

## CHAPTER-IV TAXES ON VEHICLES

### 4.1 Results of Audit

Test check of records in the offices of Regional Transport/ Assistant Regional Transport Officers and the Commissioner of Transport, Gandhinagar in the State during the year 2015-16 revealed under-assessment of tax and other irregularities involving ₹ 28.01 crore in 124 cases, which fall under the following categories:

Sl. No.	Category	No. of cases	Amount (₹ in crore)
1.	Performance Audit of Administration of Motor Vehicles Tax	1	24.67
2.	Non/short levy of motor vehicles tax	20	2.23
3.	Other irregularities	103	1.11
	<b>Total</b>	<b>124</b>	<b>28.01</b>

During the course of the year, the Department accepted and recovered under-assessment and other irregularities of ₹ 3.42 crore in 41 cases, which were pointed out in audit during 2015-16 and earlier years.

A performance audit of “Administration of Motor Vehicles Tax” involving ₹ 24.67 crore is mentioned in the succeeding paragraph.

## 4.2 Performance Audit of “Administration of Motor Vehicles Tax”

### Highlights

All the modules of VAHAN and SARATHI were not implemented. Out of the five modules of VAHAN Software, only Vehicle Registration module was implemented and was in operation. In SARATHI Software, of the four modules only two modules viz., Learner Licence and Driving Licence modules were implemented and were in operation.

**(Paragraph 4.2.7.1)**

The check posts were not interlinked with National/ State Register of RTOs, check posts and the deficiencies pointed out in the earlier Audit Report persisted.

**(Paragraph 4.2.7.2)**

The Department did not know the number of the vehicles that were plying without valid fitness certificates. As a result, the fitness of the vehicles required for plying on road was not ensured, thus compromising road safety norms.

**(Paragraph 4.2.8)**

Operators of 3,267 transport and non-transport vehicles had neither paid tax nor filed non-use declarations for the periods between 2010-11 and 2014-15. This resulted in non-realisation of motor vehicles tax of ₹ 12.43 crore.

**(Paragraph 4.2.19)**

Periodical targets were not fixed by the Department for the recovery of arrears of tax related to RRC cases.

**(Paragraph 4.2.20.2)**

### 4.2.1 Introduction

Motor Vehicles Tax (MVT) is one of the major sources of tax revenue receipts<sup>1</sup> of the State. The levy and collection of tax on motor vehicles is governed by Gujarat Motor Vehicles Tax (GMVT) Act 1958, Gujarat Motor Vehicles (Taxation of Passengers) Act, 1958 and Rules made thereunder. Motor Vehicles tax in respect of non-transport vehicles and some specific transport vehicles<sup>2</sup> is realised in the form of lump sum tax as one time tax (OTT), whereas tax from other transport vehicles is realised on monthly/half-yearly/annual basis at the rates specified under GMVT Act. Section 3 of the Act empowers the State Government to fix the rate of tax by issue of notification from time to time. Section 12 of the Act provides for recovery of tax due, interest and penalty, in case of default, from the owner of the vehicle in the same manner, as arrears of land revenue under Gujarat Land Revenue Code, 1879.

The fees for registration, fitness certificate, permit, licence, appeal and fines for violations are levied and collected under the provisions of Motor Vehicles Act, 1988 (MV Act) and the Central Motor Vehicles Rules, 1989 (CMV

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<sup>1</sup> After Value Added Tax, Electricity Duty and Stamp Duty

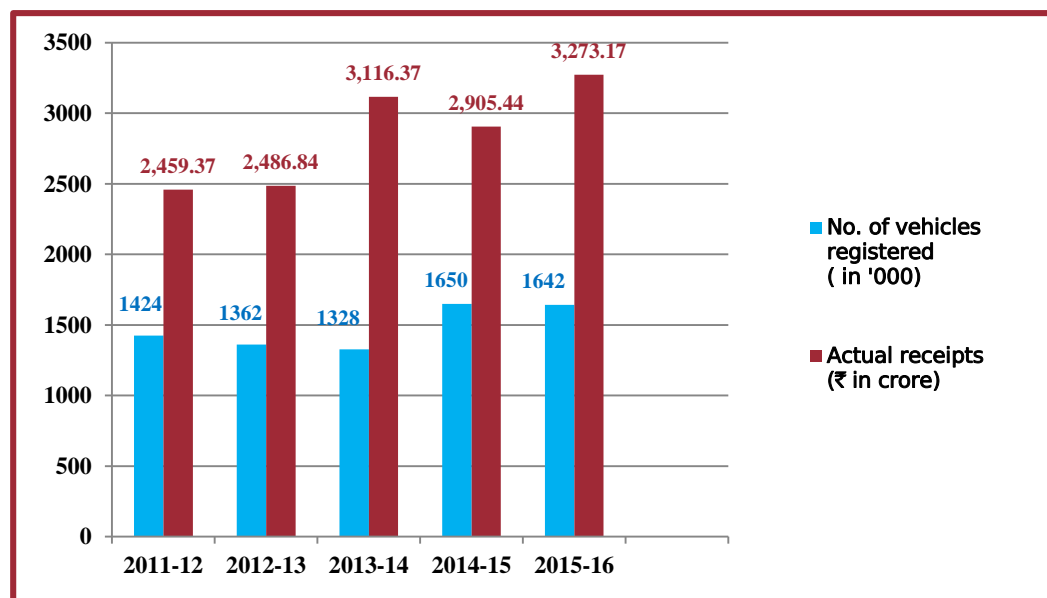
<sup>2</sup> Goods vehicles registered with Laden Weight upto 7500 Kg

Rules) framed thereunder. Section 40 of MV Act stipulates that a motor vehicle should be registered by the registering authority in whose jurisdiction the owner of the motor vehicle resides or where the motor vehicle is normally kept. Section 66 of the Act lays down that no motor vehicle shall be used as a transport vehicle without a permit issued by transport authorities to use the vehicle in a public place. The vehicle plying should also carry a valid certificate of fitness issued under Section 56 of the Act. The vehicle owner is required to maintain the vehicle in accordance with the requirements of this Act and the rules made thereunder.

The Government of India (GoI), to have a national registry of registered vehicles and driving licences issued and also for providing valuable data for the centre and security agencies, directed (2001) State Governments to implement the ‘Vahan’ and ‘Sarathi’ software systems developed by the National Informatics Centre (NIC). In Gujarat, the *Sarathi* system for driving licence and *Vahan* system for registration of vehicles was introduced from November 2006 and March, 2008, respectively.

