

CHAPTER-IV TAXES ON VEHICLES, GOODS AND PASSENGERS

4.1 Tax administration

The receipts of the Transport Department are regulated under the provisions of the Motor Vehicles Act, 1988 (MV Act), Central Motor Vehicles Rules, 1989 (CMV Rules), Uttar Pradesh Motor Vehicles Taxation Act, 1997 (UPMVT Act) and Uttar Pradesh Motor Vehicles Taxation Rules, 1998 (UPMVT Rules).

The Principal Secretary, Transport, Uttar Pradesh is the administrative head at Government level. The entire process of assessment and collection of taxes and fee is administered and monitored by the Transport Commissioner (TC) Uttar Pradesh, who is assisted by two Additional Transport Commissioners at Headquarters and six Deputy Transport Commissioners (DTCs), 19 Regional Transport Officers (RTOs) and 72 Assistant Regional Transport Officers (ARTOs) (Administration) in the field. RTOs perform the overall work of issue and control of permits regarding transport vehicles and ARTOs perform the work of assessment and levy of taxes and fee regarding transport vehicles and non transport vehicles. Overall administration of Sub-Regional Transport Offices is administered by respective RTOs.

4.2 Internal audit

Internal Audit of an organisation is a vital component of the internal control mechanism and is generally defined as the control of all controls. It enables the organisation to assure itself that the prescribed systems are functioning reasonably well.

Internal Audit Wing (IAW) is controlled by Finance Controller. In IAW, one Assistant Audit Officer and three Auditors have been posted against the sanctioned post of One Assistant Audit Officer and six Auditors.

The details of Internal Audit planning such as number of units planned for audit, number of units audited and shortfall are shown in **Table 4.1**.

Table 4.1

Internal audit

Year	Total number of units available for IA	Number of units planned for IA	Number of units audited during the year	Short fall	Percentage of shortfall
2010-11	101	32	18	14	43.75
2011-12	101	36	22	14	38.88
2012-13	101	40	19	21	52.50
2013-14	101	31	22	09	29.03
2014-15	101	31	27	04	12.90

Source: Information provided by the Department.

This shows that the audit planning of the IAW is not realistic as shortfall ranged from 12.90 *per cent* to 52.50 *per cent* during the year from 2010-11 to 2014-15. Reason attributed by the Department was delayed approval of annual audit plan. We do not agree with the reason given by the Department as audit planning was required to be prepared according to time schedule.

The Internal Audit conducted by the IAW and number and amount of objection raised and settled during the year is shown in **Table 4.2**.

Table 4.2

Details of outstanding paras and amount

Year	(₹ in lakh)							
	Opening balance		Addition during the year		Clearance during the year		Closing balance	
	No. of cases	Amount involved	No. of cases	Amount involved	No. of cases	Amount involved	No. of cases	Amount involved
2010-11	4,429	2,144.00	153	139.00	0	0.00	4,582	2,283.00
2011-12	4,582	2,283.00	204	81.00	0	0.00	4,786	2,364.00
2012-13	4,786	2,364.00	137	73.00	12	13.00	4,911	2,424.00
2013-14	4,911	2,424.00	198	54.00	19	21.00	5,090	2,457.00
2014-15	5,090	2,457.00	144	48.00	8	2.00	5,226	2,503.00

Source: Information provided by the Department.

It is clear from the above table that the compliance made by the Department against the cases raised by the IAW is very low.

We recommend that Internal Audit Wing may be strengthened and an annual audit plan should be prepared in a realistic way. The Department should take appropriate action for speedy recovery in cases raised by Internal Audit Wing.

4.3 Results of audit

In 2014-15, Transport Department realised revenue of ₹ 3,797.58 crore. We test checked the records of 72 units relating to the Department during the year 2014-15 and found non/short assessment of tax and other irregularities involving ₹ 70.01 crore in 567 cases, which fall under the following categories as mentioned in Table 4.3.

Table 4.3

Results of Audit

Sl. No.	Categories	(₹ in crore)	
		Number of cases	Amount
1.	Non/short realisation of		
	• Passenger tax/additional tax	32	30.80
	• Road tax	20	6.20
	• Goods tax	02	0.28
2.	Other irregularities	513	32.73
	Total	567	70.01

Source: Information available in the Audit office.

During the year 2014-15 the Department accepted underassessment and other deficiencies of ₹ 90.63 lakh in 17 cases, of which an amount of ₹ 10.06 lakh was realised in three cases. In remaining cases no reply has been received from the Department.

A few illustrative cases of compliance deficiency involving ₹ 38.82 crore are discussed in the following paragraphs.

