

**CHAPTER-IV**  
**TAXES ON VEHICLES**

## CHAPTER – IV: TAXES ON VEHICLES

### 4.1 Tax administration

The levy and collection of Motor Vehicles tax and fee in the State is governed by the Jharkhand Motor Vehicles Taxation (JMVT) Act, 2001, rules made thereunder (Jharkhand Motor Vehicles Taxation (JMVT) Rules, 2001), Motor Vehicles (MV) Act, 1988 and Bihar Financial Rules (as adopted by Government of Jharkhand).

At the apex level, the Transport Commissioner (TC), Jharkhand is responsible for administration of the Acts and Rules in the Transport Department. He is assisted by a Joint Transport Commissioner at the Headquarters. The State has been divided into four regions<sup>1</sup> and 24 transport districts<sup>2</sup>, which are controlled by the State Transport Authority (STA), Regional Transport Authorities (RTAs) and District Transport Officers (DTOs). They are assisted by Motor Vehicles Inspectors, the Enforcement Wing and nine check posts<sup>3</sup>.

### 4.2 Results of audit

Test check of the records of 17 units having revenue collection of ` 421.48 crore, out of the total of 27 units during 2014-15 relating to ‘Taxes on Vehicles’ revealed non/short levy of taxes, short levy of taxes due to wrong fixation of seating capacity/registered laden weight, non- realisation of taxes from trailers etc. amounting to ` 53.16 crore in 2,737 cases detailed as in **Table – 4.2**.

**Table – 4.2**

| Sl. No.      | Categories   | (` in crore) |              |
|--------------|--|--------------|--------------|
|              |  | No. of cases | Amount       |
| 1            | “Working of Transport Department with emphasis on compliance with pollution standards” – A performance audit | 1            | 38.91        |
| 2            | Non/short levy of taxes  | 648          | 3.94         |
| 3            | Non-realisation of taxes from trailers   | 1410         | 2.30         |
| 4            | Other cases  | 678          | 8.01         |
| <b>Total</b> |  | <b>2,737</b> | <b>53.16</b> |

During the course of the year, the Department accepted all cases of non/short levy of motor vehicles tax, fees, penalties etc. for the entire amount of ` 53.16 crore in 2,737 cases and recovered ` 1.37 crore in 20 cases, which were pointed out by audit in 2014-15.

In this chapter we present a few illustrative cases including a performance audit on “**Working of Transport Department with emphasis on compliance with pollution standards**” having financial implications of

<sup>1</sup> Dumka, Hazaribag, Palamu and Ranchi.

<sup>2</sup> Bokaro, Chaibasa, Chatra, Deoghar, Dhanbad, Dumka, Garhwa, Giridih, Godda, Gumla, Hazaribag, Jamshepur, Jamtara, Khunti (Notified in March 2015), Koderma, Latehar, Lohardaga, Palamu, Pakur, Ramgarh (Notified in April 2015), Ranchi, Sahebganj, Saraikela-Kharsawan and Simdega.

<sup>3</sup> Bahragora (East Singhbhum), Bansjore (Simdega), Chas More (Bokaro), Chauparan (Hazaribag), Chirkunda (Dhanbad), Dhulian (Pakur), Manjhatoli (Gumla), Meghatari (Koderma) and Murisemar (Garhwa).

` 45.74 crore. The Department accepted all the audit observation having financial implication of ` 45.74 crore. These are discussed in the succeeding paragraphs.

### 4.3 “Working of Transport Department with emphasis on compliance with pollution standards”

#### Highlights

The disposal of certificate cases was very poor as the Department could only dispose of 669 certificate cases against 23,561 cases during 2009-10 to 2013-14, out of which 20,214 cases were prior to 2009-10.

**(Paragraph 4.3.9)**

One-time tax of ` 2.92 crore was not levied in case of 1,172 personalised vehicles out of 10,653 vehicles, whose tax validity expired between July 2005 and November 2014, in selected Offices, as the software had no provision for auto generation of demand notice to defaulters.

**(Paragraph 4.3.10.1)**

Categorisation of public service vehicles as express, semi-deluxe, deluxe, AC deluxe bus on the basis of age and passenger amenities and taxed accordingly so as to generate additional revenue was not prescribed by the Department even after lapse of more than four years of enforcement of the JMVT (Amendment) Act 2011.

**(Paragraph 4.3.13)**

Tax and penalty of ` 26.51 crore was neither paid by the owners nor demanded by the Department for the period between June 2009 and June 2015 against 5,374 vehicle owners out of 26,121 vehicles in 11 transport offices.

**(Paragraphs 4.3.16 and 4.3.17)**

In eight Transport Offices out of 11 selected districts and in the office of Transport Commissioner, Jharkhand, during 2012-13 and 2013-14, the collecting banks did not credit interest of ` 7.29 crore for delayed transfer of collected revenue in to Government account.

**(Paragraph 4.3.19.1)**

The total number of registered vehicles upto March 2014 in the State was 34,51,564 which included 9,09,001 vehicles more than 15 years old but the Department had no policy for phasing out of old vehicles.

**(Paragraph 4.3.20.1)**

Pollution testing centers were authorised for 11 districts only out of the 24 districts in the State. During the period 2009-10 to 2013-14, PUC certificates were issued to 4.09 lakh vehicles against 8.84 lakh newly registered vehicles. The Department had no information of vehicles plying with or without PUC. Pollution checking equipments like smoke meter, gas analyser etc. were not provided to transport officials.

**(Paragraphs 4.3.20.2 and 4.3.20.3)**

Motor Vehicle Inspectors realised revenue of ` 27.67 crore including service tax on account of fitness of vehicles, but service tax amounting to ` 3.07 crore was not deposited under the head “0044-Service Tax”.

**(Paragraph 4.3.22)**

### 4.3.1 Introduction

Motor Vehicles Department was established in 1972-73 in the State (erstwhile Bihar state) under the provisions of Motor Vehicles Act, 1939 replaced by Motor Vehicles Act, 1988. On creation of State of Jharkhand with effect from 15 November 2000 the existing Acts, Rules and executive instructions of the State of Bihar were adopted by the State of Jharkhand. The levy and collection of Motor Vehicles tax and fee in the State is governed by the Jharkhand Motor Vehicles Taxation (JMVT) Act, 2001, rules made thereunder (Jharkhand Motor Vehicles (JMV) Rules, 2001), Motor Vehicles (MV) Act, 1988 and Bihar Financial Rules (as adopted by Government of Jharkhand).

The main function of the Department is to issue Driving Licence, Certificate of Registration, Certificate of Fitness, Trade Certificate, National Permit, Contract Carriage Permit, Stage Carriage Permit etc. to ensure greater control, quick monitor and provide better citizen services, the Department implemented *VAHAN* and *SARATHI* softwares in August 2004. *VAHAN* dealt with Registration, Taxation and Permit of vehicles and *SARATHI* issued Learner Licence, Driving Licence and Conductor Licence. The working of *SARATHI* was satisfactory and fees were levied as per prescribed norms.

Tax is realised once for 15 years in case of personalised vehicles while for commercial vehicles, it is realised each year, at the option of the vehicle owner to pay it every quarter, half yearly or annually. Motor vehicle tax so collected is deposited in the Government exchequer under the major head of account- "0041 Taxes of vehicles". Total number of vehicles registered upto March 2014 was 34,51,564 out of which 9,09,001 were 15 years old.

Jharkhand State Pollution Control Board was constituted under Section 4 of the Water (Prevention and Control of Pollution) Act, 1974 and started functioning from December 2001.

### 4.3.2 Organisational set up

At the apex level, the Transport Commissioner (TC), Jharkhand is responsible for administration of the Acts and Rules in the Transport Department. He is the head of Motor Vehicle Department and deals with all matters of policy and also acts as Chief Executive Officer of the State Transport Authorities. He is assisted by a Joint Transport Commissioner at the Headquarters. The State has been divided into four regions<sup>4</sup> headed by Regional Transport Officer (RTOs) who function as Secretaries of the Regional Transport Authorities (RTAs). The regions have further been divided into 24 transport districts<sup>5</sup>, controlled by District Transport Officers (DTOs), who are licencing, registering and taxing authorities, responsible for levy and collection of tax. They are assisted by the Enforcement Wing, nine check posts<sup>6</sup> and Motor Vehicle Inspectors

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<sup>4</sup> Dumka, Hazaribag, Palamu and Ranchi.

<sup>5</sup> Bokaro, Chaibasa, Chatra, Deoghar, Dhanbad, Dumka, Garhwa, Giridih, Godda, Gumla, Hazaribag, Jamshedpur, Jamtara, Khunti (Notified in March 2015), Koderma, Latehar, Lohardaga, Palamu, Pakur, Ramgarh (Notified in April 2015), Ranchi, Sahebganj, Saraikela-Kharsawan and Simdega.

