate of four *per cent* per month on the unpaid amount of tax.

We scrutinised (between January 2014 and August 2014) the records in seventeen offices for the period between April 2009 and March 2014 and found that vehicle tax in respect of 158 vehicles out of 4,279 vehicles was paid by the owners after delay ranging from one to 46 months. However, penalty was neither paid by the owners alongwith the tax, nor it was demanded by the TAs. This resulted in non-realisation of penalty of ₹ 29.68 lakh.

After we pointed out, the Principal Secretary, Transport Department accepted the facts and stated (September 2014) in the exit conference that necessary instructions are being issued to concern RTO's/DTO's to recover the outstanding tax dues.

4.4.7.6 Grant of irregular exemption from payment of tax

According to Rule 11(5) of the Madhya Pradesh Karadhan Rules, 1991 and Government of Madhya Pradesh, Transport Department notification dated 30 September 2004, no vehicle shall be allowed to be surrendered for a period exceeding 45 days (at a time or in part) in a calendar year. In case of surrender exceeding the said period, the permission had to be sought under special circumstances by the Transport Commissioner (TC) by passing an order in writing with reasons and if any vehicle is found surrendered for more than the said period without such permission, then the permit and the registration certificate shall stand revoked and the owner shall have to obtain permit and get the vehicle registered again.

We scrutinised (between January 2014 and August 2014) the records in seventeen offices for the period between April 2009 and March 2014 and found that due to lack of co-ordination between TC Office and the unit offices, 140 vehicles out of 4,279 vehicles were allowed to be surrendered for the period of two to twelve months beyond the prescribed period without obtaining permission from TC resulting in irregular exemption from payment of tax of ₹ 22.32 lakh to the vehicle owners.

After we pointed out, the Principal Secretary, Transport Department in the exit conference (September 2014) accepted the facts and stated that in general, the rules

are being followed but in some cases there may be irregularities or negligence which would be taken care of and an early remedial action will be taken.

A system should be evolved to co-ordinate amongst all the unit offices and also with TC Office so that leakages of the revenue may be plugged.

4.4.7.7 Verification of fitness certificates of vehicles

- **Non renewal of fitness certificates**

As per Section 56 of the Motor Vehicle (MV) Act, 1988, a transport vehicle shall not be deemed to be validly registered, unless it carries a certificate of fitness issued by the prescribed authority. As per Rule 62 of the Central Motor Vehicle (CMV) Rules, 1989, the certificate of fitness in respect of the transport vehicles shall be renewed every year. Further Section 190 (1) stipulated that, any person who drives or causes or allows to be driven in any public place a motor vehicle or trailer while the vehicle or trailer has any defect, which such person knows of or could have discovered by the exercise of ordinary care and which is calculated to render the driving of the vehicle a source of danger to persons and vehicles using such place, shall be punishable with fine which may extend to two hundred and fifty rupees or, if as a result of such defect an accident is caused causing bodily injury or damage to property, with imprisonment for a term which may extend to three months, or with fine which may extend to one thousand rupees, or with both.

We scrutinised (between January 2014 and August 2014) the records in seventeen offices for the period between April 2009 and March 2014 and found that in 50 cases out of 4,279 vehicles, the fitness certificates were not renewed and were overdue ranging from three to 57 months, although the tax was regularly paid by the vehicle owners. In respect of 38 Maxicabs registered in seven offices⁵, life time tax upto the year 2026 had been paid, but the vehicle owners had not renewed the fitness certificate of these vehicles even after lapse of period ranging between six and 30 months, which was dangerous to public life and therefore, the registration certificates of these vehicles should not be deemed valid. The Department neither initiated action for cancelling the registration certificates of these vehicles whose fitness certificates had become overdue nor levied any fine from defaulting vehicle owners as per provisions of the Act. Besides endangering the lives of the passengers, this also resulted in loss of revenue. Immediate steps must be taken to timely issue of fitness certificates of all the vehicles which are due, in the interest of public safety.