4.4 Audit observations

Our scrutiny of records in the offices of the Transport Department showed cases of non/short levy of compounding fee, application fee, tax, additional tax, permit fee, fitness fee, registration fee and non/short imposition of penalty as mentioned in the succeeding paragraphs in this chapter. These cases are illustrative and are based on a test check carried out by us. We point out most of the observations each year, but not only do the irregularities persist; these remain undetected till we conduct an audit. There is need for the Government to improve the internal control system so that recurrence of such lapses in future can be avoided.

4.5 Irregularities in permit

4.5.1 Non-levy of Compounding Fee on violation of permit conditions

Violation of permit conditions by 745 stage carriage vehicles resulted in non-levy of compounding fee amounting to ₹ 29.80 lakh.

Under Rule 70 of the UPMV Rules, 1998 the owner of the contract carriage vehicle other than motor cab is liable for submission of passenger's list and quarterly abstract of the vehicle log book as required under the terms and conditions of the permit issued by the competent authority. Section 192A of MV Act defines the penalty for violation of conditions of permit. Violation of permit condition attracts imposition of compounding fee ₹ 4,000 per case fixed as per notification dated 25 August 2010.

We examined the route file of stage carriage vehicles of six out of 72 RTOs/ARTOs between June 2014 and December 2014 and found that 745 out of 2,170 stage carriage vehicles were covered under stage carriage permit and plying during the period from June 2013 to November 2014 but none of the vehicle owners submitted their time table for arrival and departure of vehicle as required under the Rule. For this failure, compounding fee amounting to ₹ 29.80 lakh was neither levied nor realised by the Department as shown in **Table 4.4.**

Table 4.4

Non Levy of Compounding Fee on violation of permit condition

				(Amount in ₹)
Sl.No.	Name of the Unit	No. of vehicles	Rate of penalty	Total Penalty
1	RTO Agra	37	4,000	1,48,000
2	ARTO Buland Shahar	124	4,000	4,96,000
3	RTO Ghaziabad	301	4,000	12,04,000
4	RTO Meerut	27	4,000	1,08,000
5	RTO Mirzapur	236	4,000	9,44,000
6	ARTO Unnao	20	4,000	80,000
	TOTAL	745		29,80,000

Source: Information available on the basis of audit findings.

We reported the matter to the Department and the Government (Between December 2014 and April 2015). In reply the Department stated (September 2015) in three cases that non production of log books and passengers list does not attract penalty as this is not violation of permit conditions. We do not

agree with the reply of the Department as section 192 A of MV Act clearly defines the penalties for violation of conditions of permit and submission of the above documents is required under the additional terms and conditions of the permit issued under Rule 70 of UPMV Rules 1998.

4.5.2 Non-renewal of authorisation of National Permit

105 goods vehicles were found plying on roads without renewal of authorisation of national permit. This resulted in non-realisation of composite and application fees amounting to ₹ 18.38 lakh.

Section 81 of MV Act provides that a permit is valid for five years. However, as per Rule 87 (3) of CMV Rules, authorisation of the National Permit is for one year. As per order of Transport Commissioner (February 2000) the authorities concerned shall issue notice to the permit holder within 15 days of expiry of authorisation calling his explanation as to why the permit should not be cancelled in case of his non-renewal of authorisation and cancel the permit in case of non-receipt of explanation within the prescribed time. Composite fee of ₹ 16,500 per annum for authorisation alongwith application fee amounting to ₹ 1,000 was to be deposited in the Government account for authorisation of national permit.

We examined the vehicle files, permit register, receipt books and cash-book of three RTOs (Agra, Allahabad and Bareilly) out of 19 RTOs between November 2014 and February 2015 and found that during the period from June 2013 to January 2015, 105 out of 10,532 goods vehicles covered under national permit were plying on roads without renewal of authorisation of national permit even after expiry of validity period. This resulted in non-realisation of composite fee and application fee amounting to ₹ 18.38 lakh.

All the information such as date of expiry of authorisation, tax paid and other details of vehicles with National Permit was available in VAHAN Software which is designed for keeping vehicles details such as registration certificates, permit and taxes etc., in spite of this, these cases were not detected by the Department. The Department also did not initiate any action to issue notices to these permit holders and cancel the permit as prescribed in the order of the Transport Commissioner.

We reported the matter to the Department and the Government (January 2015 to May 2015). In reply the Department accepted (November 2015) our observation and realised ₹ 4.91 lakh in 37 cases. The final position is awaited.

