

CHAPTER-IV
TAXES ON VEHICLES

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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, the Jharkhand Motor Vehicles Taxation (JMVT) Rules, 2001, Motor Vehicles (MV) Act, 1988, Central Motor Vehicles (CMV) Rules, 1989 and Bihar Financial Rules (as adopted by the Government of Jharkhand).

The Transport Department of Jharkhand is responsible for levy and collection of motor vehicle tax. 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 four regions¹, District Transport Officers (DTOs) and Motor Vehicle Inspectors (MVIs) at 24 transport districts² assist him. The Enforcement Wing³ and 10 check-posts⁴ of the department were responsible for compounding the offences committed under various MV Acts and Rules, and levy of tax and fines.

4.2 Human resources

The sanctioned strength and men-in-position of officers and other supporting staff of the Department as on January 2018 is shown in the **Table – 4.1**.

Table – 4.1

Sl. No	Names of the post	Sanction strength	Men-in-position	Vacancy	Percentage of vacancy
1	DTO	24	14	10	42
2	MVI	24	5	19	79
3	Enforcement Officer	6	0	6	100
4	Enforcement Inspector	6	0	6	100
5	Enforcement Sub-Inspector	7	0	7	100
6	Mobile squad	12	8	4	33
7	Clerk	132	31	101	77
8	Peon	40	26	14	35
Total		251	84	167	67

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, Sahibganj, Saraikela-Kharsawan and Simdega.

³ Withdrawn vide Transport Department Order No. 37, dated 21.04.2015.

⁴ Bahragora (East Singhbhum), Bansjore (Simdega), Chas More (Bokaro), Chauparan (Hazaribag), Chirkunda (Dhanbad), Dhulian (Pakur), Gitilipi (Chaibasa), Manjhatoli (Gumla), Meghatari (Koderma) and Murisemar (Garhwa). Withdrawn vide Notification No.374, dated 12.06.2017.

The acute shortage of officers (42 per cent) and supporting staff (69 per cent) severely affected the performance of Transport Department resulting in non-realisation of arrear taxes from defaulters (para no 4.4 and 4.6) and non-scrutiny of documents during registration of vehicles (para no. 4.5 and 4.9) leading to short levy of taxes. The chronic shortage of officers and staff had been pointed out in previous Audit Reports also.

Due to these shortages, the district administration officers held additional charge of DTOs in 10 districts. The Transport Department had requisitioned (August 2017) the Jharkhand Staff Selection Commission (JSSC) through the Personnel, Administrative Reform and Rajbhasha Department, Government of Jharkhand for selection of 100 clerks. The process for selection is yet to start.

11 candidates for the post of MVI were selected (April 2017) for appointment through open recruitment competition, but on scrutiny of testimonials, their candidatures were put on hold and the matter has been referred (January 2018) to State Law Department for further course of action.

In 2015, the Department, under an alternative arrangement, had withdrawn the services of enforcement wing after analysing their functioning and their charges/ responsibilities were vested with the DTOs with the support of police force provided by district administration. The revenue collection of Enforcement Wing which was ₹ 26.67 crore and ₹ 33.39 crore respectively in 2013-14 and 2014-15 reduced to ₹ 6.66 crore and ₹ 8 crore during 2015-16 and 2016-17 respectively after this alternative arrangement.

4.3 Results of audit

During 2016-17, Audit test checked the records of 18⁵ out of 27 auditable units (67 per cent) of the Transport Department. Revenue collected by the Department during the year 2015-16 aggregated to ₹ 632.59 crore of which, the audited units collected ₹ 432.61 crore (68 per cent). Audit scrutiny revealed non/short levy of taxes, short levy of taxes due to wrong fixation of seating capacity, leviable taxes not realized from transport vehicles, trailers, personalized vehicles etc. amounting to ₹ 68.57 crore in 24,545 cases as shown in **Table 4.2**.

