

**Chapter-V**  
**Taxes on Vehicles, Goods and Passengers**

## CHAPTER-V Taxes on Vehicles, Goods and Passengers

### 5.1 Tax administration

The overall charge of the Transport Department vests with the State Transport Commissioner (STC), Punjab, Chandigarh. There are 22 districts each headed by a District Transport Officer (DTO) who monitors due observance of the Punjab Motor Vehicles Taxation Act, 1924 (PMVT Act) and the Rules made thereunder and maintains the records of receipt of motor vehicles taxes (MVT) and various fees. Besides, there are four Regional Transport Authorities (RTAs) for regulating the transport vehicles in the State in conformity with the Act and collection of MVT in respect of buses of other States.

### 5.2 Results of audit

Test check of the records of 28 units relating to taxes on vehicles during 2014-15 showed irregularities involving ₹ 37.37 crore in 2,223 cases, which broadly fall under the following categories as mentioned in **Table 5.1**:

**Table 5.1**

Sl. No.	Categories	₹ in crore)	
		No. of cases	Amount
1.	Non/Short realisation of MVT	1,639	25.71
2.	Other irregularities	584	11.66
	<b>Total</b>	<b>2,223</b>	<b>37.37</b>

In 2014-15, the Department informed audit that they have accepted and recovered, by issuing demand notices in cases of short/non recovery of MVT and other deficiencies, ₹ 1.93 crore involved in 570 cases, out of which ₹ 6.68 lakh involved in nine cases were pointed out in 2014-15 and rest in the earlier years.

A few illustrative cases involving ₹ 7.55 crore are discussed in the succeeding paragraphs.

### 5.3 Short/non realisation of MVT from stage carriage big buses

*Motor Vehicle Tax of ₹ 33.12 lakh was non/short realized from stage carriage big buses in three DTO's.*

As per the Section 3 of PMVT Act, as amended from time to time, there shall be levied and paid to Government, MVT on stage carriages at the rate<sup>1</sup> per kilometre/per day as may be specified by Government from time to time by the end of every month on the entire distance permitted to be covered. Further,

<sup>1</sup> ₹ 2.75 w.e.f. 13 October 2012 to 7 August 2013.  
₹ 3.00 w.e.f. 8 August 2013 onwards.

as per Section 11-A(I), failure to pay tax within the prescribed period attracts simple interest at the rate of one and half *per cent* per month following the due date till the default continues and also penalty under Section 8(4) not exceeding ₹ 5,000 but not less than ₹ 1,000 per default.

We noticed (between July 2014 and August 2014) from the records relating to MVT registers and list of permitted kilometres of three DTOs<sup>2</sup> that MVT of ₹ 139.51 lakh was collected against ₹ 172.63 lakh worked out on the basis of permitted kms operated by seven private transport companies and one depot each of Punjab Roadways/PUNBUS, Batala during the period 2013-14. Thus, there was non/short realisation of MVT of ₹ 33.12 lakh. Besides, penalty and interest is also leviable after giving a reasonable opportunity of being heard to the defaulter.

The matter was reported to the Government/Department (January 2015). DTO Gurdaspur in its reply (September 2015) stated that amount of ₹ 11.49 lakh against one depot each of Punjab Roadways/PUNBUS, Batala and ₹ 2.95 lakh against one Private Transport Company had been recovered. Reply of the Government was still awaited.

#### 5.4 Short deposit of MVT due to non application of revised rates

***Motor Vehicle Tax of ₹ 29.90 lakh was short realized from the stage carriage big buses of Himachal Road Transport Corporation/Punjab Roadways/PUNBUS, plied under stage carriage in Punjab, due to non application of revised rates by two RTA/DTO.***

As per the Section 3 of PMVT Act, as amended from time to time, there shall be levied and paid to Government, MVT on stage carriages at the rate per kilometre/per day as may be specified by Government from time to time by the end of every month on the entire distance permitted to be covered. Punjab Government vide notification (August 2013) revised the rates of MVT<sup>3</sup> for stage carriage buses of Punjab State as well as buses coming from other States.