<sup>6</sup> Bahragora (East Singhbhum), Bansjore (Simdega), Chas More (Bokaro), Chauparan (Hazaribag), Chirkunda (Dhanbad), Dhulian (Pakur), Manjhatoli (Gumla), Meghatari (Koderma) and Murisemar (Garhwa).

(MVIs) who are responsible to inspect the vehicles and also to issue certificates of fitness to transport vehicles.

### **4.3.3 Audit objectives**

We conducted the Performance Audit to ascertain whether:

- the system for levy and collection of Government revenue was adequate to enforce the provisions of Acts, Rules and departmental instructions;
- pollution standards specified for motor vehicles were strictly adhered to; and
- internal control measures in the Department were effective for enforcement of laws, rules and departmental instructions to safeguard evasion of revenue.

### **4.3.4 Audit criteria**

We conducted the Performance Audit with reference to the provisions made under the following Acts and Rules:

- Motor Vehicle Act, 1988;
- Central Motor Vehicle Rules, 1989;
- Jharkhand Motor Vehicle Taxation Act, 2001;
- Jharkhand Motor Vehicle Taxation Rules, 2001;
- Jharkhand Motor Vehicles Rules, 2001; and
- Departmental instructions.

### **4.3.5 Audit scope and coverage**

The Performance Audit covering the working of Transport Department with a view to ascertain the efficiency and effectiveness of the Transport Department in ensuring levy/collection of the taxes/fees in accordance with the provisions of the Act/Rules and compliance with pollution standards during the period 2009-10 to 2013-14 was conducted between October 2014 and June 2015. We selected 11 District Transport Offices<sup>7</sup> out of 24 District Transport Offices alongwith office of the Transport Commissioner, Jharkhand, Ranchi for the Performance Audit. Out of 11 District Transport Offices, five were selected on higher revenue collection and six on the basis of random sampling method without replacement.

### **4.3.6 Audit methodology**

We test checked taxation register, registration register, trade tax register/files, permit register, bank statement, certificate of fitness register, recording of present address register etc. in selected districts and in the office of the Transport commissioner. Further, we obtained the computerised data of the selected District Transport Offices, from the National Informatics Centre (NIC), Jharkhand State Unit, Ranchi. The computerised data was cross-checked with manual records maintained in the districts.

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<sup>7</sup> Bokaro, Dhanbad, Dumka, Garhwa, Godda, Hazaribag, Jamshedpur, Lohardaga, Pakur, Palamu and Ranchi.

An entry conference was held on 09 February 2015 with the Secretary, Transport Department, Government of Jharkhand in which the audit objectives, scope of audit and its methodology was discussed in detail. An exit conference was held on 10 August 2015 with the Secretary, Transport Department, Government of Jharkhand in which the findings, conclusion and recommendations of the Performance Audit were discussed. The views of Government/Department have been incorporated in the report.

#### 4.3.7 Acknowledgement

Indian Audit and Accounts Department acknowledges the co-operation of the Transport Department, Jharkhand State Pollution Control Board and the NIC, Jharkhand State Unit, Ranchi in providing necessary information and records for audit.

#### 4.3.8 Revenue contribution of Transport Department

Receipts under the Major Head '0041-Taxes on Vehicles' consist of tax, additional motor vehicles tax, fees and penalties.

According to the provisions of the Bihar Financial Rules (BFR), Vol.-I, as adopted by the Government of Jharkhand, the responsibility for the preparation of estimates of revenue vests with the Finance Department (FD). The Secretary of Transport Department is responsible for compilation of the correct estimates and sending it to Finance Department on the date fixed by the later.

Actual receipts under the Major Head-'0041 Taxes on Vehicles' against revised estimates (REs) during the period 2009-10 to 2013-14 along with total tax revenue and total revenue of the state during the same period is exhibited in the **Table – 4.3.8**.

**Table – 4.3.8**

(` in crore)

| Year    | Revised estimates | Actual receipts | Total tax revenue of the State | Total revenue of the State | Percentage of variation (col. 2 to 3) | Percentage contribution by Taxes on vehicles to total revenue of the State (col. 3 to 5) | Percentage contribution by Taxes on vehicles to tax revenue of the State (col. 3 to 4) |
|---------|-------------------|-----------------|--------------------------------|----------------------------|---------------------------------------|--|--|
| 1       | 2                 | 3               | 4                              | 5                          | 6                                     | 7  | 8  |
| 2009-10 | 500.00            | 234.21          | 4,500.12                       | 6,754.27                   | (-) 53                                | 3.47   | 5.20   |
| 2010-11 | 440.00            | 312.37          | 5,716.63                       | 8,519.52                   | (-) 29                                | 3.67   | 5.46   |
| 2011-12 | 356.00            | 391.92          | 6,953.89                       | 9,992.11                   | (+) 10.09                             | 3.92   | 5.64   |
| 2012-13 | 550.00            | 465.36          | 8,223.67                       | 11,759.30                  | (-) 15.39                             | 3.96   | 5.66   |
| 2013-14 | 639.40            | 494.79          | 9,379.79                       | 13,132.50                  | (-) 22.62                             | 3.77   | 5.28   |

Source: Finance Account, Government of Jharkhand and the revised estimates as per the statement of Revenue and Receipts of Government of Jharkhand.

The above table indicates that the Department could not achieve the revised budget estimates except during 2011-12. However, the actual receipts increased by 111.26 *per cent* during 2013-14 as compared to 2009-10. The shortfall in actual compared to the revised budget estimates ranged between 53 *per cent* and 15.39 *per cent* during the period 2009-10 and 2013-14. In response of our query regarding preparation of budget estimates the

Department stated (June 2015) that the budget estimates were prepared by the Finance Department.

#### 4.3.9 Arrears pending collection

Under the provisions Section 21 of the JMVT Act, 2001 any tax, fee and penalty may be recovered in the same manners as arrears of land revenue. As per Board of Revenue's instructions under the Public Demand Recovery Act, 1914, the Requisition Officer and the Certificate Officer are jointly responsible for the punctual disposal of certificate cases and are bound to bring to each other's notice and if necessary to the Collector for undue delay in executing the certificate.

Details of certified arrears were called for from selected District Transport Offices and Transport Commissioner Office. According to the information furnished (between November 2014 and June 2015), the position of certified arrears and their disposal during the period 2009-10 to 2013-14 is given in the **Table – 4.3.9**.

**Table – 4.3.9**

| Year         | Opening balance |        | Addition during the year |              | Disposal during the year |             | Closing balance |        | Percentage of disposal |
|--------------|-----------------|--------|--------------------------|--------------|--------------------------|-------------|-----------------|--------|------------------------|
|              | Case            | Amount | Case                     | Amount       | Case                     | Amount      | Case            | Amount |                        |
| 2009-10      | 20,214          | 107.05 | 570                      | 2.70         | 82                       | 0.69        | 20,702          | 109.06 | 0.41                   |
| 2010-11      | 20,702          | 109.05 | 256                      | 1.02         | 59                       | 0.24        | 20,899          | 109.84 | 0.28                   |
| 2011-12      | 20,899          | 109.82 | 1,233                    | 10.02        | 76                       | 0.96        | 22,056          | 118.88 | 0.36                   |
| 2012-13      | 22,056          | 118.88 | 509                      | 1.83         | 242                      | 0.57        | 22,323          | 120.14 | 1.10                   |
| 2013-14      | 22,323          | 120.14 | 779                      | 3.12         | 210                      | 1.03        | 22,892          | 122.23 | 0.94                   |
| <b>Total</b> |                 |        | <b>3,347</b>             | <b>18.69</b> | <b>669</b>               | <b>3.49</b> |                 |        |                        |

(` in crore)

The above table indicates that the disposal of certificate cases was very poor which ranged from 0.28 to 1.10 *per cent*. We further observed that even though the Department vested the responsibility of Certificate Officers to the District Transport Officers in August 2013, the disposal of cases during the year 2013-14 had not increased. Age-wise break up of certified arrear, though called for (June 2015) had not been furnished by the Department (October 2015). However, certified arrear of the Department as on 31 March 2015 was ` 215.34 crore as mentioned in paragraph 1.2 of this report.

After we pointed out the matter (between November 2014 and June 2015) the DTOs (between November 2014 and June 2015) stated that action would be taken for speedy disposal of certificate cases. The Transport Secretary assured (August 2015) that dedicated retired officers would be deployed for disposal of certificate cases. Further reply has not been received (October 2015).