4.6 Non-levy of additional tax on JnNURM buses

Additional tax of ₹ 30.36 crore was not levied on 464 JnNURM buses under City Transport Services Limited which were found plying outside the municipal corporation area.

No transport vehicle of State Transport Undertaking shall be used in any public place in Uttar Pradesh unless additional tax prescribed under sub-section (1) of Section 6 of UPMVT Act 1997 (as amended on 28 October 2009) has been paid. Motor vehicles of State transport undertaking operating

within the limits of Municipal Corporation or Municipality shall be exempted from the payment of additional tax.

We examined (May 2015) the route and tax file returns and challan submitted by the Uttar Pradesh State Road Transport Corporation (UPSRTC) to transport offices of RTOs Kanpur nagar, Lucknow and Varanasi out of seven¹ RTOs and found that 464 *JnNURM* buses out of 636 *JnNURM* buses under City Transport Services Limited were found plying outside the municipal corporation area from November 2009 to March 2015 and were liable for payment of additional tax of ₹ 30.36 crore. The transport officers did not initiate any action i.e. issued notice to deposit the additional tax, detained the vehicle in police custody by enforcement wing of the Department or issued RCs for non deposit of additional tax on the vehicles plying outside the municipal corporation area. This resulted in non-levy of additional tax of ₹ 30.36 crore. The details are indicated in **Table 4.5**.

Table 4.5

Non levy of additional tax on *JnNURM* Buses

(₹ in lakh)					
Sl. No.	Name of the office	Total number of vehicles	Number of vehicles plying out of Nagar Nigam area	Period	Additional Tax leviable
1.	RTO Kanpur Nagar	270	183	12/2009 to 03/2015	1,352.11
2.	RTO Lucknow	236	156	07/2013 to 03/2015	443.99
3.	RTO Varanasi	130	125	11/2009 to 03/2015	1,240.39
Total		636	464		3,036.49

Source: Information available on the basis of audit findings.

We reported the matter to the Government and the Department (May 2015). In reply the Department accepted (November 2015) our observation and issued notice to Regional Managers.

4.7 Non-renewal of fitness certificate of vehicles

There is no system in the Department to check whether there is a valid fitness certificate while accepting payment of tax due. 5,820 vehicles plied without valid fitness certificates were liable for levy of fitness fee of ₹ 35.71 lakh and imposition of penalty of ₹ 2.33 crore.

Under Section 56 of MV Act, and Rule 62 of CMV Rules, 1989 made thereunder, a transport vehicle shall not be deemed to be validly registered unless it carries a certificate of fitness. A fitness certificate granted in respect of a newly registered transport vehicle is valid for two years and is required to be renewed every year. Payment of the prescribed test fee of ₹ 100, ₹ 200, ₹ 300 and ₹ 400 for three wheelers, light, medium and heavy vehicle respectively is required to be made. In addition to this, renewal fee of ₹ 100 for issuing certificate of fitness is also leviable for all category of vehicles. In case of default, an additional amount equal to the prescribed fee is also leviable. Plying a vehicle without certificate of fitness is compoundable under Section 192 of the MV Act, 1988 at the rate of ₹ 4,000 vide notification no. 1452/30-4-10-172/89 dated 25 August 2010.

We examined (between June 2014 and March 2015) the tax register, vehicles files, vehicles database, receipt books and cash-book of 25 out of 72

¹ Agra, Allahabad, Kanpur Nagar, Lucknow, Mathura, Meerut and Varanasi.

RTOs/ARTOs and found that 5,820 out of 3,71,624 vehicles plied between June 2013 and February 2015 without valid fitness certificate although the tax due was realised. The Department neither initiated action for cancelling the registration certificates of these vehicles whose fitness certificate had become overdue nor levied any fine on defaulting vehicle owners as per provisions of the MV Act besides endangering the lives of the passengers. Plying of such vehicles compromised public safety. These vehicles were liable for levy of fitness fee of ₹ 35.71 lakh and imposition of penalty of ₹ 2.33 crore as shown in **Appendix-XIV**.

We reported the matter to the Department and Government (June 2014 to May 2015). In reply the Department accepted (November 2015) our observation and recovered ₹ 9.59 lakh. The final position is awaited.

4.8 Non-renewal of registration of non-transport vehicles

Non-renewal of registration of 6,709 non-transport vehicles whose registration has expired led to non-realisation of re-registration fee, penalty, fitness fee and certificate fee amounting to ₹ 40.25 lakh.