We noticed (April 2014 and August 2014) from the records of Regional Transport Authority, Jalandhar and District Transport Officer, Ludhiana for the year 2013-14 that seven<sup>4</sup> depots of Himachal Road Transport Corporation and two<sup>5</sup> depots of Punjab Roadways/PUNBUS plied stage carriage big buses in Punjab state during 2013-14 but did not pay MVT at the revised rates as

<sup>2</sup> Fatehgarh Sahib, Gurdaspur and Jalandhar.

<sup>3</sup>

Category of stage carriage buses	Rate of MVT per km. per vehicle per class (₹)			
Ordinary buses	2.75	Upto 8.08.13	3.00	w.e.f. 9.08.13
HVAC/Integral Coach	1.50		1.75	
Buses coming from other states and operating under reciprocal agreement	4.20		4.50	

<sup>4</sup> Dehra, Mandi, Nahan, Reckon Peo, Rohru, Sarkaghat and Solan.

<sup>5</sup> Jagraon and Ludhiana.

notified by the State Government vide notification mentioned *ibid*. It resulted in short realisation of MVT of ₹ 29.90 lakh.

The matter was reported to the Government/Department (between January 2015 and April 2015), DTO Ludhiana in its reply (July 2015) stated that an amount of ₹ 15.11 lakh against Ludhiana depot of Punjab Roadways/PUNBUS has been recovered. Reply of the Government was still awaited (November 2015).

**5.5 Short realization of MVT on account of excess plying of kilometers against reciprocal agreement**

*Non applicable of enhanced rate of MVT on excess Kilometers covered by the stage carriage buses of Himachal Road Transport Corporation against reciprocal agreements in the State, resulted in short realisation of Motor Vehicle Tax of ₹ 13.41 lakh.*

Under the PMVT Act, MVT is levied on stage carriage buses registered in the other States and plying as stage carriages in the State of Punjab under the reciprocal agreement. The Government vide notifications (October 2012 and August 2013) revised the rates<sup>6</sup> of MVT for stage carriage buses of other States plying in State of Punjab having permits which were countersigned under reciprocal agreement and the permits which were not countersigned under reciprocal agreements.

We noticed (April 2014) from the records of Regional Transport Authority, Jalandhar, for the year 2013-14 that buses of Himachal Road Transport Corporation plied 47,425 kilometers per day during 2013-14 in Punjab State against 44,000 kms permitted to be plied under the reciprocal agreement. Excess plying of 3,425 kms per day which were not covered in reciprocal agreement were required to be charged MVT at enhanced rate as per notifications *ibid*. This resulted in short realization of MVT amounting to ₹ 13.41 lakh.

The matter was reported to the Government/Department (March 2015); RTA Jalandhar replied (August 2015) that ₹ 0.32 lakh has been recovered from Bilaspur unit. However, reply of the Government was still awaited.

<sup>6</sup>

	Period	Rates (in ₹)
Under reciprocal agreement	Upto 8.08.2013	4.20
	w.e.f . 9.08.2013	4.50
Not under agreement	Upto 8.08.2013	5.50
	w.e.f . 9.08.2013	6.00

## 5.6 Collection of revenue from outsourced activities in MVT

*Payment of ₹ 64.63 crore was made to the concessionaire for affixing HSRPs without deducting TDS; Penalty of ₹ 3.22 crore was not levied on BOOT operator for delayed printing of Registration Certificates/Driving licences. Punjab State Transport Society (PSTS) collected medical charges from users without providing services of issuing medical certificate.*

With a view to streamline the administration of the Transport Department and to provide efficient, speedy, simple and cost effective services to citizens, Government of Punjab introduced an initiative titled, 'e-Governance in the Department of Transport, Punjab'. In this regard, the State Government;

- a) constituted Punjab State Transport Society (PSTS) for providing prompt and single-window services, online services with anytime-anywhere access, transparency in delivery mechanism of citizen services, minimizing the physical interface between citizens and Government, introduction of smart card based driving licenses (DLs) and registration certificates (RCs) etc.
- b) outsourced the activities relating to services to be provided to the citizens by the Department by entering in a Master Service Agreement (MSA) for a period of five years w.e.f. 27 September 2011 with a company, hereinafter called BOOT (Built, Operate, Own and Transfer) Operator. BOOT operator was authorized to provide learner licenses (LLs), permits, smart card based DLs and RCs to the citizens of Punjab on behalf of the State Government.
- c) entered in a concession agreement (CA) for a period of ten years w.e.f. 21 November 2011 with the Joint Venture of another company, hereinafter called Concessionaire for affixing the High Security Registration Plates (HSRPs) on the vehicles registered in Punjab.