After we pointed out, the Principal Secretary, Transport Department in the exit conference (September 2014) accepted the facts and stated that in general, the rules are being followed but in some cases there may be irregularities or negligence which would be taken care of and an early remedial action will be taken.

The Department should take immediate steps to verify the fitness for all the vehicles which are due, to avoid loss of revenue and in the interest of public safety.

- **Irregular issue of fitness**

As per Rule 48 of Madhya Pradesh Motor Vehicle Rule, 1994, fitness of the vehicle shall be accompanied with the tax clearance certificate.

⁵ RTO- Gwalior (5), RTO-Indore (5), RTO-Jabalpur (5), RTO-Sagar (6), RTO-Ujjain (7), DTO-Balaghat (5) and DTO-Bhind (5)

We scrutinised (between January 2014 and August 2014) the records in seventeen offices for the period between April 2009 and March 2014 and found that in 84 cases out of 4279 vehicles, the fitness certificates were issued to the vehicles even though the tax of ₹ 1.16 crore was outstanding for the period ranging from one to 57 months against these vehicles, which was not within the ambit of rules.

After we pointed out, the Principal Secretary, Transport Department in the exit conference (September 2014) accepted the facts and stated that in general, the rules are being followed but in some cases there may be irregularities or negligence which would be taken care of and an early remedial action will be taken.

The Government may consider prescribing a mechanism to detect the vehicles plying without payment of tax and without renewal of fitness.

4.4.7.8 Absence of monitoring and follow up mechanism for realisation of arrears

- **Inadequate action for recovery of arrears of revenue**

According to the provisions of Motor Vehicle Act, 1988 and the rules made there under where any owner fails to pay tax or penalty or both, the Taxation Authority shall serve on the owner a demand notice for sum payable to the State Government. In case of failure to pay the sum contained in the notice within seven days of the serving of notice, the TA may proceed to recover the amount as arrears of Land Revenue.

We scrutinised (between January 2014 and August 2014) the demand notices issued to the defaulters and records related to dispatch in seventeen offices for the period between April 2009 and March 2014. In 115 cases, although demand notices were issued during December 2010 to March 2014, for recovery of outstanding tax and penalty amounting to ₹ 1.52 crore yet the same was still not paid by the vehicle owners and no action for issuance of revenue recovery certificates was taken by the Department.

After we pointed out, the Principal Secretary, Transport Department accepted the facts in the exit conference and stated (September 2014) that an early remedial action will be taken.

An effective mechanism for regular monitoring and follow up of recovery action in each pending case should be evolved by the Department.

- **Failure to auction seized vehicles**

According to the provisions of Land Revenue Code, 1959, the revenue authority may proceed to recover the dues as arrears of land revenue by auctioning the moveable property.

We scrutinised (between January 2014 and August 2014) the records related to seized vehicles in RTO Indore and Jabalpur and found that six Public Service Vehicles (PSVs) were seized by the Department during the period between April 2009 and March 2014 against which taxes were outstanding. However, the TAs had not initiated action to recover the dues by auctioning these vehicles. This resulted in non recovery of tax amounting to ₹ 16.24 lakh.

After we pointed out, the Principal Secretary, Transport Department in the exit conference accepted the facts and stated (September 2014) that an early remedial action will be taken.

4.4.8 Levy and collection of tax and penalty on in respect of PSVs plying on All India Permit

4.4.8.1 Non realisation of tax

All India tourist permit is granted by the State Transport Authority (STA) under Section 88 (9) of the Motor Vehicles Act, 1988. Tax is payable at the rates prescribed in the first Schedule to the *Adhiniyam*. If the tax due had not been paid within the prescribed period, penalty was also leviable.

We scrutinised (between January 2014 and August 2014) the records in seventeen offices for the period between April 2009 and March 2014 and found that vehicle tax amounting to ₹ 28.46 lakh was not paid by the vehicle owners in respect of 31 vehicles out of 125 vehicles. Besides, no action was taken by the TAs to detect such vehicles and recover the tax according to provisions of *Adhiniyam* and the Rules made there under. A penalty of ₹ 22.54 lakh though leviable was not levied. This resulted in non-realisation of Government revenue of ₹ 51.01 lakh.

