

CHAPTER-IV

TAXES ON VEHICLES

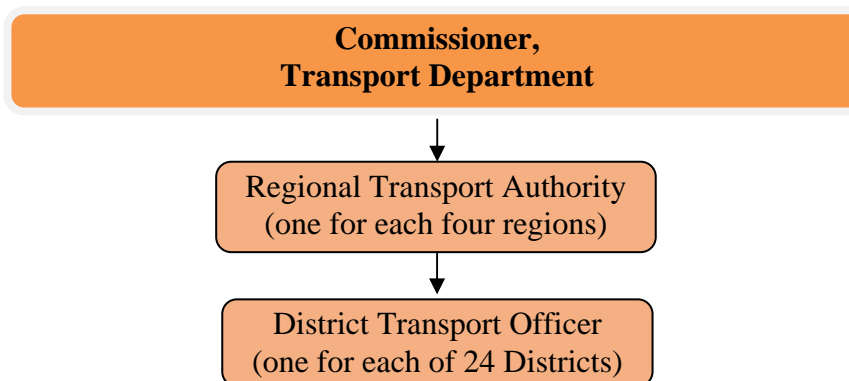
CHAPTER – IV: TAXES ON VEHICLES

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. The State has been divided into four regions¹ and 24 transport districts², which are controlled by the Regional Transport Authorities (RTAs) and District Transport Officers (DTOs) respectively. They are assisted by Motor Vehicles Inspectors, the Enforcement Wing and nine check posts³.

The organisational chart of the department is as under:



4.2 Results of audit

We planned for test check of records of 12 annual units, 5 biannual units and 2 triennial units out of the total 29 units of Transport Department during 2015-16 and test checked all the above planned units⁴, which collected revenue of ₹ 445.09 crore, relating to ‘Taxes on Vehicles’. Our Audit revealed taxes not levied/short levied, short levied of taxes due to wrong fixation of seating capacity, taxes not realised from trailers etc. amounting to ₹ 37.50 crore in 34,550 cases detailed as in **Table-4.1**.

¹ Dumka, Hazaribag, Palamu and Ranchi.

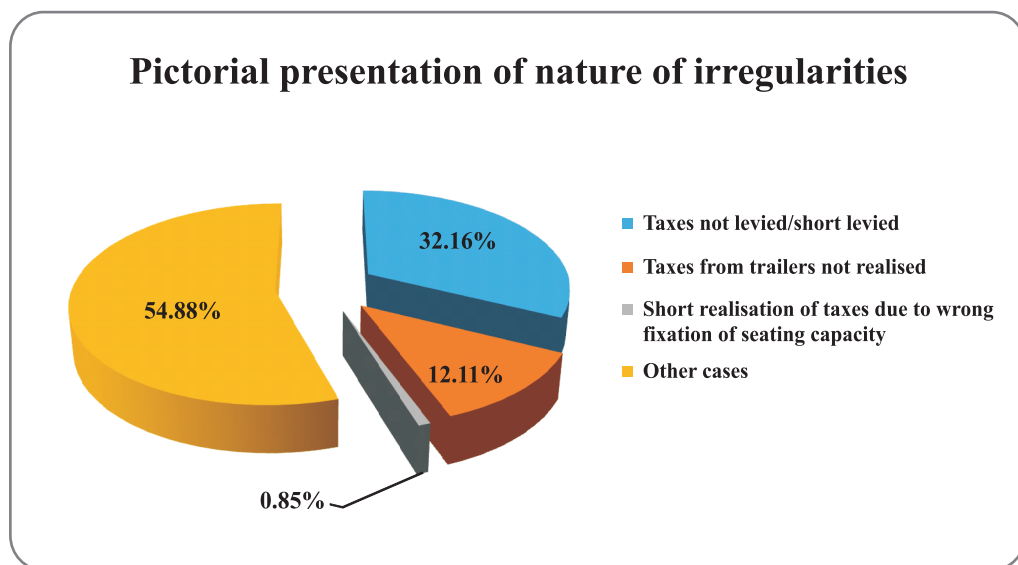
² Bokaro, Chaibasa, Chatra, Deoghar, Dhanbad, Dumka, Garhwa, Giridih, Godda, Gumla, Hazaribag, Jamshedpur, Jamtara, Khunti (Notified in March 2015), Koderma, Latehar, Lohardaga, Palamu, Pakur, Ramgarh (Notified in April 2015), Ranchi, Sahebganj, Saraikela-Kharsawan and Simdega.