Under Section 39 of the MV Act, every vehicle is required to be registered. Section 41 (7) of the Act *ibid* provides that registration of non transport vehicle is valid for the period of 15 years and registration can be renewed for subsequent period of five years. Fitness is also required to be checked and issue certificate for the same at the time of re-registration of vehicle for which ₹ 200 as fitness fee ₹ 100 for issue of certificate is leviable. Re-registration fee for non transport light motor vehicle is ₹ 200 and in case of delay ₹ 100 is also leviable as penalty under Section 177 of the Act. As per Section 192 of the MV Act, if vehicle is used in contravention of the provisions of the Section 39 shall be punishable for the first offence with a fine which may extent to five thousand rupees but shall not be less than two thousand rupees.

We examined (May 2014 to March 2015) the vehicles files, vehicles database, receipt books and cash-book of 15 out of 72 RTOs/ ARTOs and found that out of 5,56,361 non-transport light motor vehicles 6,709 vehicles were registered during April 1993 to February 2000 for the period of 15 years. The registration of the said vehicles lapsed during April 2008 to February 2015, but none of these vehicles were re-registered leading to non realisation of re-registration fee, penalty, fitness fee and certificate fee amounting to ₹ 40.25 lakh.

We reported the matter to the Government and the Department (June 2014 to May 2015). In reply the Department accepted our observation and recovered ₹ 1.40 lakh. The final position is awaited (November 2015).

4.9 Non-levy of penalty under Carriage by Road Act 2007 on overloaded vehicles

1,786 cases of different categories of vehicles were seized on overloading but the Department did not levy penalty amounting to ₹ 4.08 crore under Carriage by Road Act.

Section 5 (3) of Carriage by Road Act, 2007 stipulates that if the registering authority or any other authority so authorised under the MV Act, has received proof of such violation of provision of sub-section (8) of Section 4, it shall be competent to impose the penalty prescribed under section 194 of the MV Act, on the common carrier, notwithstanding the fact that such penalty have been already imposed on and realised from the driver or the owner of the goods vehicle or the consignor, as the case may be.

Section 18 (1) of Carriage by Road Act, 2007 regarding non registration of common carrier provides that if any one contravenes the provisions of section 3, section 13 or notification issued under section 14 shall be punishable for the first offence with fine which may extent to five thousand rupees, and for the second or subsequent offence with fine which may extend to ten thousand rupees.

We examined (June 2014 to March 2015) the prosecution books, crime and seizure register and concern files in the offices of 47 out of 72 RTOs/ ARTOs and found that 1,786 out of 11,239 cases of different categories of vehicles were seized on overloading during the period from April 2013 to February 2015. The Department levied penalty of ₹ 3.19 crore under Section 194 of the MV Act, and released the vehicles. In all the 1,786 case the Department did not initiate any action under Section 5(3) of the Carriage by Road Act 2007 to levy penalty of ₹ 3.19 crore. Further penalty amounting to ₹ 88.58 lakh under Section 18 (1) of the Act for non-registration, was also leviable in these cases. This resulted in non-levy of penalty amounting to ₹ 4.08 crore as shown in **Appendix-XV**.

We reported the matter to the Department and the Government (June 2014 to May 2015). In reply the Department accepted our observation and stated that penalty is to be imposed on common carriers. Information from the regional offices is being called for to identify these common carriers to workout actual dues. The final position is awaited (November 2015).

4.10 Non-realisation of tax/ additional tax in respect of vehicles surrendered beyond three months

245 vehicles were surrendered for the periods beyond three calendar months but the taxation officers did not realise the tax/ additional tax amounting to ₹ 53.22 lakh.

Rule 22 of the UPMVT Rules, 1998 (modified in October 2009) provides that when the owner of a transport vehicle withdraws his motor vehicle from use for one month or more, the certificate of registration, tax certificate, additional tax certificate, fitness certificate and permit, if any, must be surrendered to the Taxation Officer. The Taxation Officer shall not accept the intimation of non-

use of any vehicle for more than three calendar months, within a calendar year, however, the period beyond three calendar months may be accepted by the Regional Transport Officer of the region concerned, if the owner makes an application with requisite fee to the Taxation Officer. If any such vehicle remains surrendered for more than three calendar months during a year without extension of acceptance of surrender by RTO, it shall be deemed to be revoked and the owner shall be liable to pay tax and additional tax, as the case may be. Further, subject to the provision of sub- rule (4), the owner of a surrendered vehicle in respect of which intimation of non-use has already been accepted, shall be liable to pay tax and additional tax for the period beyond three calendar months during any calendar year, whether the possession of the surrendered documents have been taken from the taxation officer or not.