#### 4.2.2 Trend of Revenue and registration of vehicles in the State

The details of revenue collected from taxes including motor vehicles tax, passenger tax, various fees and penalty and number of registered vehicles during 2010-11 to 2014-15 are given below:

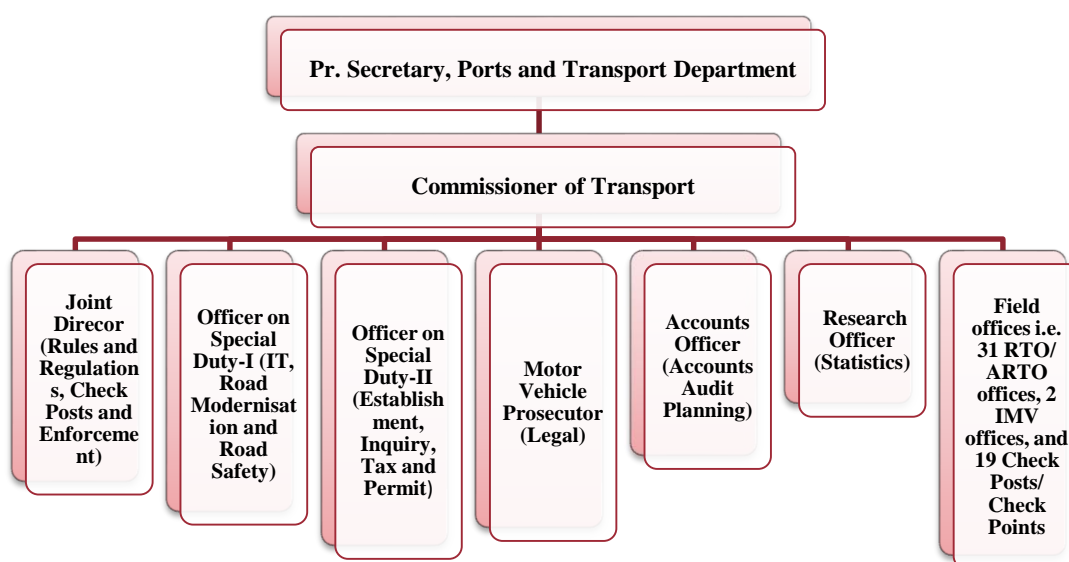


(Source: Finance Accounts of the State and Information furnished by the Department)

The receipts from taxes kept increasing for the period 2011-12 to 2015-16, except during the year 2014-15. The decrease during the year 2014-15 was mainly due to reduction in the rate of passenger tax from 17.5 per cent to 7 per cent.

### 4.2.3 Organisational set up

The Commissioner of Transport (CoT) heads the Gujarat Motor Vehicles Department (the Department) under the administrative control of the Principal Secretary to the Government of Gujarat (GoG) in the Ports and Transport Department. He is assisted by a Joint Director, two Officers on Special Duty (OSDs) one in-charge of Information Technology, Road Modernisation and Road Safety and other in-charge of Establishment, Enquiry, Tax and Permit, a Motor Vehicles Prosecutor (Legal), an Accounts Officer (Accounts Audit Planning) and a Research Officer (Statistics) in the Head office. There are 14 Regional Transport Offices (RTOs)<sup>3</sup>, 17 Assistant Regional Transport Offices (ARTOs)<sup>4</sup> and two Inspectors of Motor Vehicles Offices (MVIIs)<sup>5</sup>. There are 16 check-posts<sup>6</sup> (CP) and three check-points<sup>7</sup> working under 11 RTOs/ ARTO as follows:



### 4.2.4 Audit Objectives

We conducted Performance Audit (PA) with a view to ascertain the efficiency and effectiveness of administration of MVT by the Department with special emphasis on the following objectives:

- Whether procedures in place and instructions issued were adequate and in conformity with Acts/Rules to facilitate efficient functioning of the Department;

<sup>3</sup> Ahmedabad, Bhavnagar, Godhra, Himmatnagar, Jamnagar, Junagadh, Kutchh-Bhuj, Mehsana, Nadiad, Palanpur, Rajkot, Surat, Vadodara and Valsad

<sup>4</sup> Ahmedabad (East), Amreli, Anand, Bardoli, Bharuch, Botad, Dahod, Dang-Ahwa, Gandhinagar, Gir-Somnath, Mahisagar-Lunavada, Navsari, Patan, Porbandar, Rajpipla, Surendranagar and Vyara

<sup>5</sup> Gandhidham and Modasa

<sup>6</sup> Ambaji, Amirgadh, Bhilad, ChhotaUdepur, Dahod, Gudari, Jamnagar, Kaparda, Sagbara, Samkhiyali, Shamlaji, Songadh, Tharad, Thavar, Waghai and Zalod

<sup>7</sup> Adesar, Hazira and Surajbari

- Whether Acts, Rules, systems, procedures, instructions are followed by the Department; and
- Whether the internal control mechanism existed to prevent leakage of revenue and misuse of provisions of Act/Rules.

#### 4.2.5 Audit Criteria

The audit criteria are derived from the following Acts and also the Rules made thereunder which govern the process of system of registration of vehicles, issue of licence, fitness certificate, permit, assessment, levy and collection of motor vehicles tax/passenger tax etc.

- The Motor Vehicles (MV) Act, 1988
- The Central Motor Vehicles (CMV) Rules, 1989
- The Gujarat Motor Vehicles Tax (GMVT) Act, 1958
- The Gujarat Motor Vehicles(GMV)Rules, 1989
- The Gujarat Motor Vehicles (Taxation of Passengers) Act, 1958
- Guidelines/Manual/Instructions/Circulars/Orders issued by the Department.

#### 4.2.6 Audit Scope, Methodology and Acknowledgement

We conducted the PA “Administration of Motor Vehicles Tax” during August 2015 to March 2016 covering the period from 2010-11 to 2014-15.

We checked the records of the office of the CoT and selected RTO/ARTOs including check posts working under their jurisdiction. Out of 31 RTO/ARTOs and 18 Check-posts including check-points, we selected 11 RTO/ARTOs<sup>8</sup> including 14 Check-posts<sup>9</sup> working under respective RTO/ARTO, one additional Check-Post<sup>10</sup> being largest under an ARTO and also the office of CoT. For selection of sample, units were stratified into four strata based on the regions of the State and then a simple random sampling was done in each stratum. The sample size represents 35 per cent of RTO/ARTOs and 79 per cent of Check-posts involving 70 per cent of the total revenue.

An entry conference was held with CoT on 06 December 2015 wherein the objectives of the PA were explained. Thereafter, the exit conference was held on 22 July 2016 in which the findings of the PA were discussed. The replies received during the exit conference and at other points of time have been suitably incorporated in the relevant paragraphs.

