

CHAPTER-V
TAXES ON VEHICLES, GOODS AND
PASSENGERS

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5.1 Tax administration

Additional Chief Secretary (Transport) is the administrative head at the Government level. The receipts from the Transport Department are regulated under the provisions of the Central and the State Motor Vehicle Acts and rules made thereunder and are under the administrative control of the Director Transport. The receipts from the goods and passengers tax are regulated under the provisions of the Himachal Pradesh Passengers and Goods Taxation Act 1955, which are administered by the Excise and Taxation Commissioner of the state.

5.2 Results of audit

In 2014-15, test check of the records of 40 units relating to token tax, special road tax, registration fee, permit fee, driving license fee, conductor license fee, penalties and composite fee under the National Permit Scheme showed under assessment of tax and other irregularities involving ₹119.96 crore in 227 cases, which fall under the following categories in the **Table 5.1**:

Table 5.1

Sr. No.	Category	Number of cases	₹ in crore
			Amount
1.	Non/short realisation of		
	• Token tax and composite fee	68	29.19
	• Special Road Tax	50	24.30
	• Passenger and goods tax	16	0.93
2.	Evasion of		
	• Token tax	31	2.25
	• Passenger and goods tax	20	60.81
3.	Other irregularities		
	• Vehicles tax	27	1.91
	• Passenger and goods tax	15	0.57
Total		227	119.96

During the course of the year, the Department accepted underassessment and other deficiencies of ₹26.34 crore in 349 cases, which were pointed out in earlier years out of which an amount of ₹6.06 crore was realised in 291 cases, of which ₹4.03 crore in 246 cases pertain to earlier years and ₹2.03 crore in 45 cases for the year 2014-15.

A few illustrative cases involving ₹102.54 crore are discussed in the following paragraphs.

5.3 Non-realisation of arrears of Transport Department

Arrears amounting to ₹98.35 crore were pending for collection since 1971-72. Out of which ₹72.81 lakh referred to Collector for recovery as Arrear of Land revenue (ALR), an amount of ₹20.42 lakh only had been recovered.

Introduction

Levy and collection of taxes under Motor Vehicles are regulated under the Motor Vehicle (MV) Act, 1988, Central Motor Vehicles Rules, 1989; Himachal Pradesh Motor Vehicles Taxation (HPMVT) Act, 1972; Himachal Pradesh Motor Vehicles Rules (HPMVR), 1974 and Himachal Pradesh Motor Vehicles Rules (HPMVR), 1999.

The Major source of revenue of vehicles under Transport Department comprises of token tax, special road tax (SRT), registration fee, permit fee, driving license fee, penalties and composite fee under the National Permit Scheme. Token tax is leviable on the motor vehicles and paid in advance either quarterly or annually in accordance with Rule 3 of the HPMVR, at the prescribed rates. In addition to token tax, SRT is also levied on all stage carriage transport vehicles payable in advance on 15th of every month at the rates prescribed from time to time.

Audit on '*Non-realisation of arrears of Transport Department*' covering the period from 2011-12 to 2013-14 was conducted between June 2014 and March 2015 through test check of the records maintained in the offices of the State Transport Authority (STA), five out of 10 Regional Transport Officers (RTO)¹ and 17 out of 54 Registering and Licensing Authorities (RLA)². The following are the audit findings:

5.3.1 Position of arrears

Year wise position of arrears for the period 2011-12 to 2013-14 as on 31 March 2015 as per the information supplied by the department is given in **Table 5.2**:

Table 5.2

₹ in crore						
Year	Opening balance of arrears	Addition during the year	Arrears recoverable during the year	Recovered during the year	Outstanding arrears at the end of year	Outstanding for more than five years
1	2	3	4	5	6	7
2011-12	174.03	23.32	197.35	3.34	194.01	84.69
2012-13	194.01	32.88	226.89	15.24	211.65	90.37
2013-14	211.65	123.06	334.71	Not available	98.35 (for 18 units)	30.91

Source: Figures supplied by the department

The department supplied the information of arrears of ₹98.35 crore pending for collection as on 31 March 2014 about only for 18 units (out of total 69 units), and out of this ₹30.91 crore was pending for more than five years. Due to the absence of a centralised database, actual position of the recoverable amount of arrears could not be ascertained in audit.

5.3.2 Non-recovery/declaration of Arrear of Land Revenue (ALR)

The Transport Department is responsible for recovery of dues pertaining to its own Department. If Government dues cannot be recovered by means available

¹ Kullu, Shimla, Sirmour, Solan and Una

² Amb, Arki, Bilaspur, Dehra, Kangra, Kullu, Mandi, Manali, Nahan, Nalagarh, Nurpur, Paonta, Rohroo, Shimla (R), Shimla (U), Solan and Una

with the department, such arrears are certified as ALR. These cases referred to Collector of the district concerned or the officer who has been delegated such powers provided under the Himachal Pradesh Land Revenue Act, 1953 (Act No. 6 of 1954).

Scrutiny of records of 17 RLAs, five RTOs and STA, Shimla and information supplied by the department showed that arrears of ₹98.35 crore were still pending for collection since 1971-72. The department had neither initiated any action to refer these cases to the Collector to effect the recovery of tax as ALR nor to recover the pending arrears in a time bound manner even after elapse of 30 to 45 years. However, in two RLAs³, 247 cases involving ₹72.81 lakh, were referred to Collector, pertaining to the period falling between 1993-94 and 2012-13, out of which an amount of ₹20.42 lakh⁴ in 44 cases had been recovered during the years 2011-12 to 2013-14.