**We recommend that the Government should take appropriate steps to reduce the arrears by fixing the target for recovery for all field units.**

#### Audit Findings

We reviewed the working of Transport Department and noticed that in the selected districts 11,46,256 new vehicles were registered during the period. Major irregularities were noticed in respect of 1,172 personalised vehicles out of 10,653, in 2,781 transport vehicles out of 20,151 and in 2,593 trailers out of

5,970 test checked. These deficiencies alongwith others are discussed in the succeeding paragraphs.

## **Non-levy of tax**

### **4.3.10 Non-levy of one-time tax on personalised vehicles**

**One-time tax and penalty from 1,178 personalised vehicles was not levied.**

**4.3.10.1** One-time tax and penalty of ` 3.06 crore, though leviable on the defaulting personalised vehicle with seating capacity of six to 10, was not levied by the District Transport Officers.

We noticed from test check of the Taxation Register and the computerised data in selected District Transport Offices between June 2014 and June 2015 that in case of 1,172 out of 10,653 private vehicles whose tax validity expired between July 2005 and November 2014. In none of these cases, change of address of the owners under Section 9 of the JMVT Act, 2001 or the cancellation of registration under Section 55 of MV Act, 1988 was found on records. The DTOs neither reviewed the DCB Registers periodically nor the software had provisions for auto generation of demand notice to defaulters. This resulted in non-levy of one-time tax of ` 2.92 crore including interest of ` 1.26 crore as provided in Section 2(g) of the Jharkhand Motor Vehicles Taxation (Amendment) Act, 2011 and Section 7 of JMVT Act, 2001. Besides, tax of ` 14.45 lakh including penalty of ` 9.63 lakh upto 22 May 2011 was also leviable under Section 5 of JMVT Act, 2001 and Rule 4 of the JMVT Rules, 2001.

**4.3.10.2** We noticed (February 2015) in District Transport Office, Pakur that in case of 6 out of 118 personalised vehicles test checked, with seating capacity of 6 to 10 seats, instead of one-time tax, yearly tax of ` 37,374 was realised from the vehicle owners. This resulted in short levy of Government revenue of ` 1.03 lakh, including interest of ` 22,900.

After we pointed out the cases (between November 2014 and June 2015), six DTOs<sup>8</sup> intimated (August 2015) that demand notices had been issued against defaulter vehicle owners and four DTOs<sup>9</sup> realised an amount of ` 22.73 lakh in 88 cases. The Transport Secretary directed (August 2015) the DTOs to identify heavy defaulter and start intensive drive for realization of arrear taxes. Further reply has not been received (October 2015).

### **4.3.11 Incorrect determination of seating capacity**

**Fixation of seating capacity of public service vehicles was not done as per their wheelbase leading to short levy of taxes of ` 12.22 lakh.**

We test checked the registration register and taxation register alongwith verification of the computerised data of selected districts and noticed in eight District Transport Offices<sup>10</sup> between June 2014 and June 2015 that out of

<sup>8</sup> Bokaro, Dhanbad, Garhwa, Jamshedpur, Palamu and Ranchi.

<sup>9</sup> Dhanbad, Jamshedpur, Palamu and Ranchi.

<sup>10</sup> Bokaro, Dumka, Garhwa, Godda, Hazaribag, Jamshedpur, Palamu and Ranchi.

1,304 transport vehicles test checked, 160 vehicles paid taxes for the period from May 2011 to March 2015 adopting seating capacity lower than the seating capacity as per their wheelbase. The Act provides that taxes shall be paid by the owner of a public service vehicle on the basis of seating capacity determined on the criteria of wheelbase. This indicated that the DTO did not enforce the provisions of Section 7(3) of the JMVT (Amendment) Act, 2011 during realisation of tax from public service vehicles which resulted in short levy of taxes amounting to ₹ 12.22 lakh.

After we pointed out the cases (between June 2014 and June 2015), the five DTOs<sup>11</sup> intimated (August 2015) that demand notice for differential tax had been issued and DTO, Palamu intimated (August 2015) recovery of ₹ 41,980 in nine cases. Further reply has not been received (October 2015).

#### **4.3.12 Wheelbase of public service vehicles not recorded**

We test checked registration register alongwith verification of facts in computer system of selected districts and noticed in seven District Transport Offices<sup>12</sup> between January and May 2015 that out of 2,916 public service vehicles test checked, wheelbase of 1,330 public service vehicles was not recorded in the computer system. In absence of wheelbase, correct determination of seating capacity could not be ascertained as well as this indicated weak internal control mechanism on the part of the Department.

After we pointed out the cases (between January and May 2015), the DTOs stated (between January and May 2015) that necessary instructions would be given to computer operators in these regard. Further reply has not been received (October 2015).

#### **4.3.13 Non-categorisation of public service vehicles**

**Categorisation of public service vehicles as express, semi-deluxe, deluxe and AC deluxe bus was not made after four years of enforcement of the Act.**

We noticed (April 2015) during review of the policies made by the department that classification of public service vehicles has not yet been made though the provision came into effect from 23 May 2011. Section 7(3) of the JMVT (Amendment) Act, 2011 provided for fixation of seating capacity of public service vehicles on their wheelbase. Further, buses were to be classified as express, semi-deluxe, deluxe and AC deluxe bus on the basis of age of the vehicles and passenger amenities and taxed accordingly so as to generate additional revenue. The adjoining States, Chhatisgarh, Madhya Pradesh and Bihar have categorised the public service vehicles and taxing accordingly. Further, Section 5 of the JMVT Act, 2001 provides that every owner of a transport vehicle is required to pay road tax and additional motor vehicles tax at the rates specified therein.

After we pointed out the matter (April 2015), The Transport Secretary stated in exit conference (August 2015) that notification for categorisation of buses

<sup>11</sup> Bokaro, Garhwa, Jamshedpur, Palamu and Ranchi.

<sup>12</sup> Bokaro, Dumka, Garhwa, Hazaribag, Lohardaga, Palamu and Ranchi.

would be issued with concurrence of the Cabinet. Further reply has not been received (October 2015).

**We recommend that the Government should make the field of wheelbase mandatory in the software and categorise public service vehicles on the basis of age and passenger amenities.**

#### **4.3.14 Non-assignment of local registration mark**

**Vehicles arrived from other States were not assigned local registration mark of the State leading to non-levy of revenue of ` 16.42 lakh.**

We noticed from scrutiny of tax position of transport vehicles of selected districts between November 2014 and June 2015 that out of 3,297 transport vehicles test checked, 2,774 vehicles remained in the district for a period beyond 12 months with registration number of previous States without being assigned local registration mark contrary to the provisions of Section 47 of the MV Act, 1988 and Rules made thereunder. The Act states that when a motor vehicle registered in one State and has been kept in another State, for a period exceeding 12 months, the owner shall apply to new registering authority for the assignment of a new registration mark. If the owner fails to apply within 12 months, he is required to pay a fine, which extends to ` 100 for the first and ` 300 for second or subsequent offences. No action was taken by the DTOs to assign local registration mark to vehicles migrated from other States. This indicated lack of monitoring on the part of DTOs to identify such vehicles which resulted in non-levy of revenue in the shape of fees ` 13.64 lakh and fine ` 2.77 lakh.

After we pointed out the cases (between November 2014 and June 2015), the DTOs stated (between November 2014 and June 2015) that concerned vehicle owners would be instructed for getting local registration marks through local newspaper/media, while six DTOs<sup>13</sup> had given notice through Press Communique in this regard. Further reply has not been received (October 2015).

#### **4.3.15 Non-renewal of certificate of registration**

**Certificates of registration of private vehicles were not renewed after expiry of their validity resulting in non-levy of ` 36.02 lakh.**

We noticed from test check of registration register alongwith computerised data between October 2014 and June 2015 in selected districts that 1,051 out of 1,191 personalised vehicles test checked did not apply for renewal of registration after their validity. Under the provisions of Section 41(7) of the MV Act, 1988 a certificate of registration, other than a transport vehicle, shall be valid for a period of 15 years from the date of issue of such certificate and shall be renewable for next five years. Rule 52 of the CMV Rules, 1989, provides that an application for renewal of certificate of registration shall be made to the Registering Authority in Form-25 accompanied by appropriate fee as specified in Rule 81 and tax appended to Schedule I (Part A) under Section 7 of the JMVT Act, 2001. In none of these cases, change of address of the

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<sup>13</sup> Bokaro, Dhanbad, Garhwa, Jamshedpur, Palamu and Ranchi.

owners under Section 9 of the JMVT Act, 2001 or the cancellation of registration under Section 55 of the MV Act, 1988 was found on record. The office did not issue notice to the concerned owners to apply for renewal of certificate of registration. This resulted in non-levy of Government revenue of ₹ 36.02 lakh in shape of tax alongwith registration fee and fitness fee.