After we pointed out, the Principal Secretary, Transport Department accepted the facts and stated (September 2014) in the exit conference that necessary instructions are being issued to concern RTO's/DTO's to recover the outstanding tax dues.

4.4.8.2 Short realisation of vehicle tax and non-levy of penalty

All India tourist permit is granted by the State Transport Authority (STA) under Section 88 (9) of the Motor Vehicles Act, 1988. Tax is payable at the rates prescribed in the first Schedule to the *Adhiniyam*. In case of public service vehicles, tax will be calculated on the basis of the seating capacity of the vehicle and distance of the route allowed. If the tax due had not been paid within the prescribed period, penalty was also leviable at the rate specified under Section 13 of the *Adhiniyam*.

We scrutinised (between January 2014 and August 2014) the records in seventeen offices for the period between April 2009 and March 2014 and found that vehicle tax in respect of 44 vehicles out of 125 vehicles, was paid short by the vehicle owners due to tax deposited at lower rates. Failure of the TAs to detect the application of incorrect rate of tax resulted in short realisation of vehicle tax of ₹ 56.60 lakh. Besides the penalty of ₹ 61.66 lakh was also leviable.

After we pointed out, the Principal Secretary, Transport Department accepted the facts and stated (September 2014) in the exit conference that necessary instructions are being issued to concern RTO's/DTO's to recover the outstanding tax dues.

4.4.9 Non levy of vehicle tax and penalty on Maxicab vehicles plying on contract carriage

According to Section 3(1) of the *Adhiniyam*, a tax shall be levied on every Maxicab vehicle used or kept for use in the State at the rate specified in the first Schedule to the *Adhiniyam*, failing which the owner shall be liable to pay a penalty at the rate specified in the *Adhiniyam*.

We scrutinised (between January 2014 and August 2014) the records in seventeen offices for the period between April 2009 and March 2014 and found that vehicles tax amounting to ₹ 99.57 lakh was not paid by the vehicle owners in respect of 350 vehicles out of 4,015 vehicles. Besides, no action was taken by the TA to detect such vehicles and recover the tax according to provisions of *Adhiniyam* and the Rules made

thereunder. A penalty of ₹ 90.59 lakh though leviable was not levied. This resulted in non-realisation of Government revenue of ₹ 1.90 crore.

After we pointed out, the Principal Secretary, Transport Department accepted the facts and stated (September 2014) in the exit conference that necessary instructions are being issued to concern RTO's/DTO's to recover the outstanding tax dues.

4.4.10 Working of internal audit wing

Internal audit wing (IAW) has been established in the Department with the objective of conducting internal audit of all subordinate offices and issuing instructions for taking proper corrective action on irregularities detected during such examination.

We observed that specific aspects relating to "Assessment and collection of tax on public service vehicles plying on regular stage/contract carriage permit" were not covered by the IAW, which indicates that effective safeguard against leakage of revenue under the system was not ensured. Besides, the Government of India, Ministry of Road Transport and Highways had embarked upon a scheme for creation of a National Database network, with the help of National Informatics Centre (NIC) amongst all the RTOs in the State. Two softwares were designed by the NIC for this purpose, VAHAN for registration of vehicles, collection of taxes, penalty etc. and the SARATHI for issue of Learner's license, Driving License, Motor Training School license etc. However, there is no interlinking of data-base amongst the Office of RTOs/ARTOs/DTOs but TC Office can access the data-base of RTOs/ARTOs/DTOs through central server. In absence of the mechanism for interlinking the database, the Offices were not in a position to ensure, whether the vehicle owners had paid due taxes properly.

The Department should devise a mechanism for consolidating the centrally available data specifically for the vehicles plying on stage/contract carriage to avoid leakage of tax revenue.

4.4.11 Absence of departmental manual

As an internal control measure, it is essential that departmental manual is prepared outlining the process required to be followed by different level of staff in order to ensure proper functioning of various wings of the Department.