Table-4.2

Sl. No.	Categories	No of cases	Amount (₹ in crore)	Share in per cent to the total objected amount
1	Taxes not levied/ short levied	8,755	50.48	73.62
2	Taxes levied on trailers but not realized	6,554	9.64	14.06
3	Short realisation of taxes due to wrong fixation of seating capacity	819	1.57	2.29
4	Other cases	8,417	6.88	10.03
Total		24,545	68.57	

The Department accepted all the audit observations and recovered ₹ 88.06 lakh in 254 cases.

⁵ Offices of DTO, Bokaro, Chaibasa, Deoghar, Dhanbad, Dumka, Giridih, Godda, Hazaribag, Jamshedpur, Jamtara, Koderma, Lohardaga, Pakur, Palamu, Ranchi, Sahibganj, Saraikela-Kharsawan and office of the Transport Commissioner, Ranchi.

Irregularities involving 15,254 cases worth ₹ 60.94 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 – 4.3**.

Table – 4.3

Nature of observations	(₹ in crore)											
	2011-12		2012-13		2013-14		2014-15		2015-16		Total	
	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount
Non-collection of taxes from defaulters	2,975	12.60	4,204	18.97	4,868	18.75	7,177	32.00	5,417	16.23	24,641	98.55
Non-realisation of one-time tax from personalised vehicles	-	-	3,495	8.27	1,081	2.24	1,513	4.05	428	1.12	6,517	15.68
Non-levy of tax from the date of possession of vehicles	-	-	163	0.41	41	0.11	-	-	576	1.09	780	1.61

Recommendation:

1. The Department may initiate systemic measures to ensure that the shortcomings repeatedly reported by Audit do not recur.
2. The Department may introduce more effective measures to monitor and ensure recoveries of the large amounts of uncollected/ short realisations pointed out in Audit Reports.

4.4 Non-collection of taxes from defaulters

Non-raising of demands, inadequate functioning of enforcement wing and weak internal controls led to non-realisation of tax and penalty of ₹ 57.73 crore from 14,604 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 computerization of the Transport Department, these data were auto updated in VAHAN software itself as and when events took place. To facilitate the update 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.

Previous Audit Reports of 2011-12 to 2015-16 had highlighted persistent loss of Government revenue amounting to ₹ 98.55 crore due to non-realisation of tax and penalty from 24,641 owners of defaulting vehicles. To evaluate the assurances (May 2016) by the Department in this regard, records of 17 districts transport offices⁶ were test checked during 2016-17. It was, however, noticed (between June 2016 and March 2017) that registered owners of 14,604 out of 44,928 transport (commercial) vehicles test checked did not deposit advance tax due between January 2011 and March 2017. It was further

⁶ Bokaro, Chaibasa, Deoghar, Dhanbad, Dumka, Giridih, Godda, Hazaribag, Jamshedpur, Jamtara, Koderma, Lohardaga, Pakur, Palamu, Ranchi, Sahibganj and Saraikela-Kharsawan.

observed that the DTOs, responsible to issue demand notices, neither generated the list of defaulters from VAHAN software and updated the DCB registers nor raised any demand for the outstanding tax. The State Transport Commissioner (STC) and Joint Transport Commissioner (JTC) also did not monitor the functioning of transport offices for realization of taxes from defaulters. In addition, the closure of enforcement wing by the department which carried out checking of defaulting vehicles plying on roads, acute shortage of staff and non-recruitment of MVIs also resulted in increase of defaulting vehicles. Thus, the department could not realize revenue worth ₹ 57.73 crore including penalty of ₹ 38.49 crore from 14,604 vehicles.

The Department stated (October 2017) that eight DTOs⁷ had recovered ₹ 79.43 lakh in 221 cases and had issued demand notices to the remaining defaulters for realization of tax arrears. In the exit conference (February 2018), the Secretary stated that the DTOs would be directed to evolve a system so that demand notices would be served through E-mail/ SMS/ Speed post in due time to the vehicle owners. The Enforcement wing would be provided card readers to read the information of vehicles in the chips present in certificate of registration (RC). It was also informed that State wide special drive would be conducted for realization of tax from defaulters.

