

CHAPTER-III

TAXES ON VEHICLES

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3.1 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, the Jharkhand Motor Vehicles Taxation (JMVT) Rules, 2001, Motor Vehicles (MV) Act, 1988, Central Motor Vehicles (CMV) Rules, 1989 and Jharkhand Financial Rules.

The Transport Department of Jharkhand is responsible for levy and collection of motor vehicle tax and fee. The main functions of the Department are to issue certificates of registration, certificates of fitness, national permits, permanent and local permits for vehicles, trade certificates to dealers and driving/conductor licenses to individuals.

The Secretary of the Department is the State Transport Authority who acts as administrative head of the Transport Department and is responsible for implementation of the Acts and Rules in the State. The State Transport Commissioner (STC), Jharkhand is the executive head and responsible for administration of Acts and Rules in the Transport Department. A Joint Transport Commissioner at Headquarters and Regional Transport Authorities (RTAs) of five regions¹, District Transport Officers (DTOs) and Motor Vehicle Inspectors (MVIS) at 24 transport districts² assist him. These department officials are responsible for compounding the offences committed under various MV Acts and Rules, and levy of tax and fines.

3.2 Results of audit

During 2017-18, Audit test-checked the records of 10³ out of 27 auditable units (*37 per cent*) of the Transport Department. Besides, records relating to national permits in three Regional Transport Authorities⁴ were test-checked in March 2019. During the period covered in audit, total 46,73,419 vehicles were registered and 19,086 national permits were issued in the State, out of which 1,42,662 vehicles were registered and 19,086 national permits were issued in the test-checked units and Audit examined 26,199 registered vehicles and 3,461 national permits. Revenue collected by the Department during the year 2016-17 aggregated to ₹ 681.52 crore of which the audited units collected ₹ 203.54 crore (*30 per cent*). Audit scrutiny revealed non/short levy of taxes, short levy of taxes due to wrong fixation of seating capacity, leviable taxes not realised from transport vehicles, trailers, personalised vehicles etc. amounting to ₹ 20.60 crore in 6,677 cases as shown in **Table 3.1**.

¹ Chaibasa, 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, Sahibganj, Saraikela-Kharsawan and Simdega.

³ Offices of DTO, Bokaro, Chaibasa, Chatra, Dhanbad, Gumla, Hazaribag, Koderma, Latehar, Simdega and office of the North Chottanagpur Regional Transport Authority, Hazaribag.

⁴ Dumka, Palamu and Ranchi.

Table-3.1

Sl. No.	Categories	No. of cases	Amount (₹ in crore)
1	Non/short levy of taxes	3,300	13.87
2	Non-realisation of taxes from trailers	2,723	2.95
3	Short levy of taxes due to wrong fixation of seating capacity	25	0.10
4	Non-realisation of composite authorisation fee due to non-renewal of authorisation of national permits	592	2.33
5	Other cases	37	1.35
Total		6,677	20.60

The Department accepted all the audit observations and recovered ₹ 2.54 crore in 698 cases.

Irregularities involving 5,660 cases worth ₹ 17.86 crore have been illustrated in this chapter. Out of these, some irregularities have been repeatedly reported during the last five years as detailed in **Table – 3.2**.

Table – 3.2

Nature of observations	(₹ in crore)											
	2012-13		2013-14		2014-15		2015-16		2016-17		Total	
	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount
Non-collection of taxes from defaulters	4,204	18.97	4,868	18.75	7,177	32.00	5,417	16.23	14,604	57.73	36,270	143.68
Non-realisation of composite/authorisation fee due to non-renewal of authorisation of national permits	290	0.76	241	0.33	138	0.41	273	0.98	-	-	942	2.48

3.3 Non-collection of taxes from defaulters

Non-raising of demands and weak internal controls led to non-realisation of tax and penalty of ₹ 15.48 crore from 5,068 defaulting vehicles.

The JMVT Act and JMVT Rules require the owners of registered vehicles to pay applicable advance tax. If the delay in payment exceeds 90 days, penalty at twice the amount of taxes due may be imposed along with the tax. The Rules further require every taxation officer to maintain tax registers in Form-M, and Demand, Collection and Balance (DCB) Register in Form-N for transport vehicles. The DCB registers are required to be updated on quarterly basis to identify tax defaulters. After computerisation of the Transport Department, these data are auto updated in VAHAN software itself as and when events take place. To facilitate updation of registers, VAHAN software enables the users to generate defaulters list from the system. District transport officers (DTOs) are required to issue demand notices to the defaulters. Further, Jharkhand Financial Rules provides that it is the duty of the controlling officer to see that dues of Government are correctly and promptly assessed, collected and deposited into the treasury. Further, Section 17 of JMVT Act, 2001 mandates the owners of vehicles to furnish prior intimation and undertaking regarding their vehicles being off-road and in absence of such

undertaking, their vehicles shall be deemed to have been used or kept for use within the State and liable to pay tax.