The Transport Department did not have any departmental manual setting out the functions and responsibilities of the officials of all categories in accordance with instructions issued by the Government/Department. In the absence of the manual various checks and balances to be exercised by the Department for registration of vehicles, levy of taxes etc. could not be ensured.

Further, it was also noticed that after computerisation in the Department the records/register related to accountal of tax paid or due are not being maintained manually. In the computerised software of the Department, there is no check available to detect the short levy of taxes, issue of fitness certificates before clearance of tax dues, issue of demand notices etc. In absence of this necessary check, the leakage of revenue could not be plugged.

The Government may consider prescribing a manual and proper mechanism to exercise the check over leakage of revenue receipt amongst the various functionaries of the Department.

4.4.12 Conclusion

The Performance Audit revealed a number of compliance and system deficiencies as discussed in preceding paragraphs that requires attention of the Department. We conclude that:

- the instances of non adherence to stipulated conditions for grant of permits for vehicles which had completed 15 years of life, from the year of manufacturing were still plying on stage carriage permit;
- inordinate delay in revising the seating capacity of passenger vehicles in accordance with the rules;
- non levy of tax, levy of tax at lower rates and non recovery of outstanding dues;
- irregular grant of exemption from payment of tax due to lack of co-ordination between TC Office and the unit offices ;
- cases of irregular issuance of fitness certificates of vehicles and resultant non realisation of tax; and
- inaction in follow up of demand notices and auction of seized vehicles was also noticed.

4.5 Other Audit observations

We scrutinised the records of various transport offices and noticed several cases of non-observance of the provisions of the Acts/Rules/Government notifications/instructions resulting in non/short realisation of tax, fees etc., as mentioned in the succeeding paragraphs of this chapter. These cases are illustrative and are based on a test check carried out by us. Such omissions on the part of the transport authorities have been pointed out in earlier Audit Reports, but not only these irregularities continue to persist, these remain undetected till audit is conducted. There is need for the Government to improve the internal control system so that such omissions can be avoided.

4.6 Non realisation of tax and penalty on vehicles

According to the Section 3(1) of Madhya Pradesh *Motoryan Karadhan Adhiniyam* (*Adhiniyam*), 1991, tax shall be levied on every vehicle used or kept for use in the State at the rates (Monthly/quarterly) specified in the first Schedule to the *Adhiniyam*. If the owner of the vehicle defaults in making payment of tax, he/she shall be liable to pay penalty at the rate of four *per cent* per month as per Section 13 on the unpaid amount of tax which shall not be more than twice the amount of tax. Further, according to Section 22 of the *Adhiniyam* and Rules thereunder, the Taxation Authority (TA) is required to maintain a Demand and Collection register to watch the recovery of tax. He is also required to review the register at periodic intervals and issue demand notices to the defaulters. Further, the Transport Commissioner instructed to all RTOs/ DTOs vide circular no. 10/12 dated 15.12.1992 that a RTO/DTO must inspect his office twice in a year.

4.6.1 We scrutinised (between March 2012 and February 2013) the records (Demand and Collection Register, NOC issuance register, vehicle surrender register, permit surrender register, as well as computerized database) and found that tax amounting to ₹ 4.18 crore was not paid by the vehicle owners in respect of 1,553 vehicles out of 16,562 vehicles test checked, for the period between April 2010 and March 2013. There was nothing on record to show that the vehicles were declared off road or were transferred to any other district/State. No action was taken by the TAs to recover the tax from the defaulting vehicle owners according to the provisions of *Adhiniyam* and the Rules made thereunder. Further, penalty of ₹ 2.69 crore though leviable was not levied. The inspection of all offices was conducted by the TAs, but the omission was not detected by them which indicated that the inspection was ineffective. This resulted in non-realisation of Government revenue of ₹ 6.87 crore as mentioned in the **Table-4.2**.