5.3.3 Non-monitoring of arrears

Rule 18 of the HPMVR, 1974 provides that all registering and licensing authorities in the state shall submit a return in Form-VIII to the STA within a month of the expiry of each quarter showing the details of numbers of vehicles registered and payment of tax made etc. to maintain centralised database of vehicles at the apex level for proper monitoring of realisation of revenue. Since computerisation (April 2005), all the registering authorities were also required to be connected to strengthen the revenue collection on account of taxes.

Audit scrutinised the information collected from 17 RLAs, five RTOs and STA, Shimla between June 2014 and March 2015 and noticed that no return containing outstanding amount of arrears pending for collection was being furnished by the field units to Director Transport. After being requested, the department was also unable to provide the same. The registering authorities were also not found connected with centralised database. This was indicative of the fact that the department was unaware of the number of vehicles registered and realisation of tax from them. In absence of this, the monitoring for recovery of the arrears at apex level was not possible in the Department.

On this being pointed out, the STA admitted (April, 2015) the audit observations and stated that there was no such mechanism in the software from which exact position of the arrear could be evaluated and in the post computerised scenario there was provision to arrive at the centralised data of vehicle population and there was no need to get this return from the field offices. The reply is not tenable because even after computerisation, the position of defaulters was not be monitored at the Directorate level and factual position of recoverable taxes was not available.

5.3.4 Renewal fee of Non-transport vehicle

As per the Transport Department's notification dated August 2007, there shall be levied, charged and paid to the State Government, a tax on personal vehicles for every further period of five years from the date of renewal of certificate of registration (RC) under Sub-Section 10 of Section 41 of the MV Act, 1988, used

³ Arki: 36 cases: ₹11.18 lakh and Nalagarh: 211 cases: ₹61.63 lakh

⁴ Arki: 13 cases: ₹5.34 lakh and Nalagarh: 31 cases: ₹15.08 lakh

or kept for use in HP at the rate of 50 per cent of the tax already paid at the time of first registration of such personal vehicle. As per Government Notification of April 1992, the minimum rate for the renewal of RC of personal vehicles fixed at ₹960 and ₹2,000 for two wheelers and four wheelers respectively.

Audit test checked (between June 2014 and February 2015) the records of database maintained in 'VAHAN' software of 17 RLAs⁵ and STA, Shimla and noticed that out of 12,506 vehicles records, one-time tax validity of 9,330 vehicle owners had expired between 2011 and 2014 and the owners of these vehicles neither renewed their RCs nor were deposited in the RC deposit register in token of proof that these vehicles were not being used in the State. This resulted in non-recovery of revenue on account of onetime tax to the tune of ₹60.63 lakh.

5.3.5 Non-renewal of permits

The MV Act, 1988 and HPMVR, 1974 provides that no owner shall use or permit to use the vehicle as transport vehicle in public place unless the owner of such vehicle has obtained a valid route permit from the Regional/STA. The rates chargeable for issue of such permits have also been prescribed in the rules. In case, the owner does not get the permit renewed/counter signed within the period of three months, it shall be deemed to have been cancelled.

Audit test checked the records of four RTOs (between June 2014 and February 2015) and noticed that 1,575 vehicle owners whose permits expired between September 2005 and March 2014 had not renewed their regular permits after expiry of validity period. The renewal fee on this account works out to ₹16.18 lakh⁶. There was nothing on record to show that RTOs had initiated any action to get the permit renewed or cancelled. This resulted in revenue to that extent remained uncollected.

5.4 Non-realisation of taxes

Token tax and entry tax of ₹17.73 crore in respect of 22,527 vehicles for the years 2010-11 to 2013-14 was neither demanded by the Department nor paid by these vehicle owners.

5.4.1 Token tax

Under the Himachal Pradesh Motor Vehicles Taxation (HPMVT) Act, 1972 and rules made thereunder, token tax by vehicle owners is payable in advance quarterly or annually in the prescribed manner. As per Transport Department's notification dated 15 March 2012, token tax in the case of construction equipments vehicles and crane mounted vehicles (based on the maximum prescribed mass) was leviable at the rate of ₹8,000 (light), ₹11,000 (medium) and ₹14,000 (heavy) per annum with effect from March 2012. As per provisions contained in Sub-Section (2) of Section 3-A of the Act *ibid*, if an owner of motor vehicle fails to pay the tax due within the prescribed period, the taxation

⁵ Amb, Arki, Bilaspur, Dehra, Kangra, Kullu, Manali, Mandi, Nahan, Nalagarh, Nurpur, Paonta, Rohroo, Shimla (R), Shimla (U), Solan and Una

⁶ Kullu: 613 vehicles: ₹5.44 lakh, Shimla: 654 vehicles: ₹7.39 lakh, Solan: 223 vehicles: ₹2.41 lakh and Una:85 vehicles: ₹0.94 lakh

authority after giving him an opportunity of being heard, shall direct him to pay in addition to tax, a penalty at the rate of 25 per cent per annum of the tax due.