The extent to which the Department is successful in achieving its assurances would be examined in the next audit.

4.5 Short levy of taxes due to registration of vehicles at lesser registered laden weight

Input control deficiencies in VAHAN software led to recording of lesser RLW of vehicles resulting in short levy of taxes of ₹ 1.15 crore in one DTO alone.

The Central Motor Vehicle Rules, 1989 stipulates that the maximum gross registered weight/ registered laden weights (GRW/ RLW) of all vehicles including multi-axle vehicles shall not be more than the sum total of all the maximum safe axle weights put together. Further, the JMVT Act, 2001 requires owners of vehicles to pay road tax and additional motor vehicles tax at the rates prescribed in Schedules I and II appended to the Act. The RLW is the basis for computing taxes on goods vehicles. The plan for computerisation of the Department prescribes for creation of a Project Monitoring Unit (PMU) to monitor the functioning of VAHAN software in accordance with the provisions of Acts/ Rules.

During test check of records of 18 transport offices, it was noticed at DTO, Hazaribag that 40 rear dumpers/ motor graders out of 2,987 vehicles test checked were registered as goods vehicles with RLW of 99,999 kgs and taxes were being levied accordingly. However, on scrutiny of Form-24⁸ it was observed that the axle weights of the front and rear axles were each 81,680 kgs, the sum total of which was 1,63,360 kgs. The lapse occurred due to deficiency in VAHAN software which could capture a maximum of only five

⁷ Giridih, Jamshedpur, Koderma, Lohardaga, Pakur, Palamu, Ranchi and Sahibganj.

⁸ Form 24 is a permanent register of motor vehicles registered, where all the details viz., owner, specification etc., of vehicle are recorded.

digits under the field relating to RLW. Thus, the DTO as well as the STC/ JTC and department were unaware of the deficiency and unable to rectify the error, which led to levy of taxes of ₹ 1.75 crore only instead of ₹ 2.90 crore resulting in short levy of taxes of ₹ 1.15 crore.

In the exit conference (February 2018), the Secretary of the Transport Department stated that demand notices had been issued to the vehicle owners. The DTO, Hazaribag would be directed to take necessary action to realize the arrear tax. Further, it was reiterated that all DTOs would be directed to check and certify the RLW entered in VAHAN software and to hold meetings with mining companies to ascertain that all the vehicles plying in mining area had been registered.

Further progress would be examined during the next audit.

4.6 Non-realisation of one-time tax from personalised vehicles

Non-raising of demand and inadequate functioning of the enforcement wing led to non-realisation of annual/ one-time tax and penalty/ interest from personalised vehicles.

The Jharkhand Motor Vehicles Taxation (Amendment) Act, 2011 defines 'personalised vehicle' as motor car, omni bus or station wagon, having seating capacity of more than four but not exceeding 10 including driver, which are used solely for personal purposes. One-time tax⁹ is leviable on cost of vehicle depending on seating capacity and age of the vehicle, with interest at the rate of two *per cent* per month on delayed payment. DTOs were required to use the VAHAN software and review the tax registers and raise demands against personalised vehicles that came under the purview of one-time tax after introduction of this amendment.

Previous Audit Reports of 2012-13 to 2015-16 had highlighted persistent loss of Government revenues amounting to ₹ 15.68 crore due to non-realisation of tax and penalty on 6,517 personalised vehicles due to failure of DTOs to review the online tax register and issue demand notices. To evaluate the assurances to initiate action to identify defaulters and extensive drives to realize the tax arrears (May 2016) by the Department, Audit test checked the records of seven DTOs¹⁰ (between August 2016 and March 2017) and found that the annual tax validity of 312 vehicles (out of 1,435 private vehicles test checked) had expired between May 2005 and December 2016, but the DTOs failed to issue demand notices. Consequently, the Department failed to realize tax and penalty of ₹16.01 lakh for the pre-amendment period, one-time tax of ₹ 38.01 lakh and interest of ₹ 45.85 lakh (as on March 2017).