Our examination of records of State Transport Commissioner (STC) and six<sup>7</sup> out of 22 District Transport Offices (DTOs) pertaining to the period 2011-14 selected through statistical sampling by applying the random selection method showed cases of non-deduction of tax at source (TDS) under Punjab Value Added Tax (PVAT) Act 2005, non-adherence to the terms and conditions of the MSA and CA as discussed in the following paragraphs:

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<sup>7</sup>

Amritsar, Fazilka, Ludhiana, Mansa, Mohali and Patiala.

### 5.6.1 Non-deduction of TDS

As per Section 27 of PVAT Act 2005 notwithstanding anything contained in any of the provisions of the Act, every contractee responsible for making payment to any person (hereinafter in this section referred to as the contractor) for discharge of any liability on account of valuable consideration, exceeding ₹ 5.00 lakh in a single contract payable for the transfer of property in goods (whether as goods or in some other form) in pursuance of a works contract<sup>8</sup>, shall, at the time of making such payment to the contractor either in cash or in any other manner, deduct TDS equal to prescribed rate<sup>9</sup> of such sum towards the tax payable under this Act on account of such contract.

We noticed (June 2015) from the records of STC office for the period 2011-14 that the concessionaire with valid TIN number collected the price of HSRPs and deposited the same in the account of PSTS at the first instance. Thereafter, STC office made payment on the basis of monthly statement/bills submitted by the concessionaire. During 2012-14, PSTS paid an amount of ₹ 24.95 crore to the concessionaire on the basis of monthly statements/bills but TDS of ₹ 1.39 crore was not deducted by the STC/PSTS as required under PVAT Act mentioned *ibid*.

Similarly, PSTS paid an amount of ₹ 39.68 crore during 2011-14 to BOOT operator with valid TIN number for providing LLs/DLs/RCs etc. without deducting tax at source of ₹ 2.18 crore. Thus, non-compliance of the provision of PVAT Act resulted into non deduction of TDS of ₹ 3.57 crore.

### 5.6.2 Non levy of penalty on BOOT operator due to delayed printing of registration certificates/driving licences

Appendix 'A' of MSA states that all Registration Certificates (RCs) and Driving Licenses (DLs) are to be printed within one working day (excluding holiday) from the date of receipt of application at front end counter.

<sup>8</sup> "Works contract" includes any agreement for carrying out, for cash, deferred payment or other valuable consideration, building construction, manufacturing, processing, fabrication, erection, installation, fitting out, improvement, modification, repairs or commissioning of any movable or immovable property.

<sup>9</sup>

Period	Rate of TDS
01.04.2011 to 01.11.2011	4 per cent
02.11.2011 to 08.04.2013	5 per cent
09.04.2013 to 31.03.2014	6 per cent

In case of any delay in printing, penalty at the prescribed rates<sup>10</sup> is leviable.

We noticed (June 2015) from the records of six selected DTOs and information collected from STC office for the period 2011-14 that BOOT operator printed 4.30 lakh RCs and 3.14 lakh DLs with a delay ranging between one to more than four days. However, while making payments, STC office did not levy penalty of ₹ 3.22 crore on BOOT operator for this delay.

### **5.6.3 Non-delivery of DLs/RCs to citizens through couriers**

In order to minimize the number of visits to the departmental offices, the MSA (Para 1.6.6.7) stipulated that the BOOT operator was to provide courier services to deliver the smart card based DLs/RCs or permits or any other document at the address provided by the citizen. Further, as per financial proposal submitted by the BOOT operator, cost of courier of ₹ 10.00 per DL/ RC or permits was included in the cost of the project.

We noticed (June 2015) from the records of six DTOs and from the information collected from STC office for the period 2011-14 that BOOT operator generated 14.50 lakh DLs/RCs during 2011-14, but not even a single DL/RC was delivered to the citizens by courier, even though the amount paid to the operator for these DLs/RCs included a component of ₹ 1.45 crore towards courier charges.

### **5.6.4 Non-installation of electric sub meters**

As per para 1.6.6.6 of the MSA, the BOOT operator was required to meet the cost of utilities for the project for duration of five years and was required to install electric sub meters at his own cost.