After we pointed out the cases (between October 2014 and June 2015), the DTOs stated (between October 2014 and June 2015) that vehicle owners would be intimated through local newspaper/media for renewal of registration of vehicles whose registration validity have expired, while six DTOs<sup>14</sup> had given notice through Press Communique in this regard. The Transport Secretary directed the DTOs to start intensive drive for realization of arrear taxes (August 2015). Further reply has not been received (October 2015).

**We recommend that the Government may consider periodic review of registered personalised vehicles to identify vehicles whose registration validity have expired.**

## **Collection of taxes**

### **4.3.16 Non-collection of taxes on transport vehicles**

**Tax and penalty of ₹ 23.11 crore, though realisable from the defaulting vehicle owners, was not collected by the District Transport Officers.**

We noticed from test check of the Taxation Register, DCB Registers, Surrender Registers and the computerised data in selected districts between June 2014 and June 2015 that the owners of 2,781 vehicles out of 20,151 vehicles test checked did not pay tax for the period between June 2009 and June 2015. In none of these cases, change of address of the owners under Section 9 of the JMVT Act, 2001 or surrender of documents for securing exemption from payment of tax under Section 17 was found on record. As such, they were liable to pay tax and penalty under Section 5 and Rule 4 of the JMVT Rules, 2001. The DTOs also did not update the DCB Register periodically as per Rule 23 of JMVT Rules, 2001, as such they did not have the details of the number of defaulting vehicle owners and taxes to be realised from them. The District Transport Officers neither raised demand for tax and penalty against the defaulting vehicle owners nor the software had provision for auto generation of demand notices resulting in non-levy of tax of ₹ 23.11 crore including penalty of ₹ 15.40 crore.

After we pointed out the cases (between June 2014 and June 2015), six DTOs<sup>15</sup> intimated (August 2015) that demand notices had been issued against defaulting vehicle owners and ₹ 96.02 lakh had been realised in 154 cases by four DTOs<sup>16</sup>. The Transport Secretary instructed the DTOs to identify heavy defaulters and start intensive drive against them for realisation of arrear taxes (August 2015). Further reply has not been received (October 2015).

<sup>14</sup> Bokaro, Dhanbad, Garhwa, Jamshedpur, Palamu and Ranchi.

<sup>15</sup> Bokaro, Dhanbad, Garhwa, Jamshedpur, Palamu and Ranchi.

<sup>16</sup> Bokaro, Dhanbad, Jamshedpur and Ranchi.

#### 4.3.17 Non-collection of taxes on trailers

**Tax and penalty of ` 3.40 crore, though realisable from the defaulting trailer owners, was not realised by the District Transport Officers.**

We noticed from test check of the Taxation Register and the computerised data in selected districts between June 2014 and June 2015 that the owners of 2,593 trailers out of 5,970 trailers test checked did not pay tax for the period between March 2010 and March 2015. In none of these cases, change of address of the owners under Section 9 of the JMVT Act, 2001 was found on record. As such, they were liable to pay tax and penalty under Section 5 and Rule 4 of JMVT Rules, 2001. The DTOs also did not update the DCB Register periodically as per Rule 23 of JMVT Rules, 2001, as such they did not have the details of the number of defaulting trailer owners and taxes to be realised from them. Failure of the Department to enforce the provisions of the Act/Rules resulted in non-levy of tax of ` 3.40 crore including penalty of ` 2.27 crore. Moreover, these defaulter vehicles were plying on road without fitness certificate thereby not complying with pollution standards.

After we pointed out the cases (between June 2014 and June 2015), six DTOs<sup>17</sup> intimated (August 2015) that demand notices had been issued against defaulting vehicle owners and ` 11.30 lakh had been realised in 90 cases by four DTOs<sup>18</sup>. The Transport Secretary instructed (August 2015) the DTOs to identify heavy defaulters and start intensive drive against them for realization of arrear taxes. He further stated that one time tax for 5/10 years would be proposed. Further reply has not been received (October 2015).

**We recommend that the Government may institute a mechanism for periodic review of DCB register to monitor collection of revenue from defaulter vehicles.**

#### 4.3.18 Non-renewal of authorisation of National Permit

**Subsequent authorisation during currency of national permits of transport vehicles was not made which resulted in non-realisation of consolidated fee and authorisation fee of ` 40.95 lakh.**

We noticed in April 2015 from the National Permit Register in the office of the Transport Commissioner, Jharkhand that in 138 cases out of 1,980 cases test checked, subsequent authorisation for national permit for the period between April 2011 and March 2014 was not renewed during the periodicity of permits as laid down in Section 81 of the MV Act, 1988 and Rule 87 of the CMV Rules, 1989. The authorisation is a continuous process which is to be renewed each year unless the permit expires or is surrendered by the permit holder. There was nothing on record that the validity of permits of these vehicles had expired or surrendered their permits. We also observed that there was absence of mechanism for monitoring of the subsequent authorisation during currency of national permits in the office of the Transport Commissioner. Further, the owner of the vehicle, having national permit have to pay authorisation fee along with consolidated fee annually to operate

<sup>17</sup> Bokaro, Dhanbad, Garhwa, Jamshedpur, Palamu and Ranchi.

<sup>18</sup> Bokaro, Dhanbad, Jamshedpur and Ranchi.

throughout the country. This resulted in non-realisation of consolidated fee and authorisation fee of ` 40.95 lakh (Consolidated fee of ` 38.60 lakh and authorisation fee of ` 2.35 lakh).

After we pointed out the cases (April 2015), the Department stated (April 2015) that concerned Regional Transport Authorities have been instructed to issue demand notices for realisation of arrears. Further reply has not been received (October 2015).

**The Government may institute a mechanism for monitoring of subsequent authorisation during currency of national permits.**

#### **4.3.19 Irregularities in transaction with Bank**

##### **4.3.19.1 Non-realisation of interest due to delay in deposit of revenue collected by banks**

**The collecting bank did not credit interest of ` 7.29 crore for delayed transfer of collected revenue into Government account.**

We test checked of bank statements of remittances of revenue collected in selected districts and noticed between June 2014 and June 2015 in the office of Transport Commissioner, Jharkhand and eight District Transport Offices<sup>19</sup> that the collecting banks i.e. Bank of India, Punjab National Bank, State Bank of India and Hazaribag Central Co-operative Bank did not credit a sum of ` 751.26 crore for year 2012-13 to 2013-14 into SBI, Doranda Branch, for credit into Government Account within the prescribed time, contrary to the provisions of Rule 37 of the Bihar Financial Rules (adopted by the Government of Jharkhand) and instructions of Transport Commissioner, Jharkhand (January 2001) and thus liable to pay penal interest of ` 7.29 crore as per instructions of the Reserve Bank of India (RBI). The delay ranged from one month to 11 months. This indicated that the Department did not monitor and also did not effectively pursue the matter of payment of interest with the collecting banks.

After we pointed out the cases (between June 2014 and June 2015), the Under Secretary and DTOs stated between (June 2014 and June 2015) that correspondence with bank authorities would be made for realisation of interest. The Transport Secretary directed (August 2015) the DTOs to keep periodical watch over the transfer of Government revenue by bank. Further reply has not been received (October 2015).

##### **4.3.19.2 Time barred bank draft**

**A sum of ` 88.33 lakh received from vehicle owners through bank draft became time-barred.**

We reviewed the bank statement furnished for the years 2013-14 by banks in selected districts and noticed in April 2015 that in the office of the Transport Commissioner, Jharkhand a sum of ` 88.33 lakh receipted from vehicle owners through bank draft became time-barred. As per RBI guidelines with

<sup>19</sup> Bokaro, Dhanbad, Dumka, Garhwa, Hazaribag, Lohardaga, Pakur and Ranchi.

effect from April 1, 2012, the validity of period of Cheques Demand Drafts, Pay Orders and Banker's Cheques has been reduced from six months to three months, from the date of issue of the instrument. The office did not verify the due amount actually credited into the Government account. There was no mechanism to detect time barred bank drafts and amount involved therein as bank draft register was not maintained. Thus, failure to exercise internal control mechanism by the office resulted in non-credit of ₹ 88.33 lakh into Government account.

After we pointed out the matter (April 2015), the Under Secretary stated (April 2015) that necessary steps would be taken. The Transport Secretary stated (August 2015) that time barred drafts would be revalidated. Further reply has not been received (October 2015).

#### 4.3.20 Vehicular pollution

**There was an overall increase of 62.20 per cent in number of vehicles registered during 2009-10 to 2013-14.**

We noticed from scrutiny of data received from Transport Commissioner, Jharkhand of the selected districts that there was an overall increase of 62.20 per cent in number of vehicles registered during 2009-10 to 2013-14, detailed in the **Table – 4.3.20(i)**.