<sup>8</sup> RTO: Ahmedabad, Himatnagar, Jamnagar, Kutch-Bhuj, Palanpur, Rajkot, Surat and Vadodara

ARTO: Bharuch, Dahod and Gandhinagar

<sup>9</sup> Check-post/check-point: Adesar, Ambaji, Amirgarh, ChhotaUdepur, Dahod, Gundari, Hazira, Jamnagar, Samkhiyali, Shamlaji, Surajbari, Tharad, Thavar and Zalod

<sup>10</sup> Bhilad

The Indian Audit and Accounts Department acknowledges the co-operation extended by the Department for providing necessary information and records required for the preparation of the Report.

## Audit findings

### System deficiencies

#### 4.2.7 Computerisation

##### 4.2.7.1 Implementation and functioning of VAHAN and SARATHI Software

The VAHAN Software was designed to capture all the information relating to motor vehicles from the Vehicle Registration files. The system sought to achieve various objectives which *inter alia* include creation of a National Register, using the central database of registered vehicles through creation of inter-connectivity amongst RTO/ARTOs in the State to prevent leakage of revenue and augment tax collection. The services of the VAHAN Software are under five modules *viz.*, Vehicle Registration, Permit, Tax, Fitness and Enforcement<sup>11</sup>.

Of these, one module (vehicle registration) was fully implemented, tax module was partially implemented, i.e. only for non-transport vehicles, fitness module was implemented on trial basis in ARTO, Gandhinagar while enforcement module, permit module were not implemented (October 2016).

The SARATHI Software was designed to feed all necessary information relating to issue of driving licences. The system sought to properly manage issue of Learner/ Driving Licence, maintain State/ National Registers of Driving Licences and provide citizen centric services. The services of the SARATHI Software are under four modules *viz.*, Learner Licence, Driving Licence, Conductor Licence and Driving School Licence.

Out of these four modules of SARATHI Software, only two modules *viz.*, Learner Licence and Driving Licence modules were implemented and the remaining two modules *viz.*, Conductor Licence and Driving School Licence were not implemented.

After this being pointed out, the Department stated (July 2016) that a new version of VAHAN called VAHAN-II is being implemented and with its implementation, all the modules would be made operational. While in respect of SARATHI, it was stated that a new system called SARTHI-IV is being implemented in ensuing months, conductors licence and driving school licence modules would also become operational.

**Legacy data:** We also observed that, in the 'Vehicle Registration module' of VAHAN software, the Department ported data of 64.71 lakh vehicles upto

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<sup>11</sup> Data related to the cases of violation of Motor Vehicles and Taxations Laws detected by the Department are stored for monitoring and follow up actions.

2 November 2015. Out of the ported data of 64.71 lakh vehicles, only data of 4.30 lakh vehicles (*seven per cent* of ported data) was activated by the Department. The activated entries related to the vehicles owners that had come forward themselves for any transaction in respect of their vehicles like payment of tax, transfer of ownership, hypothecation etc. at the concerned RTO/ ARTO. Thus, the report(s) drawn from VAHAN software was not giving complete information on lapsed registration/ permits/fitness certificates etc.

After this was pointed out, the Department stated (July 2016) that work of updation of legacy data has been entrusted to Gujarat Informatics Limited (GIL). In the VAHAN software in respect of legacy data, out of 13 fields which are mandatory 11 fields have been left blank, because the data in respect of these entries has become obsolete. The data is activated only when the vehicle owner appears for some transaction. Old data has been rejected in those cases, where data has already been updated.

However, the fact remains that non-porting of the legacy data had rendered the reports incomplete. This indicates that MIS system of the Department was weak and needed strengthening.

**Effective steps and targets for activation of the legacy data, completion of all modules of VAHAN and SARATHI to make them functional need to be fixed.**

#### **4.2.7.2 Persistence of deficiencies in the functioning of CPAS**

Section 113 of the MV Act prescribes for levy of penalty if a person drives any motor vehicle or trailer, the laden weight of which exceeds the gross vehicle weight specified in the certificate of registration. Check posts (CPs) have been set up on the State borders by the State Government to check if vehicles passing through these borders have paid all the road taxes, carry proper documents and conform to the loading and dimensioning norms. All interstate CPs have Inter-State Check Post Automation System (CPAS).

Mention was made in para no.4.2 of the Report of the Comptroller and Auditor General of India (Revenue Receipts) for the year ended 31 March 2006 about the deficiencies noticed in the CPAS. These findings included deficiencies in IT controls, absence of access from CPAS to central data of registered vehicles, validation checks, etc.

Though, CPAS was designed to remove inaccuracies in checking the weights of each vehicle, charging for excess laden weight correctly, recording of charges for offences but Audit found that inspectors still relied upon physical checking of vehicles passing through the check post and relevant records available with driver. The check posts were not interlinked with National/ State Register of RTOs, check posts and the deficiencies pointed out in the earlier Audit Report persisted.

Thus, due to lack of corrective measures, the deficiencies persisted in the CPAS system and correctness of the data could not be ascertained.

After this was pointed out, the Department stated (July 2016) that due to constraints such as decentralised VAHAN system and poor connectivity, real time verification of data was not possible. However, the project of interlinking of check posts with RTOs is going to be completed soon.

**It is recommended that the Government may fix a time frame within which the work of interlinking of check posts with RTOs would be completed.**

#### **4.2.8 System for renewal of Fitness Certificate of transport vehicles and re-registration of non-transport vehicles**

##### **Transport vehicles:**

Section 56 of the MV Act prohibits plying of vehicles on road without valid Fitness Certificate and also stipulates that vehicles without valid certificates of fitness shall not be deemed to be validly registered under the provisions of the Act. Further, Rule 62 and 81 of the CMV Rules provide that the owners of the transport vehicles shall produce their vehicles for inspection annually after completion of two years of registration and pay the prescribed fees for inspection and renewal of the Fitness Certificate.

As per the monthly statement submitted by taxation authorities to CoT, it was noticed that in 11 taxation authorities<sup>12</sup>, 1.40 lakh transport vehicles were registered during 2012-13. The fitness certificate of these vehicles was valid for two years. Thus, the fitness certificates of these vehicles were required to be renewed during 2014-15. There was neither any inbuilt mechanism in the 'VAHAN' software to give alerts regarding expiry of validity of Fitness Certificate during the receipt of periodical tax payments nor was it maintained manually. Thus, the Department was not in know of the vehicles that were plying without a valid fitness certificates. As a result, the fitness of the vehicles for plying on road was not ensured, exposing the risk of road safety. The fitness fees involved in the vehicles amounted to ₹ 5.12 crore.

##### **Non-transport vehicles:**

Section 41(7) of the MV Act provides that registration of non-transport vehicle is valid for a period of 15 years. After the expiry of this period, a vehicle could be re-registered for a further period of five years subject to the production of a fitness certificate. The fees payable at the time of registration are re-registration fees ₹ 200, fitness test fees ₹ 200 and certificate fees ₹ 100.