We noticed (June 2015) from the records maintained in the five<sup>11</sup> DTOs for the period 2011-14 that no electricity sub meters were installed on the premises used by the BOOT operator for his day to day operations. In respect of three DTOs (Ludhiana, Mansa and Patiala), no electricity charges were recovered while in the other two districts though some money was recovered, the basis for this recovery was not clarified to us. In the absence of sub-meters, expenses incurred by the BOOT operator on account of electricity consumption could not be tracked. It resulted into un-due benefit to the BOOT operator on account of electricity expenses.

<sup>10</sup>

If printed	Rate of penalty	Rate (in ₹)	
Within 2 <sup>nd</sup> working day from the receipt of application	Two <i>per cent</i> of the cost of RC/DL	DL	54.54
Within 3 <sup>rd</sup> and 4 <sup>th</sup> working day from the receipt of application	Four <i>per cent</i> of the cost of RC/DL	RC	136.35
After 4 <sup>th</sup> working day from the receipt of application	100 <i>per cent</i> of the cost of RC/DL		

<sup>11</sup> Amritsar, Ludhiana, Mansa, Mohali and Patiala

**5.6.5 Non-providing of training to staff of the Department by BOOT operator**

As per para 1.6.5 (ii) of the MSA, the BOOT operator was required to provide training to the staff of the Transport Department for smooth transfer of operations and to avoid any hurdle in operations of the computerised centres.

We noticed (May 2015) from the records maintained in the STC office for the period 2011-14 that none of the officers/officials of the Transport Department was imparted training in any of the areas of computerization by the BOOT operator. Failure to provide training to the officers/officials of Transport Department may adversely affect the smooth transfer of operations and create hurdles in operation of computerized centres in the future.

**5.6.6 Non fulfillment of the purpose for levying user charges by PSTS**

Government of Punjab, Department of Transport vide order dated 01 August 2011 authorised the PSTS to levy user charges at the rate of ₹ 80.00 per learner license. These charges included the cost of issuing a medical certificate to the applicant of learner license. The fee to the doctor for issue of medical certificate was, thus, required to be paid by PSTS out of the user charges.

We noticed (June 2015) from the records of six DTOs and from the information collected from STC office for the period 2011-14 that PSTS collected an amount of ₹ 40.37 lakh during 2012-14 as user charges from 50,462 applicants of learner licenses. However, the State Government did not authorize any doctor to conduct medical tests and issue medical certificates and no fee was paid to any doctor on this account. Thus, the user charges collected by PSTS from the citizens included a service, which was not provided to them at all since the learner licences were issued after the report of the doctors which was got done by the individuals from the private doctors.

**5.6.7 Irregular retention of Government money out of Government Account**

As per Rule 4.1 of PFR Rules Vol.-I, it is the prime duty of the head of the office to assess, collect and credit departmental receipt into Government account. Rules further, provide that all receipts should be credited into the treasury on the same day or on the next working day and there should be a corresponding entry of the same on the payment side of the cash-book. As per Para 2.6.1 of CA, concession fee at the rate of five *per cent* of the amount collected from the sale of HSRPs from vehicle owners was required to be charged by the Government.

We noticed (June 2015) in STC office that for the period 2011-14, the Concessionaire collected ₹ 24.95 crore between September 2012 and March 2014 from the citizens for affixing HSRPs. Concession fee (Royalty) of ₹ 1.09 crore out of the amount collected was retained by PSTS



and not transferred to Government account which was in contravention to Rules *ibid*.

The matter was brought to the notice of Department/Government (July 2015). PSTS in its reply (August 2015) stated that Secretary to Government of Punjab, Transport Department had given the approval to retain five *per cent* amount of royalty in the account of PSTS. The reply was not acceptable as the head of Department is responsible for deposit of all the Government receipt into treasury as per Financial Rules mentioned *ibid*.

Our examination of records of STC and six DTOs pertaining to the period 2011-14 showed that payment was made without deducting TDS. Penalty was not levied on BOOT operator for delayed printing of Registration Certificates/Driving Licences. PSTC collected medical charges from users without providing services of issuing medical certificate.

The above points were reported to the Government (July 2015); their reply was awaited (November 2015).