**Table – 4.3.20(i)**

| year         | No. of vehicles registered | Percentage increase with respect to 2008-09 |
|--------------|----------------------------|---|
| 2008-09      | 1,57,697                   | --  |
| 2009-10      | 1,89,050                   | 19.88                                       |
| 2010-11      | 2,30,214                   | 45.99                                       |
| 2011-12      | 2,30,611                   | 46.24                                       |
| 2012-13      | 2,40,599                   | 52.57                                       |
| 2013-14      | 2,55,782                   | 62.20                                       |
| <b>Total</b> | <b>11,46,256</b>           |   |

The JSPCB measures concentrations of foreign substances in the air at various location of Jharkhand. The constituent of Sulphur Dioxide (SO<sub>2</sub>), Nitrogen Dioxide (NO<sub>2</sub>) and Respirable Suspended Particulate Matter (RSPM) in four districts<sup>20</sup> compare to Nation Ambient Air Quality Standards (NAAQS) are depicted in the **Table – 4.3.20(ii)**.

**Table – 4.3.20(ii)**

| Name of district | Sampling date | SO <sub>2</sub><br>(in µg/m <sup>3</sup> ) | NO <sub>2</sub><br>(in µg/m <sup>3</sup> ) | RSPM<br>(in µg/m <sup>3</sup> ) |
|------------------|---------------|--|--|---------------------------------|
| NAAQS            |               | 80.00                                      | 80.00                                      | 100.00                          |
| Dhanbad          | 27.06.2014    | 13.16                                      | 32.15                                      | 218.13                          |
| Hazaribag        | 27.03.2014    | 24.00                                      | 32.25                                      | 118.46                          |
| Jamshedpur       | 29.03.2014    | 49.76                                      | 58.20                                      | 170.16                          |
| Ranchi           | 27.03.2014    | 19.60                                      | 31.90                                      | 217.00                          |

Source: Jharkhand State Pollution Control Board.

RSPM values have exceeded the NAAQS (100µg/m<sup>3</sup>), SO<sub>2</sub> and NO<sub>2</sub> are within the limit. One of the reasons for high level of RSPM may be due to increase in number of vehicles.

<sup>20</sup> Dhanbad, Hazaribag, Jamshedpur and Ranchi.

After we pointed out the matter (April 2015), the Department stated that enforcement, traffic and transport officers were directed to keep watch over polluting vehicles but necessary apparatus for checking of smoke emission of vehicles were not provided to them. The Department also accepted that no public awareness programme on vehicular pollution was organised by the Department.

#### **4.3.20.1 Non-phasing out of old vehicles**

**The Department had no policy to discourage plying of old vehicles to check vehicular pollution.**

The old vehicles are more prone to emit larger quantity of vehicular pollutants. It was noticed that total number of registered vehicles upto March 2014 in the State was 34,51,564 which included 9,09,001 vehicles more than 15 years old. Some of the States like Bihar and Delhi have adopted measures to phase out old vehicles by levying additional tax (Green Tax) and provide fiscal incentives and interest subsidy on loans for purchase of new vehicles. We observed that the Department had not adopted any policy to discourage plying of old vehicles to check vehicular pollution, instead the Act provides for rebate of 10 to 30 *per cent* on additional motor vehicles tax to old vehicles.

After we pointed the matter (April 2015), the Department stated (April 2015) that no such policy had been adopted by the Department to discourage plying of old vehicles on road. The Transport Secretary stated (August 2015) that proposal for levy of green tax was being worked out. Further reply has not been received (October 2015).

**We recommend that the Government may consider to adopt policy to discourage plying of old vehicles.**

#### **4.3.20.2 Lack of information of polluting vehicles**

**There was no database of Vehicles having pollution certificates. The transport offices have no information of vehicles plying with or without PUC.**

Under the provisions of Rule 115(7) of the CMV Rules, 1989, every registered motor vehicle shall carry a valid 'Pollution under control' (PUC) certificate issued by agencies authorised for this purpose by the State Government after the expiry of a period of one year from the date on which the motor vehicle was first registered. The validity of the certificate shall be for six months. Pollution Testing Centre are authorised on payment of security deposit of ` 10,000 and fee of ` 2,000 (Rule 252 D of the JMV Rules, 2001). These centres issue pollution under control certificate on payment of prescribed fee in Form P.C. in respect of vehicle if the standard of pollution in relation to such vehicle is found within the prescribed limit under Rule 115 (2).

We noticed that the Department had authorised 39 private pollution testing centers in 11 districts of the State and the rest 13 districts had no centre. Out of selected districts, there were 30 pollution testing centers authorised in seven

districts<sup>21</sup> only. The Rules does not have provision for submission of report/returns regarding PUC certificate to the concerned transport offices. Further, 24 working centers had reported that 4.42 lakh vehicles were checked during the period from 2009-10 to 2013-14 and 4.09 lakh PUC certificate were issued. During the same period 8.84 lakh new vehicles were registered in these districts. Thus, the transport offices did not have any information of vehicles plying with or without PUC.

After we pointed out the matter (between October 2014 and June 2015), the DTOs stated (between October 2014 and June 2015) that there was no database of vehicles having PUC certificate and these centers did not furnish any report to the concerned transport offices. The Transport Secretary stated (August 2015) that advertisement for commissioning of pollution centers had been made and possibility of introduction of CNG/LPG fuel was also being explored. Further reply has not been received (October 2015).

**We recommend that the Government may consider to make mandatory field of PUC certificate in VAHAN software and ensure establishment of pollution testing centres in all the districts of the State.**

#### 4.3.20.3 Non-strengthening of traffic police

**Inadequate manpower and lack of pollution checking equipment affected the work of traffic police.**

To nab the violators of vehicular emission norms, Traffic Police requires sufficient number of manpower and pollution checking equipments.

We noticed from scrutiny of data furnished by Deputy Superintendent of Police (Traffic), Dhanbad and Bokaro that pollution checking equipments like smoke meter, gas analyser, breath analyser, smart card reader etc. were not provided to them. Non-providing of anti-pollution mask for traffic police personnel were also of alarming safety concern. The Traffic police was also inadequately staffed, as detailed in the **Table – 4.3.20.3**.

**Table – 4.3.20.3**

| Sl. No.      | District | Dy. SP   |          | Sergeant Major |          | SI/ASI    |           | Jamadar   |          | Hawaldar /Constable |            | Driver    |           | Total        |            |
|--------------|----------|----------|----------|----------------|----------|-----------|-----------|-----------|----------|---------------------|------------|-----------|-----------|--------------|------------|
|              |          | SS       | MIP      | SS             | MIP      | SS        | MIP       | SS        | MIP      | SS                  | MIP        | SS        | MIP       | SS           | MIP        |
| 1            | Bokaro   | 1        | 1        | 4              | 4        | 9         | 9         | 6         | 6        | 250                 | 85         | 4         | 4         | 274          | 109        |
| 2            | Dhanbad  | 1        | 1        | 4              | 3        | 9         | 6         | 6         | 0        | 250                 | 129        | 4         | 2         | 274          | 141        |
| 3            | Ranchi   | 2        | 2        | -              | -        | 9         | 7         | -         | -        | 639                 | 259        | 5         | 5         | 655          | 273        |
| <b>Total</b> |          | <b>4</b> | <b>4</b> | <b>8</b>       | <b>7</b> | <b>27</b> | <b>22</b> | <b>12</b> | <b>6</b> | <b>1,139</b>        | <b>473</b> | <b>13</b> | <b>11</b> | <b>1,203</b> | <b>523</b> |

As clear from the above table, there was shortage of 680 Traffic Police in Bokaro, Dhanbad and Ranchi. Out of the selected districts, two districts, Hazaribag and Jamshedpur had not provided the sanctioned strength of Traffic Police.

Lack of pollution checking equipment and inadequate manpower in traffic police led to ineffective action on vehicles not following the emission norms.

**We recommend that the Government may consider deployment of adequate traffic personnel along with required equipment to effectively monitor pollution standards.**

<sup>21</sup> Bokaro, Dhanbad, Dumka, Hazaribag, Jamshedpur, Palamu and Ranchi.

### 4.3.21 Internal control mechanism

The department is required to institute an internal control mechanism for its efficient and cost effective functioning by ensuring proper enforcement of laws, rules and departmental instructions. The internal control also help in creation of reliable financial and management information system for prompt and efficient decision making and adequate safeguard against non/short collection and evasion of revenue. The internal controls instituted should also be reviewed and updated from time to time to maintain their effectiveness. Internal control includes internal audit, inspection by higher authorities and maintenance of prescribed registers.