The registration details furnished to audit by seven<sup>13</sup> taxation authorities indicated that 2.74 lakh vehicles were registered during 1999-2000. The re-registration and fitness certificate of these vehicles were required to be watched in 2014-15. However, there was nothing on record to indicate the number of vehicle that were plying and needed re-registration/renewal of

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<sup>12</sup> Ahmedabad, Bharuch, Bhuj, Dahod, Gandhinagar, Himmatnagar, Jamnagar, Palanpur, Rajkot, Surat and Vadodara

<sup>13</sup> Ahmedabad, Bhuj, Gandhinagar, Jamnagar, Rajkot, Surat and Vadodara



fitness certificate. Information in respect of remaining four taxation authorities<sup>14</sup> was not produced to audit.

After this was pointed out, the Department stated (July 2016) in the exit conference that at present there is no system to monitor the re-registration and fitness certificates of the old vehicles. Now they have implemented enforcement module in ARTO Gandhinagar and have shifted to a new system VAHAN-II. In the new system there is provision for issue of demand notice in case of expiry of fitness certificates. The system would be implemented in other offices also as soon as possible. They had also requested NIC to create necessary MIS in this regard.

#### **4.2.9 System for renewal of authorisation of National Permit**

Under Rules 86 to 90 of Motor Vehicle Rules, 1989 (MV Rules) any goods vehicle intending to move on national level shall apply for a National Permit (NP) in a prescribed form to the jurisdictional Regional Transport Officer. The application of NP along with other supporting documents viz., Fitness Certificate, proof of payments of insurance, motor vehicles taxes, consolidated fees of ₹ 15,000/₹ 16,500 per annum (*w.e.f.* 2.4.2012) for transport vehicles etc., is scrutinised initially by the Department. As per Section 81 of Motor Vehicle Act, 1988 (MV Act) a permit is valid for five years. However, as per Rule 87 (3) of MV Rules, validity of authorisation of the National Permit in Form 48 is for one year. An application for renewal of National Permit is required to be submitted prior to expiry of such permit. Under the scheme, a composite fees of ₹ 16,500 per annum along with application fees for authorization amounting to ₹ 1,000 is to be deposited in the Government account for authorization of NP.

The CoT in his Circular of April 1990 had also clarified that in case the NP holder does not obtain fresh authorisation after expiry of authorisation or applies for cancellation of NP, such permit may be cancelled after the date of expiry of authorisation.

Analysis of the data obtained from National Permit module<sup>15</sup> of 11 taxation authorities<sup>16</sup> for the period 2010-15, revealed that owners of 4,716 transport vehicles had neither renewed nor surrendered their NPs. There was nothing on records to indicate whether the vehicles owners had surrendered the national permits or had transferred the vehicles in other State. However, in absence of a mechanism to detect the cases of NPs due for renewal, the registering authority failed to serve notices to the defaulting vehicle owners for the renewal of permit. This may involve the amount of State Authorisation fees of ₹ 1.01 crore and consolidated fees of ₹ 16.59 crore.

After we pointed this out, Department stated (July 2016) that the database in respect of NPs is with Central Government and concerned RTOs/ARTOs

<sup>14</sup> Bharuch, Dahod, Himmatnagar and Palanpur

<sup>15</sup> Maintained by the Central Government and provided separate user-id, password for each RTO/ARTO

<sup>16</sup> Ahmedabad, Bharuch, Bhuj, Dahod, Gandhinagar, Himmatnagar, Jamnagar, Palanpur, Rajkot, Surat and Vadodara

stated (August and September 2015) that the Department was responsible to renew the permit only after the receipt of application for renewal of NPs.

Audit is of the view that all the information such as date of expiry of authorisation, tax paid and other details of vehicles with National Permit was available in VAHAN Software which is designed for keeping vehicles details such as registration certificates, permit and taxes etc. In spite of this, these cases were not detected by the Department. The Department also did not initiate any action to issue notices to these permit holders and cancel the permit as prescribed in the MV Rules.

Reply of the Department also indicates that there is no mechanism with RTOs to timely detect the cases of NPs due for renewal for taking appropriate action against the defaulting vehicle owners to safeguard the interest of Government.

**The Department may put in place a suitable mechanism for timely detection of the cases of NPs due for renewal and take appropriate action against the defaulting vehicle owners.**

#### **4.2.10 Reduction in rate of penalty on overloaded vehicles**

Section 113(3)(b) of the MV Act stipulates that no person shall drive or cause or allow to be driven in any public place any motor vehicle or trailer, the laden weight of which exceeds the gross vehicle weight specified in the certificate of registration. Section 194(1) of the Act *ibid* stipulates levy of minimum fine of ₹ 2,000 and an additional amount of ₹ 1,000 *per tonne* of excess load.

During test check of memo books and other records of 10 taxation authorities<sup>17</sup> we noticed that 799 goods vehicles had carried excess load ranging between one *per cent* and 225 *per cent* beyond the registered laden weight (RLW) during the period from January 2014 to March 2015. But, the RTO/ARTOs had levied and recovered penalty from these vehicle owners as per the Notification dated 21 December 2013 of GoG which stipulated lesser rates of fine<sup>18</sup> for excess load in the vehicles and not as per the provisions of the MV Act *i.e.* levy of minimum fine of ₹ 2,000 and an additional amount of ₹ 1,000 *per tonne* of excess load. In exercise of power under Section 200 of MV Act regarding composition certain offences, GoG had fixed the lesser fine for overloading of vehicles.

After this was pointed out, the CoT did not agree with the Audit observation and stated (September 2016) that under Section 200 of the MV Act, the State Government was empowered to fix the rates of compounding fees. The Government has also authorised the Departmental officers to compound the offences and recover the compounding fees as per the provisions of Section 200 of the MV Act. The fact, however, remains that by reducing the rate of penalty, the Government instead of taking stringent measures against the

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<sup>17</sup> Ahmedabad, Bharuch, Bhilad CP, Bhuji, Dahod, Gandhinagar, Jamnagar, Palanpur, Rajkot and Vadodara

<sup>18</sup> **Excess load upto 2000 kg** –for every 500 kg and part thereof ₹ 300, **Excess load beyond 5000 kg**-for every 500 kg and part thereof ₹ 500

vehicles carrying excess weight is encouraging the overloading of vehicles by reducing the rates of penalty.

#### **4.2.11 Absence of provision for levy of MV tax on sleeper coach buses used as Stage Carriages**

The sleeper facility in GSRTC buses was introduced in 2009. Fifty buses with sleeper facility were being operated by GSRTC. However, no provision for levy of tax on sleeper coach buses was made by the Government.

In case of contract carriages<sup>19</sup> with berths operated by private bus operators, the Act provides for higher rates of periodical tax when compared to the rates of tax for seats. However, we noticed that no specific rates of GMV tax for such sleeper coach buses used as Stage Carriages had been fixed even after expiry of more than five years since introduction of sleeper buses. In absence of specific tax rates for sleeper coach buses, GSRTC had paid the MV tax treating berths as seats. Reasons for non-fixation of tax rates for sleeper coach buses were called for, but not made available to audit.