Audit test checked between June 2014 and March 2015 the Token Tax registers and data maintained in 'VAHAN' software of 27 Registering and Licensing Authorities (RLAs)⁷, 10 Regional Transport Offices (RTOs)⁸ and State Transport Authority (STA) Shimla and noticed that out of 55,407 test checked vehicles' records, token tax amounting to ₹17.56 crore in respect of 22,445 vehicles for the years 2011-12 and 2013-14, was not deposited by the vehicle owners. There was nothing on record to indicate that any initiative had been taken by the taxation authorities to recover the tax from the defaulters. This resulted in non-recovery of token tax of ₹17.56 crore as details given in **Table 5.3**.

Table - 5.3

Sr. No.	Category of vehicle	Name of RLAs/RTOs	Period	Total No. of vehicles not paid tax/ Test checked vehicles	Amount recoverable (₹ in lakh)
1.	Private Stage Carriages Buses/Mini Buses/Maxi Cabs/Taxi (Passenger Vehicles)	RLAs Amb, Arki, Banjar, Barsar, Bilaspur, Chopal, Dehra, Gohar, Kalpa, Kangra, Keylong, Kullu, Mandi, Manali, Nahan, Nalagarh, Nurpur, Palampur, Parwanoo, Paonta Sahib, Rajgarh Rohroo, Sarkaghat Shimla (R), Shimla (U), Solan and Una RTOs Bilaspur, Chamba, Hamirpur, Kangra, Kullu, Mandi, Shimla, Sirmour, Solan and Una	2011-12 to 2013-14	4,571/1,2405	865.53
2.	Heavy Goods Vehicles/Medium Goods Vehicles/Light Goods Vehicles/ Tractors (C) (Goods vehicles)			17,087/40,903	742.93
3.	Construction Vehicles			787/2,099	147.39
TOTAL				22,445/55,407	1,755.85

On this being pointed out, the State Transport Authority (STA) intimated (between February and September 2015) that 10 RLAs and five RTOs, had recovered token tax of ₹2.07 crore in respect of 2,628 vehicles⁹ and efforts were being made to recover the balance amount. The remaining taxation authorities intimated that either notices would be issued to the defaulters to deposit the tax or action will be taken as per the provisions of the Act/Rules.

The matter was reported to the Government between August 2014 and April 2015; their replies have not been received (December 2015).

⁷ RLAs Amb, Arki, Banjar, Barsar, Bilaspur, Chopal, Dehra, Gohar, Kalpa, Kangra, Keylong, Kullu, Mandi, Manali, Nahan, Nalagarh, Nurpur, Palampur, Parwanoo, Paonta Sahib, Rajgarh Rohroo, Sarkaghat Shimla (R), Shimla (U), Solan and Una

⁸ RTOs Bilaspur, Chamba, Hamirpur, Kangra, Kullu, Mandi, Shimla, Sirmour, Solan and Una

⁹ RLAs Banjar: 11 vehicles: ₹1.69 lakh, Gohar: nine vehicles: ₹45,075, Kalpa: seven vehicles: ₹16,500, Keylong: 13 vehicles: ₹30,750, Mandi: 93 vehicles: ₹5.68 lakh, Nahan: six vehicles: ₹35,000, Nalagarh: 574 vehicles: ₹75.74 lakh Palampur: 24 vehicles: ₹1.13 lakh, Parwanoo: two vehicles: ₹32,000, Sarkaghat: 28 vehicles: ₹1.32 lakh, RTOs Dharmshala: eight vehicles: ₹46,150, Hamirpur: 30 vehicles: ₹1.51 lakh, Kullu: 1,578 vehicles: ₹58.42 lakh, Nahan: eight vehicles: ₹59,040 and Una: 237 vehicles: ₹58.83 lakh

5.4.2 Entry Tax

According to the Excise and Taxation Department notification of October 2010, issued under the Section 4 (1) of the Himachal Pradesh Tax on Entry of Goods into Local Area Act 2010, entry tax at the rate of five *per cent* shall be deposited on the invoice value of the motor vehicles purchased from any place outside the State for use in the State and registerable in Himachal Pradesh under the Motor Vehicle Act, 1988. It, further, provides that no Registering and Licensing Authority shall register such motor vehicle unless the person making application for registration furnishes proof of having deposited the tax payable under this section from the Assessing Authority.

Audit noticed between June 2014 and March 2015 from the registration files of the vehicles maintained in two RTOs¹⁰ and six RLAs¹¹ that entry tax amounting to ₹16.51 lakh, in respect of 82 vehicles purchased from other States and registered in Himachal Pradesh between August 2010 to March 2014 at the prescribed rates, was required to be deposited by the owner of the vehicles with the Excise and Taxation department but these vehicles owners had not deposited the same. This resulted in non-realisation of entry tax of ₹16.51 lakh¹².

5.5 Short deposit of user charges

The e-Governance societies collected receipt of ₹87.69 lakh on account of user charges of which 25 per cent worked out to ₹21.92 lakh required to be deposited in the Government account out of which ₹1.14 lakh had only been deposited and ₹20.78 lakh remained out of the Government account.

The Government of Himachal Pradesh vide Notification dated 3 September 2005 accorded approval to the formation of e-Governance Societies, one at the level of Directorate of Transport and one each at the district level for computerisation of all transport related activities in the offices of the Registering and Licensing Authorities (RLAs). These e-Governance Societies have been functioning since September 2005 under the chairmanship of the Deputy Commissioner of the respective district. The societies collect user charges as approved by the government and 25 *per cent* of these charges are required to be deposited in the government account.