Table - 4.2

(₹ in crore)						
Sl. No	No. of offices	Category of vehicles No. of vehicles	Period involved	Tax not paid	Penalty leviable	Total
1	19 ⁶	Goods vehicles/ 836	4/10 to 3/13	1.62	1.10	2.72
2	19 ⁷	Public service vehicles kept as reserve /412	4/10 to 3/13	2.00	1.14	3.14
3	13 ⁸	Maxicab/Taxicab/305	4/08 to 3/12	0.56	0.45	1.01
	Total	1,553		4.18	2.69	6.87

After we pointed out the cases (between February 2013 and February 2014), six TA⁹ stated (between February 2013 and January 2014) that an amount of ₹ 74,000 has been recovered in five cases and demand notices have been issued to the defaulters in 291 cases.

4.6.2 We scrutinised (between September and October 2013) the records (Demand and Collection Register, NOC issuance register, as well as computerized database) in three District/Regional Transport offices¹⁰ and found that vehicle tax in respect of 30 motor vehicles out of 375 vehicles test checked, was paid by the owners during the period between April 2010 and March 2013 after delays ranging from one to 25 months. However, penalty was neither paid by the owners along with tax, nor was it demanded by the TAs. The inspection of all offices was conducted by the TAs, but the omission was not detected by them which indicated that the inspection was ineffective. This resulted in non-realisation of penalty of ₹ 3.95 lakh.

After we pointed out the cases (between September and October 2013), the TA, Guna stated (September 2013) that demand notices would be issued to the vehicle owners for recovery whereas other TAs stated that action would be taken after scrutiny of the cases.

We reported the matter to the Government and the Department in June 2014; their replies have not been received (December 2014).

4.7 Non realisation of tax and penalty on Earthmover/Harvester

According to notification dated 28 December 2007, rates of taxes on motor vehicles i.e. Crane, Loader, Earthmover, Harvester etc. were amended according to their unladen weight i.e. up to 7000 kg ₹ 3700 per quarter and thereafter for each 1000 kg or part thereof ₹ 500 per quarter. If the tax due has not been paid within the prescribed period, penalty is also leviable at the rate specified under section 13 of the *Adhiniyam* ibid.

We scrutinised (between March 2012 and February 2013) the records (Demand and Collection Register, NOC issuance register, as well as computerized database) in 18

⁶ Regional Transport Officer (RTO) – Bhopal, Gwalior, Hoshangabad, Indore, Jabalpur, Morena, Rewa, Sagar and Shahdol, Additional Regional Transport Officer (ARTO) – Chhatarpur, Chhindwara, Guna, Katni and Satna and District Transport Officer (DTO) – Betul, Datia, Jhabua, Neemuch and Ratlam

⁷ RTO – Bhopal, Gwalior, Hoshangabad, Indore, Jabalpur, Morena, Rewa, Sagar and Shahdol, ARTO – Chhatarpur, Chhindwara, Guna, Katni, and Satna and DTO – Betul, Datia, Jhabua, Neemuch and Ratlam

⁸ RTO – Bhopal, Hoshangabad, Indore, Rewa and Shahdol, ARTO – Chhatarpur, Chhindwara, Guna and Satna and DTO – Betul, Jhabua, Neemuch and Ratlam

⁹ RTO – Bhopal, Indore and Sagar, ARTO – Chhindwara and Satna, DTO – Datia.

¹⁰ ARTO - Guna, DTO – Betul and Ratlam

District/Regional Transport offices¹¹ and found that tax in respect of 394 vehicles (harvester, earthmover, crane etc.) out of total 2,596 vehicles, for the period between April 2010 and March 2013, was not paid by the vehicle owners. Inspection of all the offices was conducted by the TAs, but the omission was not detected by them which indicated that the inspection was ineffective. This resulted into non-realisation of tax of ₹ 61.55 lakh. Besides, penalty of ₹ 38.36 lakh leviable on the unpaid amount of tax was also not levied.

After we pointed out the cases (between February 2013 and February 2014), four TAs¹² stated (between May and September 2013) that an amount of ₹ 42,000 was recovered in two cases and demand notices has been issued in 73 cases to the defaulters.