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

⁴ Offices of DTO, Bokaro, Chaibasa, Chatra, Deoghar, Dhanbad, Dumka, Garhwa, Giridih, Gumla, Hazaribag, Jamshedpur, Koderma, Latehar, Palamu, Ranchi and Simdega, State Transport Commissioner, Ranchi and RTA, Dumka and Palamu.

Table-4.1

Sl. No.	Categories	No. of cases	(₹ in crore)
			Amount
1	Taxes not levied/short levied	2,053	12.06
2	Taxes from trailers not realised	4,596	4.54
3	Short realisation of taxes due to wrong fixation of seating capacity	141	0.32
4	Other cases	27,760	20.58
Total		34,550	37.50



During the year, the Department accepted motor vehicles tax, fees, penalties etc. not levied/short levied of ₹ 37.49 crore in 32,626 cases which were pointed out by audit in 2015-16.

In this chapter we present a few illustrative cases having financial implications of ₹ 20.35 crore. These are discussed in the succeeding paragraphs.

4.3 Provision of Acts/Rules not complied with

The JMVT Act, 2001 and Rules made thereunder, Motor Vehicles Act, 1988, Bihar Financial Rules (as adopted by the Government of Jharkhand) 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.

In the succeeding paragraphs, cases are reported where the Transport Department did not observe the provisions of the Act/Rules.

4.4 Taxes on defaulting vehicles owners not collected

Tax and penalty of ₹ 16.23 crore, from defaulting vehicle owners not realised.

Under the provisions of Section 5 and 9 of the JMVT Act 2001 and Rule 4 of the JMVT Rules 2001, the owner of a registered vehicle (other than personal vehicles) is liable to pay tax after the date of expiry of the period for which the tax had been paid to the taxation officer in whose jurisdiction the vehicle is registered. The vehicle owner can pay the tax to the new taxing authority in case of change of residence/business, subject to the production of No Objection Certificate (NOC) from the previous taxing authority. In case of failure to pay tax within the stipulated period, the taxation authority may impose penalty at the prescribed rates. If the delay in payment of tax exceeds 90 days, penalty at twice the amount of taxes due may be imposed. Further, the Rule 23 provides that every taxation officer is required to maintain the Demand, Collection and Balance (DCB) Register which shall be updated periodically in October and March every year to keep effective control over regular and timely realisation of taxes. The DTOs are required to issue demand notices to the defaulters.



We noticed (between August 2015 and March 2016) from test check of the Taxation Register, DCB Register, Surrender Registers and the computerised data in 16 DTOs⁵ that the owners of 5,417 vehicles out of 18,332 vehicles test checked did not pay tax as due between October 2011 and March 2016. We further noticed that in these cases,

⁵ Bokaro, Chaibasa, Chatra, Deoghar, Dhanbad, Dumka, Garhwa, Giridih, Gumla, Hazaribag, Jamshedpur, Koderma, Latehar, Palamu, Ranchi and Simdega.

application for change of address or surrender of documents by the owners for securing exemption from payment of tax was not found on record. As such, they were liable to pay tax and penalty. The DTOs did not update the DCB Register periodically as per Rule 23 of JMVT Rules, therefore they did not have the details of the number of defaulting vehicle owners and taxes to be realised from them. The DTOs did not raise demand for tax and penalty against the defaulting vehicle owners thus tax of ₹ 16.23 crore including penalty of ₹ 10.82 crore was not collected.

After we reported the matter (May 2016), the Government/Department stated (September 2016) that demand notices have been issued in 4,718 cases by the DTOs concerned and an amount of ₹ 1.24 crore has been recovered in 327 cases by 11 DTOs⁶. Further reply has not been received (October 2016).