Audit noticed from the service charges collection registers of four RLAs¹³ between June and September 2014 that e-Governance Societies collected ₹87.69 lakh on account of user charges during 2012-13 and 2013-14. However, 25 *per cent* of receipts collected as user charges, which worked out to ₹21.92 lakh to be deposited in the Government account as required, out of which ₹1.14 lakh had

¹⁰ RTOs Solan and Una

¹¹ RLAs Amb, Arki, Nahan, Rohroo, Shimla (R) and Shimla (U)

¹² RLAs Amb: two vehicles: ₹0.25 lakh, Arki: 18 vehicles: ₹2.30 lakh, Nahan: six vehicles: ₹1.83 lakh, Rohroo: 11 Vehicles: ₹1.23 lakh, Shimla (R): three vehicles: ₹1.65 lakh, Shimla (U): 20 vehicles: ₹3.46 lakh, Una: six vehicles: ₹0.30 lakh, RTO Solan: six vehicles: ₹2.12 lakh and RTO Una: 10 vehicles: ₹3.37 lakh

¹³ RLAs Bilaspur, Nurpur, Shimla (U) and Shimla (R)

only been deposited. Thus, ₹20.78 lakh¹⁴ remained out of the Government account, which also resulted in understatement of revenue to that extent. Further, the schedule of periodical payment of 25 per cent of the user charges and interest/penalty to be levied in case of delayed payments etc. had not been prescribed by the Government.

On this being pointed out (between July and September 2014), the taxation authorities intimated that action would be taken to deposit the amount of user charges in government treasury.

The matter was reported to the department and the Government between August and October 2014; their replies have not been received (December 2015).

5.6 Non-recovery of Special Road Tax (SRT)

5.6.1 Himachal Road Transport Corporation (HRTC)

SRT amounting to ₹20.47 crore was payable by the HRTC for the period April 2013 to March 2014 and ₹1.15 lakh in 167 cases was recoverable from the PSCs as on March 2015, which was neither being deposited by the HRTC and owners of the PSCs nor demanded by the department. This resulted in non-recovery of SRT of ₹21.38 crore.

Under the Section 3-A of HPMVT Act, 1972, as amended from time to time, there shall be levied, charged and paid to the State Government, monthly SRT on all transport vehicles used or kept for use in State and will be payable in advance by 15th of every month at the prescribed rates. As per Transport Department notification dated 26 July 2006, deemed to have come into force on 31st July 2002, if the owner of a vehicle fails to pay the SRT due within the prescribed period, the taxation authority after giving opportunity of being heard, shall direct the owner to pay the penalty at the rate of 25 per cent per annum of the tax due. The rates of SRT are based on the classification of routes on which vehicles are plying such as National Highways, State Highways, Rural Roads and Local buses/mini buses operating within a radius of 30 kilometers. The rates of SRT for the above routes are as ₹6.04, ₹5.03 and ₹4.03 per seat per kilometer respectively effective from 1st April 2005.

Audit scrutiny of the records of SRT registers of nine RTOs between June 2014 and February 2015 showed that the SRT for the period from April 2013 to March 2014 aggregating ₹20.47 crore¹⁵ was neither being deposited by the HRTC nor demanded by the RTOs till March 2015. Besides, a minimum penalty of ₹2.75 crore at the prescribed rates was also leviable for non-payment of SRT.

5.6.2 Private stage carriages (PSCs)

Audit scrutiny of the records of SRT registers of five RTOs between August 2014 and February 2015, showed that out of 750 test checked cases, SRT amounting to ₹91.15 lakh in 167 cases was recoverable from the owners of PSCs

¹⁴ Bilaspur: ₹2.01 lakh, Nurpur: ₹1.92 lakh, Shimla (U): ₹3.63 lakh and Shimla (R): ₹13.22 lakh

¹⁵ Bilaspur: ₹1.07 crore, Chamba: ₹1.26 crore, Kangra at Dharamshala: ₹5.11 crore, Kullu: ₹2.07 crore, Mandi: ₹3.11 crore, Nahan: ₹1.15 crore, Shimla: ₹5.18 crore, Solan: ₹0.76 crore and Una: ₹0.76 crore

as on March 2015. The department had, neither demanded the SRT nor was paid by the owners of the vehicles. This resulted in non-recovery of SRT of ₹91.15 lakh¹⁶.

On this being pointed out, the STA intimated (August 2015) that out of ₹15.24 lakh, an amount of ₹8.17 lakh had been recovered in respect of 43 vehicles by RTOs Kullu and Sirmour and effort were being made to recover the balance amount. The reply from the remaining registering authorities had not been received (December 2015).

5.7 Short realisation of SRT from PSCs

An amount of ₹65.93 lakh was payable by the PSCs owners out of which only ₹14.03 lakh was paid, this resulted in short realisation of SRT of ₹51.90 lakh in 89 cases. Besides, a minimum penalty of ₹7.28 lakh at the prescribed rates was also leviable.

Under Section 3-A of Himachal Pradesh Motor Vehicles Taxation Act, 1972, as amended from time to time, there shall be levied, charged and paid to the State Government, monthly SRT on all transport vehicles used or kept for use in State. SRT will be payable in advance on the 15th of every month. As per the Transport Departments' notification dated 26 July 2006, deemed to have come into force on 31 July 2002, if the owner of a vehicle fails to pay the SRT due within the prescribed period, the taxation authority after giving opportunity of being heard, shall direct the owner to pay the penalty at the rate of 25 per cent per annum of the tax due. The rates of SRT are based on the classification of routes on which vehicles are plying such as national highways, state highways, rural roads and local buses/mini buses operating within a radius of 30 kilometers.