#### 4.3.21.1 Non-formation of project monitoring units

**The Department could not monitor the work of computerisation due to non-formation of PMU.**

The Government of Jharkhand implemented *VAHAN* and *SARATHI* application in active collaboration with State Unit of NIC in August 2004 to ensure increase in Government revenue, provide better citizen services, enforce better control, monitor quick implementation of Government policies from time to time and provide instant information, if needed, to any other Government Departments. Further, as per the approved project proposal for computerisation of Department, a project monitoring unit (PMU) was to be created under the Transport Department for monitoring the implementation of this project by hiring suitable technical and non-technical manpower. NIC would extend technical support as and when required.

During the course of test check of records of the office of Transport Commissioner, we noticed in April 2015 that PMU was not created till the date of audit. It was also noticed (between November 2014 and June 2015) that there were following drawbacks in the prevailing software:

- The defaulter list generated by the software was not reliable as current tax payment status could not be fetched;
- Dealer-wise count of registered vehicles was not generated;
- The system exhibited incorrect validity of tax position at the time of renewal of RC; and
- Facility of auto generation of demand notices not provided.

The creation of PMU in time would have minimised the above deficiencies in the software. After we pointed out (June 2015) the matter, the Department stated (June 2015) that formation of PMU was under process. The Transport Secretary stated (August 2015) that PMU was being established in consultation with NIC, Jharkhand and would be functional in six months. Further reply has not been received (October 2015).

#### 4.3.21.2 Internal audit

**The Finance Department conducted internal audit in six transport offices during 2009-10 to 2013-14.**

Internal audit is generally defined as control of all controls as it is a means for an organisation to assure itself that the prescribed systems were functioning reasonably well.

As informed by the Transport Department, there is no internal audit wing of its own. However, the Finance Department acts as an internal auditor. The internal audit parties are required to conduct cent *per cent* audit of all account records. We called for the information from selected districts regarding internal audit conducted during 2009-10 to 2013-14. On the basis of information, it was found that Finance Department had not conducted audit for various financial years in five Transport Offices for the different period between 2009-10 and 2013-14, details in the **Table – 4.3.21.2**.

**Table – 4.3.21.2**

| Sl. No. | Name of Office  | Period due for audit by the Finance Department | Period audited by the Finance Department |
|---------|-----------------|--|--|
| 1       | 2               | 3  | 5  |
| 1       | DTO, Bokaro     | 2009-10 to 2013-14                             | NIL                                      |
| 2       | DTO, Dhanbad    | 2009-10 to 2013-14                             | 2009-10 and 2010-11                      |
| 3       | DTO, Dumka      | 2009-10 to 2013-14                             | NIL                                      |
| 4       | DTO, Garhwa     | 2009-10 to 2013-14                             | NIL                                      |
| 5       | DTO, Godda      | 2009-10 to 2013-14                             | 2009-10                                  |
| 6       | DTO, Hazaribag  | 2009-10 to 2013-14                             | NIL                                      |
| 7       | DTO, Jamshedpur | 2009-10 to 2013-14                             | 2009-10                                  |
| 8       | DTO, Lohardaga  | 2009-10 to 2013-14                             | 2009-10                                  |
| 9       | DTO, Pakur      | 2009-10 to 2013-14                             | 2009-10 and 2010-11                      |
| 10      | DTO, Palamu     | 2009-10 to 2013-14                             | 2009-10                                  |
| 11      | DTO, Ranchi     | 2009-10 to 2013-14                             | NIL                                      |

The report on internal audit had not been provided to us. Inadequate number of internal audit inspections resulted in the Department remaining unaware of the areas of malfunctioning in the system and therefore, not being able to take remedial action.

The Transport Secretary accepted (August 2015) that the auditors of Finance Department conduct the internal audit and there was no separate internal audit wing of the Department.

#### 4.3.21.3 Inspection by departmental officers

**There was no norm fixed for inspection of field offices by the departmental authorities.**

Inspection of the subordinate offices by the higher departmental authorities is an important tool to ensure proper functioning of the offices.

Information furnished by the selected offices revealed that during 2009-10 to 2013-14 inspection of these offices was not conducted by the departmental higher authorities. On our query regarding inspection of district offices, the

Department stated in June 2015 that there was no norm fixed for inspection of field offices by the departmental authorities.

#### **4.3.21.4 Non-maintenance of registers**

##### ***Demand collection and balance register***

Under the provisions of Rule 23 of the JMVT Rules, 2001, a taxation register in Form 'M' and a demand register in Form 'N' for transport vehicles shall be maintained by the taxing officers. Each vehicle will have separate page earmarked for it. The Demand register shall be updated on 1<sup>st</sup> October and 31<sup>st</sup> March each year to keep a watch over tax defaulting vehicles and raise demand notices against vehicle owners. Further, the Department had issued strict instructions in the light of audit observation in March 2000 and August 2005 to field offices to maintain and update Demand collection and balance registers.

We noticed between November 2014 and June 2015 from scrutiny of records of selected districts that Taxation register and Demand register were not being maintained/updated by the offices.

The Transport Secretary stated (August 2015) in the Exit conference that the datas were stored in the system. However, the authorities could not keep proper watch over the defaulting vehicles and failed to raise the demand notices promptly as discussed in paragraphs-4.3.16 and 4.3.17.

##### ***Bilateral agreement register***

As per the reciprocal agreement with Orissa (January 2003) and bilateral agreements with West Bengal (January 2003) and Bihar (April 2007), double point taxation system was adopted for public service vehicles. Under this system all vehicles operating in the other State shall be liable to pay all the taxes leviable in that State. As per terms of mutual inter-State agreements, the permit issuing authority after being satisfied that update tax has been paid, shall issue and countersign the permit of vehicle. Motor Vehicle Taxes in Jharkhand is levied under the provisions of Section 5 of the JMVT Act, 2001 and Rules made thereunder.

We noticed in April 2015 from scrutiny of records relating to vehicles plying under bilateral agreements in the office of Transport Commissioner that taxation register was not maintained to keep a watch on payment of taxes. Road tax and additional road tax is based on seating capacity and model of the vehicle but none of these details were recorded in the permit register. In absence of proper maintenance of registers, the office did not have information about tax due from defaulting vehicles. As such, the office failed to exercise the necessary checks to prevent defaulter vehicles from plying.

After we pointed out the matter (April 2015), the Department stated that necessary action would be taken in this regard. Further reply has not been received (October 2015).

#### **4.3.22 Non-deposit of service tax in appropriate head**

**The amount of service tax of ` 3.07 crore collected along with issue/renewal of fitness fee was deposited under head “0041-Taxes on vehicles” instead of “0044-Service Tax”.**

We test checked the certificate of fitness register maintained by Motor Vehicle Inspectors and noticed between November 2014 and June 2015 in selected District Transport Offices that during the years 2009-10 to 2013-14 total revenue realised on account of fitness of vehicles was ` 27.67 crore including service tax and cess of ` 3.07 crore. Under the provisions of service tax rules read with executive instruction of the Transport Commissioner, Jharkhand, Ranchi issued vide letter no. 125/06-1434 dated 02.12.2006 and 125/2006-385 dated 29.05.2007, service tax at the rate of 12 *per cent* and education cess at the rate of two *per cent* on service tax was leviable at the time of issue of certificate of fitness. The MVIs were directed to open a service tax registration number and deposit the collected amount of service tax under the head “0044-Service Tax. However, the amount collected as service tax was deposited under head “0041-Taxes on vehicles” instead of “0044-Service Tax”, which was irregular. We also noticed that the amount of service tax was levied at the rate of 12.50 *per cent* instead at the rate of 12.36 *per cent*.

Similar issue was pointed out in Paragraph 4.8.9.14 of the Audit Report (Revenue Receipts) for the year ending 31 March 2011, the Government instructed (November 2011) NIC to make change in the table structure so that the amount of service tax could be calculated separately and transferred to the appropriate head. However, nature of lapses are still persisting which point to weak internal control of the Department.

#### **4.3.23 Smart Card**

##### **4.3.23.1 Non-renewal of contract for smart card**

**The Department neither renewed/invited fresh tender of contract for issue of driving licence and certificate of registration in smart card nor discontinued the work of existing vendor.**

The Transport Department partially outsourced the computerised system under VAHAN and SARATHI application software by executing an agreement with M/s Venketesh Udyog and M/s AKS Smart Card Systems Ltd. on 16 September, 2004 for issuance of Smart card based Registration Certificate. The duration of contract was for five years from the date of first issuance of cards. The project was to be completed within 16 weeks after taking up the work in 18 districts of the State. As per term of contract the duration of contract varied from office to office. Later, the name of agency was changed to M/s Amity Info Systems Limited on 26 July 2006.