Similar issue was pointed out in Paragraph No. 4.5 of the Audit Report (Revenue Sector) for the year ending 31 March 2015. In response the Transport Secretary instructed (August 2015) the DTOs to identify heavy defaulters and start intensive drive against them for realisation of arrear taxes. He further stated that one-time tax for 5/10 years would be proposed for trailers. However, progress made in this regard has not been intimated (October 2016).

4.5 One time tax on personalised vehicles not levied

One-time tax and penalty of ₹ 1.12 crore was not levied on defaulting personal vehicles with seating capacity of six to 10 persons.

Under the provisions of Section 2(g) of the Jharkhand Motor Vehicles Taxation (Amendment) Act 2011, Motor car, Omni Bus or Station wagon, having seating capacity of more than four but not exceeding 10 persons including driver, which are used solely for personal purpose, was brought under the purview of personalised vehicles. The one time tax was leviable on cost of vehicle depending on seating capacity and age of the vehicle as per substituted schedule 1 Part (A) of the Act. Further, Section 7(1) of the JMVT Act, 2001 envisaged interest at rate of two *per cent* per month on delayed payment of one time tax. Prior to the amendment (upto 22 May 2011) tax was leviable on vehicles with seating capacity of five to 10 seats at the annual rate under Section 7(3) of the Act and penalty was also leviable for not/delayed payment of tax. Further, according to the JMVT Rules, 2001 every taxation officer is required to maintain the DCB Register which shall be updated periodically in October and March every year to exercise control over regular and timely realisation of taxes.

We noticed (between November 2015 and March 2016) from test check of the Taxation Register and the computerised data in six District Transport Offices⁷ that in 428 cases out of 1,089 private vehicles with seating capacity of six to 10 persons whose tax validity had expired between October 2005 and October 2015, there were outstanding tax dues of ₹ 1.12 crore. As DTOs did not review the DCB Registers periodically, this resulted in failure to levy one time

⁶ Bokaro, Chaibasa, Chatra, Dhanbad, Giridih, Hazaribag, Jamshedpur, Koderma, Palamu, Ranchi and Simdega.

⁷ Chatra, Garhwa, Giridih, Gumla, Jamshedpur and Latehar.

tax of ₹ 88.40 lakh including interest of ₹ 45.77 lakh. Besides, tax of ₹ 23.19 lakh including penalty of ₹ 15.46 lakh for the period prior to implementation of one time tax was also leviable.

After we reported the matter (May 2016), the Government/Department stated (September 2016) that demand notices have been issued by the DTOs concerned and an amount of ₹ 10,400 has been recovered in one case by DTO, Giridih. Further reply has not been received (October 2016).

Similar issue was pointed out in Paragraph No. 4.6 of the Audit Report (Revenue Sector) for the year ending 31 March 2015, in response, the Transport Secretary instructed (August 2015) the DTOs to identify heavy defaulters and start intensive drive against them for realisation of arrear taxes. However, the lapses still persist (October 2016).

4.6 Taxes from the date of possession of vehicles not levied

Tax for the period between date of possession and date of registration of vehicles amounting to ₹ 1.09 crore was not levied.

Under the provisions of Rule 4(1) of the JMVT Rules 2001, in cases where no tax had previously been paid, the date of acquisition of the vehicle or the date when such tax is imposed by law shall be due date for tax payment. Further, Rule 42 and 47 of the Central Motor Vehicle Rules, 1989 provide that no holder of a trade certificate shall deliver a motor vehicle to a purchaser without registration, whether temporary or permanent and application for registration has to be made within seven days from taking delivery of vehicle. Non-payment of taxes in time attracts penalty at the rates prescribed depending upon period of delay, which ranges from 25 to 200 *per cent* of the tax due.

We noticed (between November 2015 and March 2016) from the test check of taxation registers and computerised data in seven districts transport offices⁸ that the owners of 576 vehicles out of 2,625 vehicles applied for registration with delay that ranged from three months to seven years. The registering authority levied tax from the date of registration instead of from the date of possession. We observed that till the date of audit (between November 2015 and March 2016) neither the owners of the vehicles paid the tax nor did the registering authorities levy tax and penalty on the defaulting vehicles for the intervening period from the date of possession of vehicles to the date of registration. Thus, due to failure in compliance with the provisions of the JMVT Rules, 2001 taxes amounting to ₹ 1.09 crore including penalty of ₹ 72.56 lakh was not levied.