Audit scrutiny between August 2014 and February 2015, of the SRT Registers of seven RTOs showed that in 89 cases, out of 485 test checked cases, the SRT of ₹65.93 lakh was payable for the period 2013-14. Against this, the owners of the PSCs paid ₹14.03 lakh only. This resulted in short realisation of SRT of ₹51.90 lakh¹⁷. The RTOs neither initiated any action to recover the SRT from the defaulters nor issued any notices to the owners of the vehicles to deposit the tax. Besides, minimum penalty of ₹7.28 lakh at the prescribed rates was also leviable.

On this being pointed out (October and December 2014), the Additional Commissioner Transport cum State Transport Authority intimated in February 2015 that out of ₹51.90 lakh, an amount of ₹14.78 lakh had been recovered by the RTOs Kangra and Una from 16 vehicles owners and notices had been issued to the remaining defaulters to deposit the outstanding amount of tax.

Audit reported the matter to the Government between November 2014 and February 2015; their reply has not been received (December 2015).

¹⁶ Kullu: 20 cases: ₹9.97 lakh, Sirmour: 42 cases: ₹5.27 lakh, Shimla: 51 cases: ₹25.87 lakh, Solan: 35 cases: ₹42.36 lakh and Una: 19 cases: ₹7.68 lakh

¹⁷ RTOs Hamirpur: nine vehicles: ₹0.95 lakh, Kangra: 32 vehicles: ₹26.71 lakh, Kullu: five vehicles: ₹1.94 lakh, Mandi: five vehicles: ₹1.47 lakh, Shimla: eight vehicles: ₹3.98 lakh, Solan: 16 vehicles: ₹10.83 lakh and Una: 14 vehicles: ₹6.02 lakh

5.8 Short assessment of SRT due to application of incorrect rate

The rates of SRT were not applied according to the classification of routes in 12 cases, which resulted in short assessment of SRT of ₹8.69 lakh. Besides, a minimum penalty of ₹2.17 lakh at the prescribed rate was also leviable.

As per the HPMVT (Amendment) Act, 1999, SRT shall be levied and charged on all transport vehicles used or kept for use in Himachal Pradesh and will be payable in advance on the 15th of every month. If, the owner of a vehicle fails to pay the SRT due within the prescribed period, the taxation authority after giving opportunity of being heard, shall direct the owner to pay penalty at the rate of 25 per cent per annum of the tax due. As per the notification of January 2006, the rates of SRT were based on the classification of routes on which vehicles were plying such as National Highways (NH), State Highways (SH), Rural Roads (RR) and class of bus services.

Audit Scrutiny (between October 2014 and January 2015) of the records of route permit and SRT assessments maintained in four RTOs¹⁸ for the year 2013-14 showed that the RTOs concerned did not scrutinise the SRT statement of 12 cases properly as to whether the rates applied were according to the classification of route. Thus, application of incorrect SRT rates resulted in short assessment of SRT of ₹8.69 lakh¹⁹, besides a minimum penalty of ₹2.17 lakh at the prescribed rates was also leviable.

On this being pointed out (between October 2014 and January 2015), the Additional Commissioner Transport-cum-State Transport Authority intimated (January 2015) that RTO, Dharamshala, had issued notices the concerned Regional Manager to deposit the amount of SRT. The remaining RTOs stated that efforts were being made to recover the outstanding amount.

The matter was reported to the Government between November 2014 and January 2015. The replies have not been received (December 2015).

5.9. Incorrect assessment of SRT from the stage carriages of other states

Assessments of SRT in 14 cases were not made correctly as per the distance covered by the other state carriages plying on different routes of Himachal Pradesh which resulted in short levy of SRT of ₹12.12 lakh.

As per sub-section 4 of Section 3A of the HPMVT (Amendment) Act, 1999, if a transport vehicle registered in a state other than the state of Himachal Pradesh, enters and is used on any public road, or is kept for use in the State, SRT shall become chargeable on such entry in the prescribed manner. The SRT shall also be applicable and charged in respect of stage carriages of other states on the entire distance covered in Himachal Pradesh on the basis of route permits issued by the State Transport Authority of other States, duly countersigned by the RTOs of Himachal Pradesh under whose jurisdiction the vehicle is plied.

¹⁸ RTOs Bilaspur, Chamba, Kangra and Mandi

¹⁹ Bilaspur: ₹1.08 lakh, Chamba: ₹2.22 lakh, Kangra: ₹4.58 and Mandi: ₹0.81 lakh

Audit test checked in January and February 2015 the records of route permits countersigned by the RTO and SRT registers, maintained in the RTOs, Solan and Una for the year 2013-14 and noticed that records of permits countersigned by these RTOs and vehicles which were plying in Himachal Pradesh were not being maintained properly. Audit scrutiny of the permits issued or the reciprocal agreements executed by the respective States and tax paid by the State Transport Authority of other States, showed that assessments of SRT in 14 cases were not made correctly as per the distance covered by the other state carriages²⁰ plying on different routes of Himachal Pradesh. This resulted in short levy of SRT of ₹12.12 lakh by the stage carriage owners of other States.

