

CHAPTER – IV
TAXES ON VEHICLES

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4.1 Tax Administration

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

Taxes on vehicles are collected under the provisions of the following Acts and Rules and notifications issued thereunder:

- The Motor Vehicles (MV) Act, 1988;
- Central Motor Vehicles (CMV) Rules, 1989;
- Madhya Pradesh *Motoryan Karadhan Adhiniyam (Adhiniyam)*, 1991 and
- Madhya Pradesh *Motoryan Karadhan Niyam (Niyam)*, 1991.

4.2 Results of audit

We test-checked records of 24 units (RTOs – 10, ARTOs – 5 and DTOs - 9) involving total revenue of ₹ 356.51 crore out of 51 units relating to Taxes on vehicles during the year 2014-15 and observed underassessment of tax and other irregularities involving ₹ 20.02 crore in 3,30,743 cases which fall under the following categories as mentioned in **Table-4.1**.

Table-4.1

(₹ in crore)			
Sl. No.	Categories	Number of cases	Amount
1.	Non/Short levy of vehicles tax and penalty on public service vehicles	16,800	11.68
2.	Non/Short levy of vehicle tax and penalty on goods vehicles	1,057	3.44
3.	Non/Short levy of vehicle tax and penalty on maxi cab vehicles	641	2.11
4.	Others	3,12,245	2.79
Total		3,30,743	20.02

The Department accepted underassessment and other deficiencies of ₹ 6.01 crore in 1,60,454 cases, which were pointed out in audit during the year 2014-15 and reported realisation of ₹ 12.96 lakh in 157 cases.

A few illustrative cases involving ₹ 9.48 crore are discussed in the following paragraphs.

4.3 Short levy of motor vehicle tax due to wrong assessment of seating capacity of public service vehicles

Buses having wheelbase of 3800 mm, 4200 mm and 5639 mm were registered with less seating capacity than the seating capacity prescribed by the registration authority, resulting in short levy of motor vehicle tax of ₹ 29.92 lakh.

We scrutinised (between July and November 2014) the computer database and registration files and found in ten offices¹ that 57 vehicles of model TATA LP 1109/42 having wheelbase of 4200 mm, model TATA LP 709/38 having wheelbase of 3800 mm and model Ashok Leyland ALPSV 3/41 & 4/94 having wheel base of 5639 mm were registered (between July and November 2014) with less seating capacity.

This was in contravention of the seating capacity defined on the basis of the wheel base/model of the respective vehicle vide Rule 158 (3) of Motor Vehicle Tax Act, 1994 and the instructions issued by the Transport Commissioner on 31 May 2005. Registering the vehicles with less seating capacity ranging from two to 14 seats resulted in short levy of motor vehicle tax of ₹ 29.92 lakh.

After this was pointed out the TAs stated that audit would be intimated after scrutiny of the cases.

The matter was reported to the Transport Commissioner and the Government (May 2015); their reply has not been received (November 2015).

4.4 Non-realisation of vehicle tax and penalty

Motor vehicle tax in respect of 349 public service vehicles kept for use as reserve, 582 goods vehicles, 134 maxicabs/taxicabs, 525 Earthmovers/Harvesters and eight stage carriage vehicles amounting to ₹ 4.56 crore and penalty of ₹ 2.57 crore thereon was neither paid by the vehicle owners nor demanded by the TAs.

According to the provisions of Section 3 (1) of the Madhya Pradesh *Motoryan Karadhan Adhinyam*, 1991 tax shall be levied on every vehicle at the rates specified in the *Adhinyam*. Penalty as per Section 13 of the *Adhinyam* was also leviable if taxes due were not paid.

We scrutinised (between May 2014 and March 2015) the demand and collection register, NOC issuance register, vehicle surrender register and computerised database in 23 transport offices, and found that tax of ₹ 4.56 crore was neither paid by the vehicle owners, nor was it demanded by the TAs in respect of 1,598 vehicles out of 11,832 vehicles test checked for the period between April 2011 and March 2014. Penalty as per Section 13 *ibid* of ₹ 2.57 crore for delay in making payment of tax was also leviable which was not

¹ RTO – Bhopal, Gwalior, Indore, Jabalpur, Sagar and Ujjain, ARTO – Khandwa, DTO – Balaghat, Bind and Mandla

levied. This resulted in non-realisation of revenue of ₹ 7.13 crore. The details are shown in **Table 4.2 below:**

Table -4.2

(₹ in lakh)

Type of vehicle / number of defaulter vehicles	Number of offices involved	Tax not realised	Penalty on tax not paid	Non-realisation of Tax and penalty
<u>Public Service Vehicles</u> 349	9 RTOs 2 ARTOs 8 DTOs Total 19 offices ²	218.00	103.00	321.00
<u>Goods Vehicles</u> 582	8 RTOs 4 ARTOs 7 DTOs Total 19 offices ³	108.00	65.54	173.54
<u>Maxicabs/Taxicabs</u> 134	1 RTO 4 ARTOs 1 DTO Total 6 office ⁴	19.76	15.37	35.13
<u>Earthmover/Harvester</u> 525	9 RTOs 4 ARTOs 6 DTOs Total 19 offices ⁵	102.00	68.51	170.51
<u>Stage carriage vehicles</u> 8	2 RTOs 2 ARTOs Total 4 offices ⁶	8.36	4.44	12.80
Total		456.12	256.86	712.98

After this was pointed out, the TAs stated (between May 2014 and March 2015) that notices would be issued to recover the outstanding tax/ recovery would be made after scrutiny of the cases.