After this being pointed out, CoT stated (May 2016) that matter had been referred (May 2016) to the Government for necessary action.

#### **4.2.12 Verification of records relating to Motor Driving Schools**

As per provisions of Rule 27 of the CMV Rules, the holder of a driving school licence granted under Rule 24 of the Rules *ibid*, shall maintain register on annual basis showing the details of name of the students admitted in the school during the year and also furnish such information and returns to the licensing authority as prescribed by the Department from time to time.

During the test check of records of four taxation authorities<sup>20</sup> for the period 2010-2015, we noticed that in case of 591 motor driving schools, there was no system in place to call for any information/ returns by the authorities from the driving school licence holders for verification/assessment of work done by them. This indicated lack of internal controls and efforts for monitoring/inspection of driving schools.

After this was pointed out, the CoT agreed with the audit observation and stated (September 2016) that they had taken steps for renewal of licences and recovery of licence fees.

<sup>19</sup> It means a motor vehicle which carries passengers for hire or reward and is engaged under an expressed/implied contract, for the use of such vehicle as a whole for the carriage of passengers mentioned therein and entered into by a person with a holder of a permit of such vehicle on a rate or sum fixed on a time basis (with/without reference route or distance); or point to point basis, and in either case, without stopping to pick up or set down passengers not included in the contract anywhere during the journey, and includes – (i) a maxicab; and (ii) a motorcab.

<sup>20</sup> Ahmedabad, Bhuj, Surat and Vadodara

#### **4.2.13 Monitoring of the functioning of Pollution Testing Units**

As per CoT's Circular dated 20 June 2011, the licence holder of Pollution Testing Unit (PTU) authorised to issue pollution control certificate (PUC) for the motor vehicle should maintain yearly register showing the details of date, details of vehicles checked, emission levels, certificate issued etc. PTUs are also required to calibrate pollution measuring meter/ equipment as per the test procedure specified under Rule 116(3) of the CMV Rules. The licensing authority is authorised to monitor/inspect working of PTUs.

During the test check of records of nine taxation authorities<sup>21</sup> we noticed that 560 PTUs were operating as on 31 December 2014. We observed that no system was in place to call for the records maintained by the PTUs and inspecting the PTUs by Assistant MVIs to check the working of PTUs including maintenance of records and ensuring the calibration of measuring equipment by PTUs as per the stipulation made in this regard.

After this was pointed out, CoT stated (September 2016) that checking of PTUs was under progress. A system had also been put in place for monitoring the functioning of PTUs. However, the features of the system put in place were not produced to audit.

#### **Compliance deficiencies**

#### **4.2.14 Irregular grant of exemption to registered vehicles**

As per Section 13 of the GMVT Act, the State Government may, subject to the provisions of any rules made in that behalf, by notification in the Official Gazette, exempt either totally or partially any class of motor vehicles or any motor vehicles belonging to any class of persons, from the payment of tax. As per Ports and Transport Department's clarification letter dated 11 May 2011 and 23 January 2014 addressed to CoT, tax exemption shall not be granted to vehicles registered under 'G' series<sup>22</sup> in the name of State Government's Boards, Corporations etc.

During the test check of records of nine taxation authorities<sup>23</sup> for the period 2010-15, we noticed that in respect of 250 vehicles, the Department had granted exemption from payment of tax registered in the name of Boards/ *Nagarpalika/ Panchayat*. The grant of tax exemption by the Department was inconsistent with the instructions of the P&T Department. The tax involved in 105 cases amounted to ₹ 29.64 lakh excluding interest and penalty while in the remaining 145 cases, amount of tax could not be quantified as the cost of vehicle was not found in registration records.

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<sup>21</sup> Ahmedabad, Bharuch, Bhuj, Dahod, Himmatnagar, Jamnagar, Palanpur, Rajkot and Surat

<sup>22</sup> Department has reserved the G-series for registration of vehicles owned by State/ Central Government departments, Government Boards/ Corporations, Local Bodies, etc.

<sup>23</sup> Ahmedabad, Bharuch, Dahod, Gandhinagar, Himmatnagar, Jamnagar, Palanpur, Rajkot and Vadodara

After this was pointed out, the Principal Secretary accepted (July 2016) the audit observation in the exit conference and stated that the vehicle were not eligible for exemption from payment of tax.

#### 4.2.15 Irregular grant of exemption on trailers

Tractors and trailers are registered and taxed separately in Gujarat. In accordance with GoG Notification dated 30.3.2007, the tractors are liable to tax at the rate of 3.5 *per cent* or six *per cent* of sale price for agricultural and commercial purpose respectively. Trailers used for agriculture purpose are exempted from payment of tax while if used for commercial purposes are taxed at the rate of 6 *per cent*. Tractors if used for agricultural purposes are registered under Non-Transport category, while tractors used for commercial purposes and trailers irrespective of its purpose are registered under transport category.

We noticed that the Department had granted tax exemption to 7,343 trailers in 11 taxation authorities<sup>24</sup> for the period 2010-15. Registration numbers of these trailers had not been linked with the registration number of their respective tractors. In absence of this, it could not be ascertained whether these trailers were used for agricultural purposes only and exemption granted was correct.

After this was pointed out, the Department did not accept the audit observation and stated (September 2016) that at the time of registration of trailers, the Department had ascertained from the copies of village forms that the owners were agriculturist. Hence, the exemption granted was in order. The reply is not acceptable because in absence of cross-reference of registration number of tractors, it could not be ascertained whether the trailers would be used solely for agricultural purposes.

**Audit recommends that the Department may explore the possibility of cross-referencing of the registration numbers of tractors with those of trailers, to detect any misuse of exemptions granted.**

#### 4.2.16 Incorrect issue of clarification for waiver of pollution norms

As per Notification dated 28 May 2010 issued by Ministry of Road Transport and Highways, GoI and clarification dated 8 October 2010 issued by the CoT, the emission norms Bharat Stage-IV (BS-IV) grade fuel compliant<sup>25</sup> were required to be observed *w.e.f.* 01.04.2010 in respect of registration of four wheelers in Ahmedabad and Surat.