Scrutiny of VAHAN data dump revealed that as on April 2017 there were 2,21,206 defaulter transport vehicles in the State out of which 82,481 (37.28 *per cent*) defaulter transport vehicles were in the nine district transport offices⁵ selected for audit.

Audit test-checked the records of nine selected district transport offices relating to 5,068 (6.14 *per cent*) out of 82,481 defaulter transport vehicles during 2017-18. It was noticed (between July and November 2017) that the registered owners of these 5,068 vehicles did not deposit advance tax due between January 2014 and November 2017. No undertaking regarding these vehicles being off-road was found on record. It was further observed that the DTOs responsible for issuing demand notices, neither generated the list of defaulters from VAHAN software nor updated the DCB registers on quarterly basis as per the provisions of JMVT Rules, 2001 and raised demand for outstanding taxes. The State Transport Commissioner (STC) and Joint Transport Commissioner (JTC) also did not monitor the functioning of transport offices for realisation of taxes from defaulters. Thus, the department could not realise revenue worth ₹ 15.48 crore including penalty of ₹ 10.32 crore from 5,068 vehicles.

After the cases were pointed out (between July and November 2017), the DTOs stated (between February and March 2019) that demand notices had been issued to owners of defaulting vehicles and recovery of ₹ 2.49 crore from 678 vehicles had been effected by nine DTOs⁶. Intimation regarding realisation of tax and penalty of ₹ 12.99 crore from 4,390 vehicles is awaited (February 2020).

The matter was reported to the Government between June 2018 and April 2019; their reply is awaited (February 2020).

3.4 Non-realisation of consolidated/authorisation fee

Absence of mechanism for periodical review of authorisation for national permits resulted in non-renewal of authorisation and consequential non-realisation of consolidated/ authorisation fees amounting to ₹ 2.38 crore including late fine.

The MV Act and CMV Rules prescribe for issue of national permit for a period of five years. The authorisation for national permit shall be issued for a period not exceeding one year at a time and shall continue unless the permit expires or is surrendered by the permit holder. Further, national permit issued under the National Permit Scheme, is valid throughout the territory of India and shall be issued on payment of prescribed annual consolidated fee of ₹ 16,500 and authorisation fee of ₹ 1,000 per annum, in advance, failing which late fine at prescribed rates⁷ shall be imposed. Further, Jharkhand

⁵ Bokaro, Chaibasa, Chatra, Dhanbad, Gumla, Hazaribag, Koderma, Latehar and Simdega.

⁶ Bokaro, Chaibasa, Chatra, Dhanbad, Gumla, Hazaribag, Koderma, Latehar and Simdega.

⁷ If the delay in payment of fee exceeds 90 days, fine of ₹ 3,000 for 90 days and ₹ 500 per month or part thereof exceeding 90 days subject to maximum fine of ₹ 10,000.

Financial Rules provides that it is the duty of the controlling officer to see that dues of Government are correctly and promptly assessed, collected and deposited into the treasury.

Audit test-checked (between August 2017 and March 2019) the information provided by four offices of the Regional Transport Authorities (RTAs)⁸ and noticed that 19,086 national permits were issued between 2014 and 2018. Further scrutiny revealed that in 592 out of 3,461 cases test checked, subsequent authorisation of national permit was not renewed during the periodicity of permits. There was nothing on record to show that these vehicles were off-road or the permits had been surrendered. Further, audit observed that nPermit menu under VAHAN software could not generate the list of permits where authorisation had expired. Thus, in absence of any mechanism to monitor the renewal of authorisation the department was unaware of the defaulting permit holders. This resulted in non-realisation of ₹ 2.38 crore including late fine.

After the cases were pointed out (between August 2017 and March 2019), three RTAs⁹ stated that demand notices would be issued to the permit holders for renewal of authorisation and payment of arrears. The RTA, Hazaribag intimated (February 2019) that subsequent authorisation and annual consolidated fee in 20 cases amounting to ₹ 4.55 lakh had been realised. Intimation regarding realisation of balance ₹ 2.33 crore including late fine of ₹ 0.46 crore in 572 cases is awaited (February 2020).

The matter was reported to the Government between June 2018 and April 2019; their reply is awaited (February 2020).

Impact of Audit

- In light of audit observations and recommendations made in paragraphs 4.3.13 and 4.3.20 of the Audit Report 2014-15 the Transport Department, Government of Jharkhand revised (January 2019) the tax structure as under:
 - Taxation of Public Service Vehicles (PSV) has been revised on the basis of classification of PSV (paragraph 4.3.13).
 - Green tax has been imposed on transport and personalised vehicles which are more than 12 and 15 years old. Further, tax policy to grant rebate in tax to old vehicles has been dispensed with. In addition, the Department enacted a policy to grant rebate on tax leviable on battery operated vehicles (paragraph 4.3.20).
- The Department has reported (March 2019) recovery of ₹ 2.54 crore out of ₹ 17.86 crore illustrated in this chapter.

⁸ Dumka, Hazaribag, Palamu and Ranchi.

⁹ Dumka, Palamu and Ranchi.