We examined (between October 2014 and March 2015) the surrender register, vehicles files, passenger tax register and goods tax register of 16 out of 72 RTOs/ ARTOs and found that 245 out of 3,721 vehicles were surrendered for periods beyond three calendar months in a year during the period from June 2013 to October 2014. Despite extension of acceptance of surrender beyond three months was not granted by concerned RTO, the taxation officers did not initiate any action to realise the tax/ additional tax due thereon. This resulted in non-realisation of revenue amounting to ₹ 53.22 lakh as shown in **Appendix- XVI**.

We reported the matter to the Government and the Department (October 2014 to April 2015). In reply the Department accepted our observation and recovered ₹ 4.20 lakh. The final position is awaited (November 2015).

4.11 Non-realisation of tax and additional tax from seized vehicles

4.11.1 Non-realisation of revenue from missing seized vehicles.

The Department could not recover the dues as four seized vehicles found missing from police station.

Under the provisions of Section 22 of the UPMVT Act, vehicles seized by the enforcement wing of the Department, the vehicle owners are liable to pay dues and compounding fee imposed thereon and get it released. Where owners of vehicles did not turn up to pay dues, these vehicles may be auctioned after 45 days from the date of seizure and revenue realised should be adjusted towards the tax, additional tax, penalty and the expenses of such auction. The balance, if any, shall be refunded to the owner of the vehicle.

We examined (August 2014) the seizure registers and concerned files of ARTO Ghazipur, and found that 11 vehicles were seized by the enforcement wing during the period from July 2003 to May 2012 under the provisions of the UPMVT Act for not depositing dues. The defaulters failed to deposit the due amount within the prescribed period of 45 days. The concerned offices also did not initiate action required under the Act to realise the dues through auction of these vehicles within stipulated period of 45 days from the date of seizure. Auction of these seized vehicles was to take place on 17 July 2014 but four vehicles from which dues of ₹ 15.56 lakh were required to be realised were not found in concerned police station. Thus, due to four vehicles found

missing, the Department could not recover the dues of ₹ 15.56 lakh from the seized vehicles.

We reported the matter to the Government and the Department (September 2014 to April 2015). In reply the Department accepted our observation and stated that notices have been issued (November 2015).

4.11.2 Non-realisation of revenue due to non-auction of seized vehicles

The Department could not recover the revenue due to non auction of 16 seized vehicles.

We examined (August 2014) the seizure register and concerned files of ARTO Mau, and found that 16 vehicles were seized under the provisions of the UPMT Act during the period from November 2012 to June 2014 against which dues of ₹ 5.04 lakh was to be realised. The owners of these vehicles did not pay the dues within 45 days from the date of seizure. The concerned offices also did not initiate action to realise the dues of ₹ 5.04 lakh from seized vehicles through auction of these vehicles despite the lapse of two to 21 months from the date of seizure.

We reported the matter to the Government and the Department (September 2014 to April 2015). In reply the Department accepted our observation and stated that notices have been issued (November 2015).

4.11.3 Short realisation of revenue from auction of seized vehicles

The Department could realise lesser revenue than the amount due from the auction of 29 seized vehicles

We examined (June 2013 and July 2013) the seizure registers and concerned files of two RTOs and found that 29 vehicles were seized by the enforcement wing from March 2000 to September 2012 under the provisions of the UPMT Act for not depositing dues of ₹ 10.40 lakh. The defaulters failed to deposit the due amount within the prescribed period of 45 days. The Department auctioned the seized vehicles between January 2014 and February 2014 and recovered an amount of ₹ 3.53 lakh against the due amount of ₹ 10.40 lakh. Thus an amount of ₹ 6.87 lakh could not be recovered from seized vehicles. The concerned offices did not issue recovery certificates for realisation of the balance amount of ₹ 6.87 lakh as detailed in **Table 4.6**.

Table 4.6

Short realisation of revenue from auction of seized vehicles

(Amount in ₹)							
Sl. No.	Name of unit	Total number of vehicles	Period of seizure of vehicles	Date of auction	Due amount	Amount recovered	Tax less recovered
1.	RTO Mathura	19	03/2000 to 09/2012	27.01.2014	4,78,155	91,350	3,86,805
2.	RTO Moradabad	10	08/2010 to 09/2011	07.02.2014	5,61,747	2,61,600	3,00,147
	Total	29	03/2000 to 09/2012		10,39,902	3,52,950	6,86,952

Source: Information available on the basis of audit findings.

We reported the matter to the Government and the Department (September 2014 to April 2015). In reply the Department accepted our observation and stated that notices have been issued (November 2015).