After we reported the matter (May 2016), the Government/Department stated (September 2016) that demand notices have been issued by the DTOs concerned. Further reply has not been received (October 2016).

Similar issue was pointed out in Paragraph No. 4.11 of the Audit Report (Revenue Sector) for the year ending 31 March 2014. The Department had then, stated that introduction of dealer point registration system had been

⁸ Bokaro, Deoghar, Dumka, Hazaribag, Jamshedpur, Latehar and Simdega.

proposed to stop the irregularity. However, lapses/irregularities of the same nature still persist (October 2016).

4.7 Annual authorisation of National Permits not renewed

Subsequent authorisation during currency of national permits of transport vehicles was not made thus consolidated fee and authorisation fee of ₹ 98.35 lakh was not realised.

Under Section 81 of the MV Act 1988, read with Rule 87 of the Central Motor Vehicles Rules 1989, a permit other than a temporary or special permit shall be issued for a period of Five years and the period for validity of an authorisation shall not exceed one year at a time. This authorisation is a continuous process unless the permit expires or is surrendered by the permit holder. Further, under the National Permit Scheme, the prescribed annual fee is required to be paid in advance by the permit holders. The New National Permit Scheme introduced by the Government of India was implemented in Jharkhand from September 2010. Under the new scheme authorisation fee of rupees one thousand per annum shall be levied besides composite fee of ₹ 15,000 per annum. The composite fee was enhanced to ₹ 16,500 per annum w.e.f. April 2012 by Ministry of Road Transport and Highways, Government of India. The national permit issued under the new system is valid throughout the territory of India and Union Territories. If payment of composite fee within the due date is not paid, the permit issuing authority is required to impose penalty at prescribed rate.

We test checked (between February and March 2016) 6,013 cases in offices of RTAs, Dumka and Palamu and found that in 273 cases authorisation of national permit had expired between December 2011 and March 2015. In none of these cases, application for surrender of permit by the permit holders was found on record. We further observed that there was absence of mechanism for monitoring of the subsequent authorisation during currency of national permits in the Department. Thus, consolidated fee (₹ 92.73 lakh) and authorisation fee (₹ 5.62 lakh) of ₹ 98.35 lakh was not realised.

After we reported the matter (May 2016), the Government/Department stated (September 2016) that demand notices in 12 cases have been issued by RTA, Palamu. Further reply has not been received (October 2016).

Similar issue was pointed out in Paragraph No. 4.3.18 of the Audit Report (Revenue Sector) for the year ending 31 March 2015. In response the Department had stated that RTAs concerned have been instructed to issue demand notices for realisation of arrears. However, lapses/irregularities of the same nature still persist (October 2016).

4.8 Certificates of registration in smart card not issued

The Government was deprived of revenue amounting to ₹ 49.11 lakh as certificates of registration in smart card were not issued.

Under the provisions of Rule 48 of the Central Motor Vehicles Rules 1989, the registering authority shall issue certificate of registration to the owner of the motor vehicles in Form 23 or Form 23A (Smart Card). Further, Rule 81

provides that an additional fee of rupees two hundred shall be charged for issue of certificate of registration in smart card effective from May 2002. The Government of Jharkhand had signed an agreement with M/s A K S Smart Card Ltd. in October 2004 for 18 districts and allowed the firm to recover service fee of ₹ 99 for issue of vehicle registration certificate in Smart Card. Issuance of Smart Card based registration certificate was introduced to prevent the use of forged and fake documents in respect of motor vehicles.

We test checked the Registration Register in four District Transport Offices⁹ between February and March 2016 and noticed that 24,557 certificates of registration were not issued in the form of Smart Card during the period 2013-14 and 2014-15 even though VAHAN¹⁰ package was installed in the offices, thus 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 of ₹ 49.11 lakh.

After we reported the matter (May 2016), the Government/Department stated (September 2016) that Smart card scheme for issuing of certificate of registration have been started in DTOs, Chatra, Garhwa and Latehar whereas in Simdega it was under process. Further reply has not been received (October 2016).