Scrutiny of the records revealed that Municipal Commissioner had intimated (October 2013) the Commissioner of Transport that Surat Bus Rapid Transit (BRT) corridor of 10 km. was completed and could not be operated due to non-availability of long AC buses complying with BS-IV. He had requested for

<sup>24</sup> Ahmedabad, Bharuch, Bhuj, Dahod, Gandhinagar, Himmatnagar, Jamnagar, Palanpur, Rajkot, Surat and Vadodara

<sup>25</sup> Bharat stage emission standards are emission standards instituted by GoI to regulate the output of air pollutants from internal combustion engine of motor vehicles

grant of permission for plying 20 BS-III buses. No permission was found to have been granted. Thereafter, a clarification was found to have been issued (November 2013) by the Joint Commissioner which read as “For registration of vehicles in Surat City, vehicles must be BS- IV compliant, but BS-III vehicles may also be registered in Surat City if the vehicle owner’s residential address is of outside city limits”. The clarification issued was not in line with the notification issued by the Ministry of Road Transport and Highways.

A test check of registration records/VAHAN database in two taxation authorities<sup>26</sup> for the period 2010-15 revealed that 26 buses of BRTS/AMTS<sup>27</sup> compliant to BS-III were got registered in Surat and Ahmedabad. The RTOs registered the buses on the ground that the owners of the vehicles were residing outside the city limits. This was in line with the clarification issued by the Joint Commissioner. Thus, it would be seen from the above that though the buses were not eligible for registration for plying in Surat and Ahmedabad, the incorrect clarification issued by the Joint Commissioner allowed the registering authorities to register these buses.

After this being pointed out, the Principal Secretary accepted the audit observation (July 2016) and stated that they would prevent their use within city limits.

#### 4.2.17 Functioning of Motor Vehicle Inspectors

As per the provisions of Rule 50(2) of the GMV Rules, the vehicle owner shall apply for issue of Fitness Certificate (FC) in Form CFA along with prescribed fees, Registration Certificate (RC), Insurance Certificate, proof of upto date payment of motor vehicles tax and Pollution Under Control (PUC) and produce the vehicle for inspection in a good condition. Motor Vehicle Inspector (MVI) inspecting a transport vehicle for grant/renewal of the FC shall fill form ‘MV Ins’ after verification of above mentioned documents given in a check list and obtain legible pencil impression of the chassis number of the vehicle so inspected on the slip (Inspection slip). On review of records for the month of March 2015, we observed the following deficiencies in the functioning of the MVIs of the below mentioned three RTOs:

Sl. No.	Name of the RTO	No. of cases	Nature of Audit observation
1.	Rajkot	6	In case of six transport vehicles, there were no entries regarding valid insurance cover and PUC in the Inspection slips.
2.	Surat	65	MVIs had not properly filled in and signed the inspection slips certifying the status of verification of fitness of such vehicles. Application for fitness of vehicles were not found on record along with supporting documents such as proof for upto date payment of tax and other necessary documents on record.
3.	Bhuj	40	MVIs had not properly filled in and signed the inspection slips certifying the status of verification of fitness of such vehicles.

<sup>26</sup> Ahmedabad and Surat

<sup>27</sup> Bus Rapid Transit System operated by M/s Prasanna Purple Mobility Solutions Pvt Ltd in Surat and M/s Chartered Speed Pvt. Ltd. in Ahmedabad

Thus, as seen from the above, documentary evidence in support of the vehicles, to have been checked, was not properly recorded. Records relating to issuance of fitness certificates, though called for, were not furnished by ARTO, Gandhinagar.

After this was pointed out in audit, the Department stated (September 2016) that henceforth, it would ensure that all the necessary documentary evidence is obtained and recorded properly before issuance of fitness certificates.

#### 4.2.18 Non maintenance/production of records required for change of ownership

During the test check of records of seven taxation authorities<sup>28</sup> for the period 2010-15, we noticed in 55 cases related to change of ownership of vehicles due to sale/purchase of vehicles or recording the status related to hypothecation of vehicles, the respective RTO/ARTO granted approval for making necessary changes in the registration certificates (RC) of the vehicle owners based on the applications submitted by them.

However, hard/ scanned copies of necessary supporting documents for the applications viz., address proof, identity proof, RC book, valid insurance, fitness/ permit, no due certificate (NDC) etc., were not found on record.

After this was pointed out in audit, the Department stated (September 2016) that henceforth, they would ensure that all the necessary documentary evidence are kept on record before grant of approval for change in ownership.

#### 4.2.19 Realisation of motor vehicles tax

The GMVT Act prescribes that contract carriage<sup>29</sup>, goods carriage vehicles and non-transport vehicles<sup>30</sup> are required to pay tax on monthly/half yearly/yearly basis respectively except for the period where the vehicles are not in use. In case of delay in payment, interest at the rate of one and half *per cent* per month and if the delay exceeds one month, a penalty at the rate of two *per cent* per month subject to a maximum of 25 *per cent* of tax is also chargeable.

We noticed (August 2015 to March 2016) that the operators of transport and non-transport vehicles had neither paid tax nor filed non-use declarations for the periods between 2010-11 and 2014-15 as detailed below:

Type of vehicles	No of RTOs/ARTOs involved	No of operators/owners involved	Non recovery of motor vehicle tax (₹ in crore)
Transport	11 <sup>31</sup>	2,462	11.39
Non-transport	10 <sup>32</sup>	805	1.04
		<b>3,267</b>	<b>12.43</b>

<sup>28</sup> Bharuch, Dahod, Himmatnagar, Jamnagar, Palanpur, Rajkot and Vadodara

<sup>29</sup> Maxicab, Motorcab etc.

<sup>30</sup> (cranes, compressors, rigs, excavators and loaders etc.)

<sup>31</sup> Ahmedabad, Bharuch, Bhuj, Dahod, Gandhinagar, Himmatnagar, Jamnagar, Palanpur, Rajkot, Surat and Vadodara

<sup>32</sup> Ahmedabad, Bharuch, Bhuj, Dahod, Himmatnagar, Jamnagar, Palanpur, Rajkot, Surat and Vadodara

This resulted in non-realisation of motor vehicles tax of ₹ 12.43 crore. Besides interest and penalty was also leviable. The Department had not taken action to recover the amount.

After this was pointed out, the Department accepted (September 2016) and recovered ₹ 2.69 crore in 463 cases of transport vehicles and ₹ 30.18 lakh in 277 cases of non-transport vehicles. It was also stated that in remaining cases of transport and non-transport vehicles the demand notices would be issued for recovery of MVT.

### **Recovery of Lumpsum Tax**

A test check of records of two taxation authorities<sup>33</sup> for the year 2014-15 revealed that lump sum tax of nine imported non-transport vehicles was incorrectly worked out as ₹ 130.56 lakh instead of ₹ 152.51 lakh. This resulted in short levy of lumpsum tax by ₹ 21.95 lakh.

After this was pointed out, the CoT stated (September 2016) that they had instructed concerned RTOs to re-assess the lumpsum tax in case of imported vehicles. Report of recovery had not received so far (October 2016).