The matter was reported to the Transport Commissioner and the Government in May 2015; their reply has not been received (November 2015).

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

³ RTO - Gwalior, Hoshangabad, Indore, Jabalpur, Morena, Rewa, Sagar and Ujjain
ARTO – Chhatarpur, Khandwa, Khargone and Mandsaur

⁴ DTO – Alirajpur, Balaghat, Bhind, Burhanpur, Mandla, Sheopur and Tikamgarh
RTO-Hoshangabad, ARTO- Khandwa, Khargone Mandsaur and Chhatarpur,
DTO-Alirajpur

⁵ RTO – Bhopal, Gwalior, Hoshangabad, Indore, Jabalpur, Morena, Rewa, Sagar, and Ujjain
ARTO – Chhatarpur, Khandwa, Khargone, and Mandsaur

⁶ DTO – Alirajpur, Balaghat, Bhind, Burhanpur, Mandla, and Sheopur
RTO – Hoshangabad and Ujjain, ARTO – Khandwa and Khargone

4.5 Non/short levy of revenue due to non/short realisation of trade fees

The Department failed to recover trade fees from dealers of vehicles, amounting to ₹ 2.06 crore (at ₹ 50 per motorcycle and for others at ₹ 200 per vehicle) on 2,17,408 two wheelers and 57,361 four wheelers registered between April 2011 and March 2014.

Section 39 of the Motor Vehicle (MV) Act, 1988 provides that no person shall drive any Motor Vehicle in any public place unless the vehicle is registered. However, a dealer of vehicles is exempted from the necessity of registration under Rule 33 of the Central Motor Vehicle (CMV) Rules, 1989 subject to the condition that an application for the grant or renewal of a trade certificate shall be made in Form 16 as prescribed in Rule 34 and accompanied by the appropriate fee for each vehicle as specified in Rule 81. Transport Commissioner also issued an order (27 January 2012) to recover trade fee as per rule.

We scrutinised the vehicle registration data and trade certificate/fee register of 12 offices⁷ (between June 2014 and March 2015) and found that 2,19,975 two wheelers and 58,830 four wheelers vehicles were registered in the respective RTOs between April 2011 and March 2014.

Contravening this order, trade fees was recovered against only 12,567 two wheelers and 1,469 four wheel vehicles only. The department realised trade fee of ₹ 4.22 lakh against recoverable trade fee of ₹ 2.10 crore. This resulted in short realization of trade fee of ₹ 2.06 crore. The department also did not ascertain the actual number of vehicles sold against which trade certificates were issued and recover the correct amount on account of trade fee.

After this was pointed out, five Taxation Authorities (TAs)⁸ stated (between July 2014 and November 2014) that notices are being issued to concerning dealers for recovery; TA of Mandla and Mandsaur stated (between July 2014 and November 2014) that necessary action would be taken after verification; TAs of Burhanpur and Tikamgarh stated that recovery would be made after getting necessary instruction from headquarters office and TAs of Rewa and Seoni stated that trades fees was meant for trade certificates as specified in the Rule-81 is not for selling of vehicles and it is for trade certificate only, whereas ARTO Chhatarpur stated that audit would be intimated after recovery.

We do not agree with the replies of TAs of Rewa and Seoni as Transport Commissioner's order dated 27 January 2012 were not followed, according to which, trade fee should have been deposited against each vehicle in dealer's possession which were subsequently sold and registered.

The matter was reported to the Transport Commissioner and the Government May 2015; their replies have not been received (November 2015).

⁷ RTO - Jabalpur, Rewa and Sagar, ARTO- Chhatarpur, Khandwa, Mandsaur, Seoni
DTO - Balaghat, Bhind, Burhanpur, Mandla and Tikamagarh

⁸ RTO - Jabalpur and Sagar, ARTO- Khandwa, DTO - Balaghat and Bhind

4.6 Internal Audit

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

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

During the year 2014-15, the Department planned 35 field units for internal audit, however, audit of only five units could be completed. The Department cited deployment of staff in Municipal and *gram panchayat* elections as reasons for not covering the remaining 30 units in internal audit. Reply is not correct as Department's internal audit wing is situated in Gwalior and election process is usually completed in 30 days. In remaining period, the Department could complete audit of only five units suggests that the Department did not have proper arrangement for the audit of all the units planned. The working of IAW needs to be strengthened in the Department.