It is evident that the Department did not live up to its assurances, and the STC/ JTC did not monitor the functioning of transport offices in this regard. The department could not effectively control plying of defaulter vehicles on roads

⁹ ₹ 9,000 or 3 *per cent* of cost of vehicle; ₹ 20,000 or 4 *per cent* of the cost of vehicle and ₹ 25,000 or 5 *per cent* of the cost of vehicle whichever is more, for personalized vehicles with seating capacity of more than 3 persons but not more than 5 persons; more than 5 persons but not more than 8 persons and more than 8 persons but not more than 10 persons respectively.

¹⁰ Bokaro, Godda, Jamatara, Koderma, Pakur, Palamu and Sahibganj.

by exercising regular checking and penalizing the owners of such vehicles in the absence of enforcement wing responsible for checking of vehicles plying on roads. The transport offices already hampered by shortage of officers and staff were vested with additional responsibility of the enforcement wing. Thus, the department not only failed to realise revenue, it also could not impose effective control over the plying of these vehicles on roads.

During the exit conference (February 2018), the Secretary of the Transport Department stated that the DTOs would be directed to identify tax defaulters and realise tax arrears from them. A state wide special drive would also be conducted for realization of tax from defaulters.

Progress in this regard will be examined during the next audit.

4.7 Non-realisation of tax and penalty from vehicles plying under reciprocal agreements

The Department failed to incorporate data in the VAHAN database, on inter-State vehicles plying under reciprocal agreements, and the Transport Commissioner failed to review and issue demand notices against such vehicles, resulting in non-realisation of tax and penalty.

In terms of the Motor Vehicles Act, 1988, reciprocal agreements¹¹ with Odisha, Bihar, Chhattisgarh and West Bengal between January 2003 and September 2008, transport vehicles registered in one State, but operating in the other State are liable to pay all the taxes leviable in the other State.

Test check of records¹² of the Transport Commissioner (January 2017) revealed that 50 out of 230 vehicles registered in the other States¹³ were plying under the reciprocal agreements without paying the taxes due between July 2014 and January 2017. The Transport Commissioner, who is entrusted with controlling the reciprocal agreements permits, failed to review the relevant registers/ raise demand/ levy penalty/ cancel the permits of defaulters. Further, the department failed to incorporate the data of vehicles covered under such reciprocal agreements in the VAHAN database. Consequently, the Department failed to realise tax amounting to ₹ 18.78 lakh and penalty of ₹ 37.56 lakh.

In the exit conference (February 2018), the Secretary of the Transport Department stated that actions has since been initiated to incorporate the data of these vehicles in the VAHAN database, and for online collection of tax and arrears.

Further progress in this regard will be verified during the next audit.

¹¹ Under such agreements, a permit is granted by STC of a State to the vehicles registered in another State to ply within the State under certain terms and conditions.

¹² Taxation register showing details of taxes paid by vehicles of other States plying under reciprocal agreements.

¹³ Bihar, Chattisgarh, Odisha and West Bengal.

4.8 Non-levy of tax from the date of possession of vehicles

Shortcomings in the VAHAN software, failure of the Department to complete the compulsory dealer point registration, and failure of DTOs to ensure tax payment from date of possession of the vehicle resulted in non-levy of taxes and penalty.

The JMVT Rules, 2001 stipulate that, where no tax had previously been paid, the date of acquisition of the vehicle or the date when the tax is imposed by law shall be the due date for payment of that tax. Further, the Central Motor Vehicle Rules, 1989 stipulate 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 rates ranging from 25 to 200 *per cent* of the tax due.