Similar issue was pointed out in Paragraph No. 4.3.23.2 of the Audit Report (Revenue Sector) for the year ending 31 March 2015. In response, the Transport Secretary had stated that the process of e-tendering would be finalised by December 2015 covering all the districts. However, the lapses/irregularities of this nature still persist, despite their assurance (October 2016).

4.9 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 ₹ 31.51 lakh.

Under the provisions of Section 7(3) of the Jharkhand Motor Vehicles Taxation (Amendment) Act, 2011, taxes shall be paid by the owner of a transport vehicle on seating capacity determined on the criteria of wheelbase. The provision came into effect from 23 May 2011. Further, Section 5 of the Act provides that every owner of a transport vehicle is required to pay road tax and additional motor vehicles tax at the rates specified therein.

We test checked (between August and November 2015) the registration and taxation registers along with verification of the computerised data in District Transport Offices, Gumla and Ranchi and noticed that out of 406 transport vehicles test checked, 141 vehicles paid taxes for the period from May 2011 to April 2016 based on seating capacity lower than that stipulated for their respective wheelbase. This indicated that the DTOs did not enforce the provision of the Act during demand of taxes from public service vehicles which resulted in short levy of taxes amounting to ₹ 31.51 lakh.

After we reported the matter (May 2016), the Government/Department stated (September 2016) that DTO, Ranchi forwarded the cases to MVI, Ranchi for

⁹ Chatra, Garhwa, Latehar and Simdega.

¹⁰ VAHAN is a software that deals with registration and taxation of vehicles.

inspection and determination of actual seating capacity whereas demand notices have been issued by DTO, Gumla. Further, reply has not been received (October 2016).

Similar issue was pointed out in Paragraph No. 4.3.11 of the Audit Report (Revenue Sector) for the year ending 31 March 2015. In response, the DTOs concerned intimated that demand notice for differential tax had been issued and recovery of ₹ 0.42 lakh had been made in nine cases. However, lapses/irregularities of the same nature still persist.

4.10 Interest due on account of delay in deposit of revenue not realised by collecting banks

The collecting banks did not credit interest of ₹ 12.32 lakh for delayed transfer of collected revenue into Government account.

Under the provisions of Rule 37 of the Bihar Financial Rules (adopted by the Government of Jharkhand), all money received as Government dues should be credited to Government Account. As per instructions of State Transport Commissioner, Jharkhand (January 2001) the amount collected by the banks during April to February should be transferred to the State Bank of India (SBI), Doranda Branch, Ranchi in such a manner that all receipts during a particular month are transferred latest by the first week of the following month. The amount deposited in the month of March, is to be transferred by 31st March positively so that all amounts deposited in the financial year are transferred to the Government account in the same financial year. As per the instructions issued by the Reserve Bank of India (RBI) penal interest on balance exceeding rupees one lakh is payable by the banks at the rate notified from time to time on delayed remittances to Government Account.

We test checked (between August 2015 and March 2016) the bank statements of remittances of revenue collected in four District Transport Offices¹¹ and noticed that the collecting banks i.e. Bank of India and State Bank of India did not credit a sum of ₹ 12.43 crore for the year 2013-14 to 2014-15 into SBI, Doranda Branch, for crediting into Government Account within the prescribed time. The collecting banks also did not credit interest of ₹ 12.32 lakh for delayed transfer of the Government revenue into SBI, Doranda, Ranchi. The Department also failed to monitor and effectively pursue the payment of interest from collecting banks.

After we reported the matter (May 2016), the department stated (September 2016) that correspondences have been made with bank authorities with direction to deposit the amount of accrued interest for delayed transfer of revenue. Further, reply has not been received (October 2016).

Similar issue was pointed out in Paragraph No. 4.7 of the Audit Report (Revenue Sector) for the year ending 31 March 2015. In response the Transport Secretary had stated that DTOs have been directed to keep periodical watch over the transfer of Government revenue by banks. However, lapses/irregularities of the same nature still persist (October 2016).

¹¹ Chatra, Dumka, Ranchi and Simdega.