We reported the matter to the Government and the Department in June 2014; their replies have not been received (December 2014).

4.8 Non/short realisation of trade fee

According to Rule 34 of the Central Motor Vehicles (CMV) Rules, 1989, an application for grant or renewal of a trade certificate shall be made by the dealer in Form 16 and shall be accompanied by the appropriate fee (for motorcycle ₹ 50 and for others ₹ 200 per vehicle) as specified in Rule 81 *ibid*. The fee is chargeable for each vehicle sold by the dealer. Further, the Transport Commissioner issued order (January 2012) to recover trade fee as per rule.

We scrutinised (between February 2013 and February 2014) the trade fee register and returns submitted by the dealers (wherever available) and from information furnished by the TAs in 11 District/ Regional Transport Offices¹³ and found that 3,00,016 vehicles were registered under different categories between April 2010 and March 2013. However, the dealers had not deposited the requisite trade fee or deposited less trade fee than that prescribed. The TAs neither ascertained the actual number of vehicles sold nor recovered the leviable trade fee. This resulted in non/short realisation of revenue of ₹ 2.19 crore.

After we pointed out the cases (between February 2013 and February 2014), the TA, Indore and Chhatarpur stated (March 2013) that trade tax is collected from the dealers under Section 4 of *Adhiniyam* as per rates specified in the third Schedule. The reply does not address the issue of non-recovery of trade fee prescribed under the CMV Rules, 1989 whereas TA, Neemuch stated (December 2013) that trade fee will be levied as per rules in future. Remaining TAs¹⁴ stated (between February 2013 and February 2014) that action would be taken after getting instruction from headquarters. We do not agree as the Transport Commissioner had issued an order that the trade fee would be recovered according to CMV Rules, 1989.

We reported the matter to the Government and the Department in June 2014; their replies have not been received.

¹¹ RTO – Gwalior, Hoshangabad, Indore, Jabalpur, Morena, Rewa, Sagar and Shahdol, ARTO – Chhatarpur, Chhindwara, Guna, Katni and Satna, DTO – Betul, Datia, Jhabua, Neemuch and Ratlam

¹² RTO – Morena, Rewa, Sagar and ARTO - Chhindwara

¹³ RTO - Hoshangabad, Indore, Jabalpur, Rewa and Shahdol ARTO – Chhatarpur, Chhindwara, Katni and Satna, DTO – Betul and Neemuch

¹⁴ RTO - Hoshangabad, Jabalpur, Rewa and Shahdol ARTO – Chhindwara, Katni and Satna, DTO – Betul

4.9 Short realisation of composition fees from goods vehicles carrying excess load

According to Section 194 of the MV Act, 1988 the composition fees for carrying excess load by goods vehicles shall be a minimum of ₹ 2,000 and an additional amount of ₹ 1,000 for first tonne and thereafter ₹ 500 for per tonne or part thereof for excess load.

We scrutinised (between October and December 2013) the offence register with Madhya Pradesh Treasury Code-6 (MPTC-6) in seven border check posts¹⁵ for the period between April 2010 and March 2013 and found that 330 goods vehicles had carried excess load from one to five tonne beyond the registered laden weight (RLW). The Officer-In-Charge (OIC) only levied and recovered composition fee of ₹ 5.09 lakh as against the recoverable fee of ₹ 11.69 lakh from vehicle owners. This resulted short-realisation of composition fee of ₹ 6.60 lakh.

After we pointed out the cases (between October and December 2013), OIC Datia and Ratlam stated (November 2013) that recovery from the defaulters will be intimated whereas OIC Jhabua and Neemuch stated (December 2013) that recovery would be made in accordance with MV Act in future.

We reported the matter to the Government and the Department in June 2014; their replies have not been received (December 2014).

¹⁵ Kaimaha, Majhgwa (Satna), Malthon (Sagar), Morena, Paharibandha, Sanjay Nagar (Chhatarpur) and Sendhwa (Badwani)