On this being pointed out (January 2015), the department stated that the matter would be taken up with the concerned depots of the Roadways after re-examination of the case.

The matter was reported to the Government and Department in February 2015. The replies have not been received (December 2015).

5.10 Non-registration of Goods and Passenger Vehicles with Excise Department

The owners of the 1,251 commercial vehicles did not register their vehicles with the concerned Excise and Taxation Authorities after getting these registered with Motor Vehicles Tax Department. As a result Passenger and Goods Tax amounting to ₹89.07 lakh was not realised due to lack of co-ordination between the concerned RLAs/ RTOs and AETCs.

Under the Himachal Pradesh Passenger and Goods Taxation (HPPGT) Act, 1955 and the rules framed there under, owners of stage/contract carriages and goods carriers are required to register their vehicles with the concerned Excise and Taxation Offices to pay passenger and goods tax at the prescribed rates. Administrative instructions, issued in December 1984 stipulate that the Excise and Taxation Department shall take suitable measures to ensure registration of all vehicles under the Act *ibid* to maintain close co-ordination with the RLAs/ RTOs. Further, as per Excise and Taxation Department notification dated 5 May 2004, the lump-sum passenger tax of Educational Institutions Buses specified in sub-clauses (i), (ii) and (iii) of clause (a), shall payable in equal quarterly instalments within 30 days of the commencement of the quarter to which it relates on the basis of seating capacity²¹ of the vehicles. Failure to apply for registration, penalty not exceeding five times the amount of tax so assessed, subject to a minimum of ₹500 is also leviable.

Audit cross checked the registration records between June 2014 and February 2015 of 12 RLAs and five RTOs with that of six AETCs²² and noticed that 1,251 commercial vehicles, which were registered with RLAs/RTOs during 2012-14 but not found registered with the concerned AETCs as required under the Act *ibid*. Audit, further, noticed that there was no co-ordination of AETCs with the

²⁰ CTU of Chandigarh UT, Hoshiarpur, Jalandhar-I, Ferozepur, Batala, Jagron, Amritsar depots of Punjab Roadways and Karnal, Faridabad, Yamuna Nagar depots of Haryana Roadways

²¹ Mini bus seating capacity upto 30 and Big bus seating capacity more than 30

²² AETCs Baddi: ₹20.70 lakh, Bilaspur: ₹9.73 lakh, Dharamshala: ₹11.47 lakh, Nahan: ₹12.76 lakh, Shimla: ₹27.98 lakh and Solan: ₹6.43 lakh

concerned RLAs/RTOs or *vice-versa* to ensure the registration of all the commercial vehicles with Excise and Taxation Department. As a result, passenger and goods tax of ₹89.07 lakh for the period 2012-13 to 2013-14 was not realised from the owners of the vehicles. Besides, a minimum penalty of ₹6.26 lakh was also leviable as per the details given in **Table 5.4**.

Table 5.4

₹ in lakh							
Sr. No.	Category of vehicle	Period	No. of vehicles not registered with Excise Department	Amount recoverable			
				Passenger tax	Goods tax	Total amount recoverable	Minimum penalty (₹500/-per vehicle)
1.	Passenger Vehicles (Maxi Cabs/ Taxi)	2012-13 and 2013-14	376	22.46	--	22.46	1.88
	(Educational Institution Buses)		37	3.24	--	3.24	0.19
2.	Goods vehicles (HGV/MGV/LGV/ Tractors)		838	--	63.37	63.37	4.19
Total			1,251	₹25.69	₹63.37	₹89.07	₹6.26

On this being pointed out (between December 2014 and January 2015), the ETC, Shimla intimated (August 2015) that out of ₹89.07 lakh an amount of ₹15.02 lakh (Passenger Tax: ₹4.45 lakh and Good Tax: ₹10.57 lakh) had been recovered from the owners of 242 vehicles by six AETCs and efforts were being made to recover the balance amount.

The matter was reported to the Government between September 2014 and March 2015; their replies have not been received (December 2015).

5.11 Non-realisation of Goods and Passenger tax

The passenger and goods tax amounting to ₹93.82 lakh was neither paid by the owners of 856 commercial vehicles for the period 2012-13 to 2013-14 nor demanded by the department.

Under the Himachal Pradesh Passenger and Goods Taxation (HPPGT) Act, 1955, and rules made thereunder, owners of vehicles are required to pay tax etc. at the prescribed rates either monthly or quarterly. However, if the owner of vehicle fails to pay the tax due, the taxation authority may direct him to deposit the tax due alongwith a penalty not exceeding five times of the amount of tax so assessed subject to a minimum of ₹500. Section 9-B (2) of Act *ibid* and rule 22 of the HPPGT Rules, 1957, further, provides that the taxation authority can serve a demand notice to the owners of the vehicle to deposit tax.

Audit test checked the Demand and Collection Registers (DCR) between June 2014 and February 2015 of six AETCs²³ and noticed that the owners of 856 commercial vehicles had not paid passenger and goods tax amounting to ₹93.82 lakh for the period 2012-13 to 2013-14. The certificate of registration of the

²³ Baddi: ₹29.86 lakh, Bilaspur: ₹8.59 lakh, Dharamshala: ₹11.20 lakh, Nahan: ₹5.87 lakh, Shimla: ₹14.19 lakh and Solan ₹24.11 lakh

vehicles were not deposited by the owner of the vehicles with the registering authorities and entries in support of this were also not found on record for allowing exemption of tax. The AAs did not issue demand notices to the owners of the vehicles. This resulted in non-realisation of tax of ₹93.82 lakh, besides minimum penalty of ₹4.28 lakh was also leviable on these vehicles as per the details given below in Table 5.5.