## **4.2.20 Recovery of tax arrears**

Section 12 of GMVT Act provides that any tax due, penalty or interest not paid as provided by or under this Act shall, subject to the other provisions of this Act, be recoverable in the same manner as an arrear of land revenue. Further, Section 12B GMVT Act empowers taxation authorities to detain and keep in custody the vehicles of defaulters until dues are paid. The Department is also required to take all steps as it may consider necessary for proper maintenance until the tax dues and charges of custody of maintenance of vehicle is paid.

### **4.2.20.1 Non maintenance of Revenue Recovery Certificate Register**

We noticed that RRC Registers showing the case wise details of notices issued and pending action etc., were not properly maintained by nine RTO/ ARTOs<sup>34</sup>. The Mamlatdar of the Revenue Department are being deputed to various RTOs/ARTOs in the State for taking necessary action including auctioning of detained vehicles for the recovery of outstanding tax dues as arrears of land revenue under the provision of Gujarat Land Revenue Code, 1879. In these nine offices, no Mamlatdars were posted.

After this was pointed out, Principal Secretary stated (July 2016) in the exit conference that computerisation of RRC data is under progress and in VAHAN-II, there is provision for generation of demand notice to tax defaulters in case of transport vehicles.

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<sup>33</sup> Rajkot and Surat

<sup>34</sup> Ahmedabad, Bharuch, Bhuj, Dahod, Gandhinagar, Himmatnagar, Jamnagar, Palanpur and Vadodara



#### 4.2.20.2 Revenue Recovery Certificates (RRC)

The year wise details of arrears of tax relating to the period 2010-11 to 2014-15 of the Revenue Recovery Certificates (RRC) cases though called for (September 2015) were not furnished by the Department. The Department however furnished consolidated information as follows:

(₹ in crore)		
Period 1.4.2010 to 31.3.2015	Cases	Amount
Opening balance as on 1.4.2010	10,445	2,856.75
Addition during for the period	2,512	868.49
Disposal during the period	2,483	796.76
Closing balance	10,474	2,928.48

The above table indicates that the disposal of cases during 2010-15 was 23.77 *per cent* of opening balance of the cases. No periodical targets were fixed by the Department for the recovery of arrears of tax related to RRC cases.

#### 4.2.20.3 Disposal of seized vehicles

As per the information furnished by four RTO<sup>35</sup>s and one ARTO, Bhilad it was found that 54 vehicles were detained between September 2002 and January 2015.

Of these, six vehicles were in custody of the Department for more than 10 years, 14 vehicles were in custody for more than five years but less than 10 years and seven vehicles had been in the custody of the Department for a period ranging between one and five years. In respect of remaining 27 vehicles, the detention details were not found on record. These include 12 vehicles, where the respective RTOs had indicated in the information sent to the CoT that the chassis number and the engine number of the vehicles was not visible.

Thus, it would be seen from the above that the safe custody of the vehicles was not ensured and no efforts were made for disposal of the vehicles.

#### 4.2.21 Non recovery of penalty from the agencies

In the following works awarded to private agencies, the Department had not recovered the penalty as per terms of contract/ agreement for the delays in execution of the work by the agencies. No justification was on record for the non-recovery of penalty, further the Department had not furnished the information to Audit to work out the amount of penalty in certain cases as discussed below:

##### 4.2.21.1 Fitment of High Security Registration Plate

The Department entered into Concession Agreement (CA) with M/s FTA HSRP Solutions Private Limited (the Concessionaire) on 26 May 2012 with a validity period of ten years for affixation of High Security Registration

<sup>35</sup> Bhuj, Himmatnagar, Palanpur and Rajkot

Plate<sup>36</sup>) (HSRP) on vehicles. All vehicles registered on or after 16 November 2012 were required to be affixed with HSRP by the firm at the time of registration of vehicle and upto 30 November 2015 in case of old vehicles.

Paragraph 5.22 of the CA provided for recovery of penalty from the Concessionaire at ₹ 10,000 per day in the event of delay in starting affixation of HSRP plates at designated RTO/ARTO centres beyond the period of 50 days from the date of execution of CA i.e. 26 May 2012.

Scrutiny of records of CoT revealed that HSRP centres started their working at 28 RTO/ARTOs<sup>37</sup>. Though the work of affixation of HSRP started with a delay ranging between 140 days and 237 days, penalty of ₹ 5.59 crore was not recovered.

Paragraph 5.22 of the CA further stipulated that penalty<sup>38</sup> of ₹ 20 per plate per day would be recovered if the plate is not prepared and kept ready for affixation within four working days from the date of registration and payment of fees for vehicles.

We observed that 30,97,153 HSRPs were required to be affixed by the vendor as on 31 May 2015. However, the Concessionaire could fix only 25,25,049 HSRPs (81.53 *per cent*) on vehicles. Thus, 5,72,104 HSRPs (18.47 *per cent*) were not fixed as of 31 May 2015 for which penalty was not levied. The amount could not be quantified in audit due to absence of details relating to number of days delayed on each of these HSRPs.

After this was pointed out, the CoT agreed (September 2016) for recovery of penalty.

#### **4.2.21.2 Installation of Automated Driving Test Track system**

The Department decided to install Automated Driving Test Track System<sup>39</sup> (ADTTS) for conducting driving test for issuance of driving license. Accordingly, a contract for supply, installation, commissioning, operation and maintenance of 37 ADTTS for two and four wheelers at various RTOs/ARTOs on BOOT basis was awarded to M/s Silver Touch Technologies Limited (agency) on 28 June 2012, subject to the condition that the track should start functioning within six months (180 days) from the date of contract agreement (i.e. it should start functioning on or before 24.12.2012). Paragraph 8(a) of the contract stipulated for levy of penalty for the delays at the rate of one *per cent*

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<sup>36</sup> Ministry of Road Transport and Highways had in coordination with expert teams developed a systematic and effective device for identification of vehicles in order to curb the illegal sale/purchase and theft of vehicles in the country and to identify the vehicles used in crimes. This unique system of displaying the vehicles registration number is called High Security Registration Plate (HSRP)

<sup>37</sup> Ahmedabad, Ahwa, Amreli, Anand, Bardoli, Bharuch, Bhavnagar, Bhuj, Dahod, Gandhinagar, Godhara, Himmatnagar, Jamnagar, Junagadh, Mehsana, Nadiad, Navsari, Palanpur, Patan, Porbandar, Rajkot, Rajpipla, Surat, Surendranagar, Vadodara, Valsad, Vastral (Ahmedabad) and Vyara

<sup>38</sup> subject to maximum of 50 *per cent* of the cost of the plates

<sup>39</sup> ADTTS is a fully computerized driving test track equipped with electronic sensors to measure skill of a driver and to record all movements by the driver.

of contract value for every week of delay, upto a maximum of 10 *per cent* of the contract value.