We reviewed the agreement file in the office of Transport Commissioner and noticed that the term of contract with the vendor expired between September and December 2009 but the vendor continued with the allotted work without renewal of agreement even after lapse of five years. Unauthorised continuance of work by the vendor was neither objected by the Department nor any action taken to renew the contract/invite fresh tender. Such unauthorised work was

fraught with the risk of loss of revenue and misuse of vital data, besides leading to the possibility of legal complications.

After we pointed out the matter (April 2015), the Department stated that action was being taken to retender. The Transport Secretary stated (August 2015) that the process of e-tendering will be finalised by December 2015. Further reply has not been received (October 2015).

#### **4.3.23.2 Non-issue of certificate of registration in Smart Card**

**The Government was deprived of revenue amounting to ` 9.43 lakh due to non-issuance of smart card based certificate of registration.**

We test checked the Registration Register in selected districts and noticed (January 2015) in District Transport Office, Pakur that 4,714 certificates of registration were not issued in Smart Card during the period 2012-13 and 2013-14 even though VAHAN package was installed in the office, defeating the purpose for which the software was installed. Thus, lapses on the part of Government in implementation of issuance of Smart Card based registration certificate deprived it of revenue to the tune of ` 9.43 lakh as leviable under Rule 81 of CMV Rules, 1989.

After we pointed out the cases (January 2015), the DTO stated (February 2015) that the matter would be referred to the department. The Transport Secretary stated (August 2015) that the process of e-tendering will be finalized by December 2015 covering all the districts. Further reply has not been received (October 2015).

#### **4.3.24 Fitness certification of vehicles**

Under the provision of Section 56 of the M V Act, 1988, a transport vehicle shall not be deemed to be validly registered unless it carries certification of fitness issued by the prescribed authority or by an authorised testing station. Under Rule 259 of the Jharkhand Motor Vehicle Rules, 2001, Motor Vehicle Inspectors are authorised to issue certificate of fitness of transport vehicles to the effect that the vehicle complied for the time being with all the requirements of Motor Vehicle Act and Rules made there under after carrying out necessary inspection. Further, Rule 63 of the CMV Rules 1989, stipulates that testing stations are authorised on security deposit of ` one lakh by the State Government to operate for issue or renew certificate of fitness to a transport vehicle on payment of fee for grant/renew of letter of authority of ` 5,000 (Rule 81 of the CMV Rules, 1989). While considering an application for grant/renewal of letter of authority, the registering authority will examine the minimum qualification of the staff, premises of the station, inspection lane, testing equipments and lanes.

**4.3.24.1 Necessary apparatus for inspection of vehicles were not provided to Motor Vehicle Inspectors.**

We noticed (June 2015) in the office of Transport Commissioner that necessary apparatus and premises for inspection of vehicles were not provided to Motor Vehicle Inspectors for issuing Certificate of fitness. Issuance of

Certificate of fitness in absence of infrastructure may not be in accordance with the prescribed norms.

**4.3.24.2 The letter of authority of authorised testing station was renewed even though the requisite apparatus did not comply with the prescribed standards.**

We noticed during scrutiny of files of six authorised testing stations in the office of Transport Commissioner in April 2015 that the DTO, Ranchi and MVI, Ranchi jointly conducted inspections of premises of one of the stations in April 2011 and July 2013 and reported that the requisite apparatus did not comply with the prescribed standards. However, the letter of authority of this centre was renewed by the Department in July 2013 for a further period upto May 2018 keeping in abeyance the inspection report.

After we pointed out the case (April 2015), the Department stated (April 2015) that action would be taken after examination. Further reply has not been received (October 2015).

**4.3.24.3 There was no provision for share of Government on charges levied by private authorised testing centres for issuance of certificate of fitness.**

We noticed between November 2014 and June 2015 that there were seven authorised testing stations working in four districts<sup>22</sup>. During the period 2009-10 to 2013-14, these stations issued 38,701 Certificate of fitness to transport vehicles thereby charged ` 1.46 crore. There was no provision for share of Government in this collection. The agency acquired letter of authority for 5 years on payment of fee of ` 5,000 only and did business of ` 1.46 crore.

After we pointed out the cases (between November 2014 and June 2015), the Department stated (February 2015) that the matter would be looked into whether surcharge could be imposed on testing fee. The Transport Secretary accepted (August 2015) that Certificate of fitness of vehicles were being issued by MVIs without having adequate equipments. Regarding levy of surcharge on fitness fee collected by private testing station, it was stated that legal aspects would be explored. Further reply has not been received (October 2015).

#### **4.3.25 Non-using of departmental money receipts**

**Traffic Police, Ranchi was not using departmental money receipt for compounding of offences for violating the provisions of MV Act.**

Transport Department vide its Notification No. 953 dated 14.9.2009, vested the power of compounding of offences under various sections of Motor Vehicles Act, 1988 to Traffic Police not below the rank of Sub-Inspector in six cities<sup>23</sup> of Jharkhand. The Notification instructed the Traffic Police Officers to obtain Money Receipts, Seizure Receipts etc. from the Transport Department, Jharkhand, Ranchi and the amount of fine and penalty so imposed was to be deposited in the Government account at State Bank of India, Doranda, Ranchi.

<sup>22</sup> Dhanbad, Jamshedpur, Lohardaga and Ranchi.

<sup>23</sup> Bokaro, Deoghar, Dhanbad, Jamshedpur, Hazaribag and Ranchi.

We noticed from scrutiny of records of the office of the Transport Commissioner, Jharkhand in April 2015 that Traffic Police, Ranchi was not using departmental money receipt for compounding of offences; instead they had printed separate money receipt. Though, the matter was previously pointed out in compliance audit, yet the practice continued. It indicated lack of control of the department over the collection and deposit of revenue made by Traffic Police, Ranchi. However, an amount of ₹ 4.15 crore pertaining to collection made during 2005 to 2013 was deposited into Government Account during the period between 2010 and 2013 after delay extending upto more than five years.

After we pointed out the matter (April 2015), the Department stated that correspondence would be made with the Superintendent of Police, Traffic, Ranchi. The Transport Secretary stated (August 2015) that instructions had been issued to Traffic Police, Ranchi to use departmental money receipts. Further reply has not been received (October 2015).

#### **4.3.26 Human resource management**

Human resource is very important for efficient and effective working of an organisation/department. It includes sufficient man-power and proper training/eligibility for working in prevailing condition/working environment.

Sanctioned strength and men-in-position of selected districts as furnished by the District Transport Offices in the **Table – 4.3.26**.

**Table – 4.3.26**

| Post                       | Sanctioned Strength | Men-in-position | Shortage in per cent |
|----------------------------|---------------------|-----------------|----------------------|
| District Transport Officer | 11                  | 11              | 0                    |
| Motor Vehicle Inspector    | 24                  | 06              | 75.00                |
| Clerk                      | 63                  | 43              | 31.75                |
| Computer operator          | --                  | 42              | --                   |
| Other                      | 23                  | 17              | 26.09                |

We noticed from the above table that there was acute shortage of ancillary staff in the District Transport Offices. There were 43 clerks working in these offices out of which 23 were on deputation from other Departments.

##### **4.3.26.1 No separate cadre for departmental officers**

District Transport Officers are primarily responsible for enforcement of the laws, rules, departmental instructions and levy/collection of Government dues, but there was no separate cadre for departmental officers. The officers of Personnel & Training Department were deployed to execute the work of Transport Officers. Non-formulation of Departmental cadre may have adverse effect on administration of provisions of Act/Rules and consequent loss of Government revenue.

##### **4.3.26.2 Acute shortage of Motor Vehicles Inspectors**

Motor Vehicle Inspectors (MVIs) assist District Transport Officers in all technical matters relating to road transport. They are responsible for checking of fitness of vehicles and grant/renewal of certificate of fitness. We noticed that there were only six MVIs against the sanctioned strength of 24. Each MVI

performed his duties in more than two districts. Shortage in this cadre led to excess workloads which adversely affect their performances. In this regard the Chief Secretary, Government of Jharkhand directed (January 2014) the Department to fill the vacant post of MVIs on deputation basis until regular appointment is made. However, shortage in this cadre persisted (October 2015).

#### **4.3.26.3 Work done on contractual basis**

The Government of Jharkhand implemented *VAHAN* and *SARATHI* application in August 2004 as an integrated effort to computerise all activities of Transport Department. According to the implementation plan, training on the application software to the staff/officer of District Transport Office was to be imparted by the NIC. However, no training schedule was framed to make officials well acquainted with the software. As such, even after a lapse of more than 10 years, major work of the Department were executed by persons engaged on contractual basis or daily wages basis, which may lead to serious irregularities.