Table 5.5

₹ in lakh							
Sr. No.	Category of the vehicles	Period	Total No. of vehicles not paid tax	Amount recoverable			Minimum penalty (₹500/-per vehicle)
				Passenger tax	Goods tax	Total amount recoverable	
1.	Passenger Vehicles (Maxi Cabs/Taxi)	2012-13 and 2013-14	276	39.98	--	39.98	1.38
	(Educational Institution Buses)		39	5.03	--	5.03	0.20
2.	Goods vehicles (HGV/MGV/LGV/ Tractors)		541	--	48.81	48.81	2.70
Total			856	45.01	48.81	93.82	4.28

The matter was reported to the Department and the Government (September 2014 and March 2015), the ETC, Shimla intimated (August 2015) that out of ₹93.82 lakh an amount of ₹28.39 lakh²⁴ (Passenger Tax ₹18.62 lakh and Good Tax ₹9.77 lakh) had been recovered from the owners of 262 vehicles by five AETCs and also directed to recover the balance amount immediately whereas the remaining AETCs had not been furnished any reply. The reply of Government has not been received (December 2015).

5.12 Non-levy and collection of Additional Goods Tax (AGT)

Additional Goods Tax of ₹59.90 crore was neither paid by two cement companies who had transported limestone and shale from mining areas to cement plants for manufacturing of cement and clinker nor was it demanded by the department, resulting in evasion of revenue and caused loss to that extent.

Section 3-B of the HPPGT (Amendment) Act 1996 (inserted with effect from 1st October 1996), provides that Additional Goods Tax shall be levied, charged and paid to the State Government, on the transport of the goods specified in column (2) of the Schedule-II at the prescribed rates for every slab of two hundred and fifty kilometers or part thereof covered or being covered by road within the State. The payment of additional goods tax shall be made by the person-in-charge or the driver of the vehicle. The Rule 9-D of HPPGT Rules, 1957 (inserted on 24 November 2006), further, provides that a person selling or causing or authorizing to cause dispatch for transport of goods specified in Schedule-II to the Act and duly authorised by the State Government by notification, shall be duly registered by the AETC or ETO in-charge of the district under the HPGST Act, 1968 of HPVAT Act, 2005 in the concerned district office. The authorised person shall collect amount of AGT from the

²⁴ Baddi: 72 vehicles: ₹12.97 lakh, Dharamshala: 96 vehicles: ₹8.88 lakh, Nahan: eight vehicles: ₹0.52 lakh, Shimla: 47 vehicles: ₹3.68 lakh and Solan: 39 vehicles: ₹2.34 lakh

person-in-charge or the driver of the motor vehicle in or on which goods are to be transported, as the case may be, and issue certificate in Form-PGT 21-A showing the receipt of the amount so collected and shall deposit into the Government treasury.

Audit scrutiny of records/data collected from the MO, Solan (February 2015) showed that two cement companies²⁵ were using limestone and shale as raw material for manufacturing of cement and clinker. The Government had authorised these cement companies vide notification of January 2012 for collection of AGT. Audit scrutiny of records, further, showed that these Cement companies had transported 1,66,58,437 MT of limestone and 21,33,544 MT of shale from mining areas to cement plants for manufacturing of cement and clinker for the period April 2012 and March 2014 for which companies were liable to pay AGT of ₹59.90 crore²⁶. However, it was neither paid by these companies nor was it demanded by the department, resulting in evasion of revenue and caused loss to that extent.

On this being pointed out (February 2015), AETC stated that concerned authorities would be directed to make compliance in this regard.

The matter was reported to the Department and the Government in February 2015; their reply has not been received (December 2015).

5.13 Follow-up Audit on 'Levy and Collection of Motor Vehicle Tax'

Introduction

A performance audit of 'Levy and collection of Motor Vehicle Tax' with financial impact of ₹57.95 crore was conducted for the period 2004-05 to 2008-09 in the office of the Director Transport Himachal Pradesh, STA Shimla, eight RTOs²⁷ and eight RLAs²⁸ and featured in the Audit Report (Revenue Receipt) for the year 2009-10 as a paragraph 4.6. The report was placed before the State Legislature Assembly during April 2011. The action for recoveries of non-levy/ short levy of taxes pointed out by the audit is required to be taken promptly so that there may not be loss of legitimate revenue of the Government. As per the provisions contained in the Section 12 of HPMVT Act 1972, if the recoverable amounts not recovered by the department, such cases are required to be processed as Arrear of Land Revenue (ALR). For the purpose of proper watch over the recoveries/compliance effectively, Government/Department should prescribe quarterly/annual returns for field units to be submitted to the apex level.

²⁵ M/s Ambuja Cement, Darlaghat and J.P. Cement Himachal Plant Bagha

²⁶ M/s Ambuja Cement: ₹33.74 crore and J.P Cement Himachal Plant: ₹26.16 crore

²⁷ Bilaspur, Hamirpur, Kangra, Kullu, Mandi, Shimla, Solan and Una

²⁸ Amb, Bilaspur, Jogindernagar, Nalagarh, Nurpur, Parwanoo, Solan and Una

5.13.1 Follow -up Audit

Follow-up audit on above performance audit was conducted between May and June 2015 by issuing a well-structured questionnaire to the State Government and the Department in May 2015 and their responses/replies on the matter were called for. The views and responses of the department had been collected between May and June 2015, which are commented in the following paragraphs.