Scrutiny of records revealed that out of selected 11 RTO/ ARTOs, at ten RTO/ ARTOs<sup>40</sup>, ADTTS started functioning between April 2013 and October 2014 with a delay ranging from 101 days to 655 days. The department had not taken any action to impose penalty on the agency. In the absence of details relating to contract value, the amount of penalty recoverable from the agency could not be worked out by Audit.

After this was pointed out, the CoT did not agree with the audit observation and stated (September 2016) that the delay was due to dependence of various Government agencies with each other and the Agency was not at fault. The fact remains that despite provision of time limit in the contract agreement, the Agency had failed to complete the work within agreed time limit.

#### **4.2.22 Internal Controls**

We observed the following deficiencies in the internal control mechanism of the Department which *inter alia* include monitoring activities, maintenance of records and the functioning of Internal Audit Wing:

##### **4.2.22.1 Departmental Manual**

As an internal control measure, it is essential that departmental manual is prepared outlining the process required to be followed by different categories of staff in order to ensure proper functioning of various wings of the Department. The Department, however, does not have any departmental manual. In absence of manual, various checks and balances to be exercised by the Department for various business processes such as registration of vehicles, levy of taxes, etc., have not been mandated via manuals.

After we pointed this out, the CoT agreed (September 2016) to undertake the work of preparation of Departmental Manual.

##### **4.2.22.2 Internal Inspection**

The Circulars of General Administration Department of GoG issued (February 1965 and November 1971) provided that inspection of offices under the control of respective heads was required to be conducted by their Heads of Departments to ensure proper functioning of various offices under the Department. The targets were required to be fixed by their respective Heads of the Department.

The CoT had fixed a target of conducting inspection of 14 offices each year during 2010-11 and 2011-12, 16 offices in each year during 2012-13 and 2013-14, and 19 offices for 2014-15. We noticed that no internal inspection had been conducted during the period from 2010-11 to 2013-14. During 2014-

<sup>40</sup> Ahmedabad, Bharuch, Bhuj, Dahod, Gandhinagar, Himmatnagar, Palanpur, Rajkot, Surat and Vadodara

15, only nine<sup>41</sup> out of 19 offices (47 per cent) planned were inspected. Though the inspection of these offices were completed between October 2014 and January 2015, the Inspection Reports were not finalised by CoT and issued to concerned offices for taking appropriate action by them even after lapse of 15 months (March 2016).

After this being pointed out, CoT accepted the facts and stated (September 2016) that in future internal inspection would be done regularly. However, the reply was silent on non-issue of inspection reports.

#### 4.2.22.3 Internal Audit

The Internal Audit Wing (IAW) in the Department was constituted under the direct control of CoT. The Internal Audit is being conducted under the supervision of Accounts Officer of CoT with the objective of conducting internal audit of all subordinate offices and issuing instructions for taking proper corrective action on the irregularities detected during such examination. The scope of IAW includes checking of accounting records, reconciliation of cash/bank treasury transactions, physical verification of valuables, memos with receipts, cash book etc.

The details of Internal Audit (IA) such as number of units planned for audit, number of units audited and shortfall are shown as follows:

Period of Audit	No. of units available for IA	No. of units planned	No. of units audited	Shortfall in per cent	Reasons for shortfall if any
2010-11	40	40	17	57.50	Shortage of staff in the IAW. Against the sanctioned posts of 3 Auditors and 30 Sub-Auditors, one post of Auditor and 13 posts of Sub-Auditors remained vacant.
2011-12	40	34	4	88.23	
2012-13	40	30	2	93.33	
2013-14	40	36	7	80.55	
2014-15	40	38	11	71.05	

The details of number and money value involved in the paras and their clearance during last five years are shown below:

(Amount in ₹)

Period of Audit	Opening Balance		Addition during the period		Clearance during the period		Closing Balance	
	No. of para-Graphs	Amount	No. of para-graphs	Amount	No. of para-graphs	Amount	No. of para-graphs	Amount
2010-11	4	42,685	4	2,21,332	1	1,000	7	2,63,017
2011-12	7	2,63,017	5	33,032	0	0	12	2,96,049
2012-13	12	2,96,049	0	0	0	0	12	2,96,049
2013-14	12	2,96,049	5	37,450	0	0	17	3,33,499
2014-15	17	3,33,499	6	1,71,402	0	0	23	5,04,901

<sup>41</sup> RTOs/ARTOs of Ahmedabad, Ahmedabad (East), Bhavnagar, Gandhinagar, Junagadh, Jamnagar, Mehsana, Rajkot and Surat

Non-clearance of any paras during the period 2011-12 to 2014-15 indicated the lack of corrective actions by the subordinate offices of CoT against the errors/ irregularities pointed out by IAW related to their workings.

After this being pointed out, CoT agreed with audit observation and stated (September 2016) that in future, internal audit would be done regularly. The reply was silent on non-clearance of the paragraphs.

**The Department may consider strengthening of the internal controls, so that irregularities are noticed well in time for taking remedial action.**

#### **4.2.23 Conclusion**

In our audit, we noticed a number of system and compliance deficiencies in the administration of Motor Vehicle Tax which indicate that there is scope for further improvement in the system and also complying with the established procedures by the Department.

As regards the registration and renewal issues, there was absence of mechanism for ensuring timely renewal of Fitness Certificates and Permits including National Permits of transport vehicles. The same was noticed for checking the fitness and re-registration of non-transport vehicles. This system deficiency not only jeopardised the road safety but also results in non-realisation of revenue towards fees for registration, renewal, fitness, permits and penalty. Further, partial implementation of SARATHI and VAHAN softwares and the persistence of deficiencies in the functioning of CPAS affected the performance of the Department in the management of its activities.

In the assessment and recovery of tax arrears, for sleeper coach bus used as Stage Carriage, no rate was specified by the Government to levy GMV tax for the sleeper facility provided in the bus.

In the Internal Control, no system was in place to monitor the functioning of motor driving schools and pollution testing units. Absence of departmental manual and inadequate internal inspection and internal audit indicated the existence of weak internal control system of the Department.

Our test check of record of CoT and the selected units of the Department revealed non/short levy of MV tax and penalty from the agencies to whom works were awarded. Further, the MVIs while checking the prescribed documents for making changes in the registration certificates of vehicles had either not recorded the documents checked or had not placed on record the supporting documents.

#### **4.2.24 Recommendations**

We recommend that:

- Targets for activation of the legacy data, completion of all modules of VAHAN and SARATHI software systems need to be fixed to make them functional.
- The Government may consider fixing a time frame within which the works of interlinking of check posts with RTOs are completed.
- The Department may consider strengthening of the internal controls, so that irregularities are noticed well in time for taking remedial action.
- The Department may put in place a suitable mechanism for timely detection of cases of NPs due for renewal for taking appropriate action against the defaulting vehicle owners.