**We recommend that the Government may consider establishing an Internal Audit wing and formulation of provisions for inspection of field offices by departmental authorities. Human Resources need to be strengthened by constituting their own cadre, organise proper training and provide adequate infrastructure and apparatus to transport personnel.**

#### **4.3.27 Conclusion**

During Performance Audit we observed the following:

- Non-levy and collection of taxes from defaulter transport and personalised vehicles, defaulter national permit holders, non-renewal of registration, non-assignment of local registration mark and non-issuance of certificate of registration in smart card;
- Non-classification of public service vehicles and non-formation of policies for phasing out of old vehicles, imposition of green tax, pollution awareness programme etc. to control vehicular pollutions. Necessary apparatus and premises for inspection of vehicles were not provided to Motor Vehicle Inspectors for issuing certificate of fitness; and
- There is no internal audit wing in the department, internal audit is done by Finance Department, due to inadequate internal audit the Department remained unaware of the areas of malfunctioning in the system. Inadequate working strength, absence of proper training and non-formulation of departmental cadre affected to enforce the provisions of Act/Rules.

#### 4.4 Non-observance/compliance of the provisions of Acts/Rules

*The Jharkhand Motor Vehicles Taxation (JMVT) Act, 2001, Motor Vehicles Act, 1988, Bihar Financial Rules (as adopted by the Government of Jharkhand) and Rules made thereunder provide for:*

- (i) *payment of motor vehicles tax by the owner of the vehicle at the prescribed rate;*
- (ii) *timely deposit of collected revenue into the Government account;*
- (iii) *payment of registration fee at the prescribed rate;*
- (iv) *issue and renewal of authorisation of national permit; and*
- (v) *issue and renewal of driving licence.*

*We noticed that the Transport Department did not observe the provisions of the Act/Rules in the cases mentioned in the succeeding paragraphs.*

#### 4.5 Non-collection of taxes on vehicles

**Tax and penalty of ` 5.49 crore, though realisable from the defaulting vehicle owners, was not realised.**

**4.5.1** We noticed from test check of the Taxation Register, DCB Registers, Surrender Registers and the computerised data in seven District Transport Offices<sup>24</sup> between July 2014 and March 2015 that the owners of 648 vehicles out of 12,151 vehicles test checked did not pay tax between December 2010 and March 2015. In none of these cases was change of address of the owners or surrender of documents for securing exemption from payment of tax under Section 17 of the JMVT Act, 2001 found on record. As such, they were liable to pay tax and penalty under Section 5 and Rule 4 of the JMVT Rules, 2001. The DTOs also did not update the DCB Register periodically as per Rule 23 of the JMVT Rules, 2001, therefore they did not have the details of the number of defaulting vehicle owners and taxes to be realised from them. The District Transport Officers did not raise demand for tax and penalty against the defaulting vehicle owners which resulted in non-levy of tax of ` 3.92 crore including penalty of ` 2.62 crore.

After we pointed out the cases (between July 2014 and March 2015), the DTO, Koderma intimated (August 2015) that demand notices had been issued against defaulting vehicle owners and ` 5.64 lakh had been realised in 10 cases. The Transport Secretary instructed the DTOs to identify heavy defaulters and start intensive drive against them for realization of arrear taxes (August 2015). Further reply had not been received (October 2015).

**4.5.2** We noticed from test check of the Taxation Register, DCB Registers, Surrender Registers and the computerised data in seven District Transport Offices<sup>25</sup> between July 2014 and March 2015 that the owners of 1,155 trailers out of 5,903 trailers test checked did not pay tax between March 2010 and March 2015. In none of these cases was change of address of the owners

<sup>24</sup> Chaibasa, Deoghar, Giridih, Jamtara, Koderma, Sahibganj and Saraikela-Kharsawan.

<sup>25</sup> Chaibasa, Deoghar, Giridih, Jamtara, Koderma, Sahibganj and Saraikela-Kharsawan.

found on record. As such, they were liable to pay tax and penalty under Section 5 of the JMVT Act, 2001 and Rule 4 of the JMVT Rules, 2001. The DTOs also did not update the DCB Register periodically as per Rule 23 of JMVT Rules, 2001, therefore they did not have the details of the number of defaulting trailer owners and taxes to be realised from them. The District Transport Officers did not raise demand for tax and penalty against the defaulting trailer owners which resulted in non-levy of tax of ₹ 1.57 crore including penalty of ₹ 1.05 crore.

After we pointed out the cases (between July 2014 and March 2015), the DTO, Koderma intimated (August 2015) that demand notices had been issued against defaulting vehicle owners and ₹ 55,800 had been realised in eight cases. The Transport Secretary instructed (August 2015) the DTOs to identify heavy defaulters and start intensive drive against them for realization of arrear taxes. He further stated that one time tax for 5/10 years would be proposed. Further reply had not been received (October 2015).

#### **4.6 Non-levy of one time tax on personalised vehicles**

**One-time tax and penalty of ₹ 97.50 lakh, though realisable from the defaulting personalised vehicle with seating capacity of six to 10, was not levied.**

We noticed from test check of the Taxation Register and the computerised data in seven District Transport Offices<sup>26</sup> between July 2014 and March 2015 that in case of 341 out of 4,738 private vehicles whose tax validity expired between March 2006 and August 2014. The DTOs did not review the DCB Registers periodically. This resulted in non-levy of one-time tax of ₹ 85.92 lakh including interest of ₹ 37.14 lakh as provided in Section 2(g) of the Jharkhand Motor Vehicles Taxation (Amendment) Act, 2011 and Section 7 of JMVT Act 2001. Besides, tax of ₹ 11.58 lakh including penalty of ₹ 7.72 lakh upto 22 May 2011 was also leviable under Section 5 of the JMVT Act, 2001 and Rule 4 of the JMVT Rules, 2001.

After we pointed out the cases (between July 2014 and March 2015), the DTO, Koderma stated (August 2015) that an amount of ₹ 55,750 had been realised in two cases. The Transport Secretary directed the DTOs to identify heavy defaulter and start intensive drive for realization of arrear taxes (August 2015). Further reply had not been received (October 2015).

#### **4.7 Non-realisation of interest due to delay in deposit of revenue collected by banks**

**The collecting bank did not credit interest of ₹ 21.36 lakh for delayed transfer of collected revenue into Government account within the prescribed time.**

We noticed during the test check of bank statements of remittances of revenue collected in the office of District Transport Office, Sahibganj in March 2015 that the collecting bank i.e. State Bank of India, Sahibganj did not credit a sum of ₹ 21.12 crore for years 2012-13 and 2013-14 into SBI, Doranda Branch, for

<sup>26</sup> Chaibasa, Deoghar, Giridih, Jamtara, Koderma, Sahibganj and Saraikela-Kharsawan.

credit into Government Account within the prescribed time, contrary to the provisions of Rule 37 of the Bihar Financial Rules (adopted by the Government of Jharkhand) and instructions of Transport Commissioner, Jharkhand (January 2001) and is liable to pay penal interest of ` 21.36 lakh as per instructions of the Reserve Bank of India (RBI). The delay ranged from one month to 10 months. This indicated that the Department did not monitor and also did not effectively pursue the matter of payment of interest with the collecting banks.

The Transport Secretary directed the DTOs to keep periodical watch over the transfer of Government revenue by banks (August 2015). Further reply had not been received (October 2015).

#### **4.8 Short registration of trailers**

##### **Short registration of trailers against tractors deprived the Government revenue of ` 15.72 lakh.**

We noticed from test check of Taxation and Registration Register alongwith list of vehicles registered during 2009-10 to 2013-14 in District Transport Office, Sahibganj in March 2015 that number of trailers registered during the years was only between 35 *per cent* and 48 *per cent* of the number of tractors registered as compared to three<sup>27</sup> adjoining districts which was 100 *per cent*. Against 1,061 tractors only 406 trailers were registered keeping in abeyance the instruction issued in July 2007 by the Transport Department wherein it was directed to ensure registration of both tractor and trailer. Section 4 provides that a motor vehicle used for transporting agricultural produces shall not be deemed to be used solely for the purposes of agriculture. In absence of trailer, the utility of tractor does not hold much importance. The vehicle owners tend to conceal annual tax of ` 2,400, payable under Section 5 of the JMVT Act 2001 by not registering the trailers. Thus, due to short registration of trailers, the Government was deprived of revenue of ` 15.72 lakh.

The Transport Secretary directed DTOs to ensure registration of both tractor and trailer. It was also stated that the feasibility of levy of clubbed tax on both would be explored. However, no action was taken by the DTO to adhere to the Departmental instruction. Further reply had not been received (October 2015).

<sup>27</sup> Deoghar, Dumka and Jamtara.