5.13.2 Department Compliance on observations/findings

Audit scrutinised the records (between May and June 2015) maintained in the office of the Director (Transport) and called for their further replies on the subject.

On being requested (May 2015), the Director (Transport) furnished the detailed replies on the 13 accepted observations/findings in June 2015. Audit scrutinised these replies and found that out of ₹19.78 crore involved in the 13 accepted audit observations/findings, the department had only recovered ₹15.73 crore upto June 2015 and completed their action only on four audit findings. The para-wise details are given below:

(₹ in lakh)				
Paragraph No.	Title of paragraph	Amount accepted	Amount recovered upto June 2015	Further reply on the paragraph furnished by the department
4.6.8.3	Non-maintenance of centralised data	481.73	239.00	An amount of ₹2.39 crore had been recovered and notices to the defaulters had been issued for recovery of remaining amount ₹2.43 crore. No case was referred to collector for recovery as ALR even after the lapse of six years and centralised database on the server for online application software for collection and deposit of motor vehicles taxes was not yet completed and was still under process.
4.6.9.1	Fraudulent use of bank draft	1.03	1.03	Recovery of total amount had been made hence, action of the department was complete.
4.6.9.2	Non-transmission of bank drafts to other states/UTs	70.51	70.51	Recovery of total amount had been made hence, action of the department completed.
4.6.9.3	Non-deposit/late deposit of bank draft of SRT	5.61	--	Out of seven banks drafts the amount of five banks drafts were deposited into the Government Account after their revalidation and the revalidation of remaining two bank drafts was under process. However, the strict instructions for timely disposal of bank drafts had been issued by RTO Una and such irregularity was noticed, action of the Department completed.
4.6.9.4	Non-deposit of bank drafts of composite fee	5.81	5.81	Recovery of total amount had been made hence; action of the department was completed.

4.6.11	Short determination of SRT in respect of private stage carriages	8.06	2.25	An amount of ₹.2.25 lakh had been recovered and the directions were issued to the field offices in April 2015 and May 2015 for the recovery of the balance amount and redetermination of correct SRT. The reply is not satisfactory as the irregularity had been pointed out by audit in 2009-10 and the department has taken cognizance in 2015-16 only.
4.6.11.2	Short determination of SRT in respect of private stage carriages of RTO Shimla	2.89	--	Matter had been taken up with the quarter concerned during April 2015 but no recovery had been made after elapse of six years.
4.6.12	Loss of SRT due to fake entries	21.61	4.56	An amount of ₹4.56 lakh had been recovered/ adjusted and necessary directions to recover the balance amount of ₹17.05 lakh was issued to all the field offices in April 2015.
4.6.13.1	Incorrect determination of SRT by HRTC	24.31	--	The directions had been issued to all the field offices to recover the amount of SRT. These cases were not referred to Collector, to recover the tax as arrear of land revenue.
4.6.13.2	Incorrect determination of SRT by HRTC	36.62	--	Efforts were being made to recover the amount of SRT. These cases were not referred to Collector, to recover the tax as arrear of land revenue.
4.6.14	Issue of no objection certificate without clearance of tax	3.83	--	The notices to the defaulters were issued in 2009 but recovery was yet to be made. These cases were not referred to Collector, to recover the tax as arrear of land revenue.
4.6.15.1	Arrear of HRTC	1,141.00	1,141.00	Recovery of total amount had been made hence, action of the department was completed.
4.6.15.2	Arrear of private stage carriage	174.75	108.78	An amount of ₹.108.78 lakh had been recovered and the directions was issued to all the field offices to recover the balance amount of ₹65.97 lakh.
Total		1,977.76 ₹19.78 cr.	1,572.94 ₹15.73 cr	

This showed the facts that the Government and the Department did not initiate concrete action to recover the outstanding revenue in a time bound manner. The progress of recovery even in accepted cases was very slow and even after lapse of five years an amount ₹4.05 crore was still pending for recovery, of audit observations/findings included in the above review.

5.13.3 Non-declaration of Arrear of Land Revenue (ALR)

If government dues cannot be recovered by means available with the department, such arrears are certified as ALR and such cases should referred to the Collector of the district concerned or the officer who has been delegated such powers provided under the Himachal Pradesh Land Revenue Act, 1953 (Act No. 6 of 1954).

Audit noticed that the remaining amount of ₹4.05 crore could not be recovered even after elapse of five years and was not referred to the Collector to affect the recovery of tax as an ALR.

On this being requested (June 2015), the Director (Transport) had not furnished any concrete reason for non-declaration of ALR. However, it was intimated that efforts were being made to recover the remaining outstanding amount. Further, report on recovery and replies has not been received (December 2015).

Conclusion

From the above, it appears that the Government/Department had not taken any initiative for expeditious settlement of the outstanding audit observations/findings. No time period had been framed for recovery of outstanding amount of tax and reporting the cases to the Collector to recover the dues as ALR which led to accumulation of arrears.

The above points were reported to the Government (August 2015); their reply was still awaited (December 2015).