The Audit Reports of 2012-13 to 2015-16 had highlighted persistent loss of Government revenue amounting to ₹ 1.61 crore due to non-realisation of tax from the date of possession of transport vehicles. To evaluate the assurances by the Department in this regard, Audit test checked (between September and October 2016) the records of DTOs of Sahibganj and Saraikela-Kharsawan and found that the owners of 188 vehicles (out of 907 vehicles test checked) had applied for registration with delays ranging from three to 50 months. The registering authorities did not check the sale certificates and levied tax from the date of registration and the VAHAN software was also not designed to capture the tax from the date of possession of vehicles. Audit observed that compulsory dealer point registration had only been partially implemented in Jharkhand enabling vehicle owners to ply vehicles without payment of tax and registration. Consequently, the Department failed to levy tax amounting to ₹ 12.06 lakh and penalty of ₹ 24.12 lakh.

In the exit conference (February 2018), the Secretary of the Transport Department stated that the necessary rectification in VAHAN software had now been done and now taxes were levied from the date of possession of vehicles instead of date of registration.

Compliance in this regard will be verified during the next audit.

4.9 Short levy of tax due to wrong categorisation of ambulances

Improper mapping of Acts/ Rules in VAHAN software allowed ambulances to be registered as personalised vehicles instead of transport vehicles resulting in short levy of tax.

The Government of India has categorised (September 1992) ambulances as transport vehicles. In terms of the MV Act, 1988 fitness certificates are required to be obtained annually for transport vehicles and once in 15 years for non-transport vehicles. The Ministry of Road Transport and Highway (MoRTH), Government of India defines (8 September 2016) a road ambulance as a specially equipped and ergonomically designed vehicle for transportation and/ or emergent treatment of sick or injured people and capable of providing out of hospital medical care during transit or when stationary, commensurate with its designated level of care when appropriately staffed. To meet these provisions, the make and model of the vehicles is to be verified by the

technical expert, the Motor Vehicle Inspector (MVI) and the medical equipment installed therein by an appropriate authority during registration of an ambulance. Once the vehicle is certified as an ambulance, it should be categorised as transport vehicle for taxation and fitness purposes.

Scrutiny of the VAHAN data dump revealed that 1,954 vehicles were registered as ambulance till 2015-2016 in the State with seating capacities ranging from 1 to 42. Of these ambulances, 1,730 were categorised as transport vehicles (1,722 as passenger and 8 as goods vehicles) and 224 as non-transport (private) vehicles.

The above was confirmed during test check of records of six district transport offices¹⁴ and comparison with the VAHAN database (between September and October 2016) revealed that 60 vehicles (out of 268 vehicles test checked) were registered as ambulances but categorised as non-transport vehicles, resulting in short levy of tax of ₹ 13.86 lakh. Further, being non-transport vehicles, these were not subject to test by the MVIs and technical/ medical experts to verify their fitness and suitability to function as ambulances. It was also observed that the Department had not formulated specifications for different types of ambulances, and these vehicles had been taxed solely on the basis of seating capacity.

The Department accepted (October 2017) the audit observations.

Recommendation:

- 1. The Department should ensure that all vehicles registered as ambulances in the VAHAN database are categorized as transport vehicles and taxed and tested for fitness appropriately.**
- 2. The Department may formulate specifications for different types of ambulances, and tax them appropriately.**

Impact of Audit

- The Department has reported (February 2018) recovery of ₹ 88.06 lakh out of ₹ 60.94 crore illustrated in this chapter.
- Shortcomings in VAHAN software regarding levy of tax from date of possession instead of date of registration, and input control deficiencies in RLW field have been rectified, and vehicles under reciprocal agreements registered in other States have been included in the software for payment of tax.

¹⁴ Bokaro, Deoghar, Dhanbad, Pakur, Palamu and Ranchi.