

CHAPTER V

TAXES ON VEHICLES

5.1 Tax administration

Levy and collection of taxes and other receipts under the Motor Vehicles sector are regulated by the Central Motor Vehicles Act, 1988, the Maharashtra Motor Vehicle Tax Act, 1958, the Maharashtra Motor Vehicles Transportation of Passengers Act, 1958, and the Rules made there under. These Acts and Rules are implemented by the Transport Commissioner under the overall control of the Principal Secretary (Transport) to the Government in Home Department, assisted by an Additional Commissioner, a Joint Commissioner, Deputy Commissioners and Regional and Deputy Transport Officers. The motor vehicles receipts mainly comprise taxes on motor vehicles and taxes on goods and passengers.

5.2 Results of audit

In 2015-16, test check of the records of 28 units relating to Maharashtra Motor Vehicles Tax Act, etc. showed under assessment of tax and other irregularities involving ₹ 11.57 crore in 128 observations, which fall under the following categories shown in **Table 5.2**.

Table 5.2

(₹ in crore)			
Sr. No.	Category	Number of observations	Amount
1	Performance Audit on “ Assessment and Collection of Tax on Motor Vehicles and Financial Controls in the Department ”	1	7.45
2	Non/short recovery/levy of tax	81	4.06
3	Miscellaneous	46	0.06
Total		128	11.57

In response to our audit observations pointed out during the year 2015-16 as well as earlier years, the concerned Department accepted underassessment, short levy, etc. and recovered ₹ 62.75 lakh in 95 observations.

This Chapter contains two paragraphs including a Performance Audit on “Assessment and Collection of Tax on Motor Vehicles and Financial Controls in the Department”.

5.3 Performance Audit on “Assessment and Collection of Tax on Motor Vehicles and Financial Controls in the Department”

Highlights

- Computerised application system for registration of vehicles, i.e. VAHAN in respect of transport vehicles was not implemented in 40 out of 50 offices, whereas in case of non-transport vehicles, it was implemented in 49 offices. Fitness Module and Enforcement Module had not been implemented in any office.

(Paragraph 5.3.1.1)

- Local databases of the different Regional Transport Offices (RTOs) were not interlinked, the data between different wings of the same RTO were also not interlinked.

(Paragraph 5.3.1.2)

- There was no co-ordination between the Enforcement wing and the Driving license wing within the same RTO offices, resulting in issue of duplicate licenses, against seized driving licenses.

(Paragraph 5.3.2)

- In five offices, entries relating to issue of fitness certificates in respect of 35,535 transport vehicles registered during the years 2010-11 and 2011-12 were not found.

(Paragraph 5.3.3)

- It was noticed that 92,682 omnibuses were not registered under “transport category”. This was in contravention of the notification of the Government of India. It also resulted in non-realization of minimum revenue on account of fitness fees of ₹ 4.63 crore during the last five years.

(Paragraph 5.3.4)

- Registrations of 95,283 non-transport vehicles, registered prior to March 2002, were not renewed. Neither the vehicle owners had applied for renewal nor had the Department taken any action for the same.

(Paragraph 5.3.5)

- The Government of Maharashtra had not implemented the High Security Registration Plate Order 2001, notified by the Government of India, despite clarifications/instructions of the Supreme Court/Ministry of Road Transport and Highways in this regard, even after a lapse of 15 years.

(Paragraph 5.3.6)

- The Motor Vehicle Department recovered ₹ 199.89 crore on account of Environment Tax during the period 2010-16 but it had neither asked for budgetary provision out of the fund nor had the Government of Maharashtra allocated any amount for the purpose for which the fund was created.

(Paragraph 5.3.7)

- The Department had not forwarded 1,52,709 offence cases relating to overloading, violation of traffic norms, incomplete documents, etc., to the court for prosecution of offenders, within the specified period of six months from the date on which the offences were committed resulting in the offenders being let free, besides non-realisation of minimum revenue in the shape of fines aggregating ₹ 1.53 crore.

(Paragraph 5.3.10)

- The Department had not recovered Passenger Tax and Child Nutrition Surcharge of ₹ 388.04 crore and ₹ 22.98 crore respectively up to March 2015 from the stage carriage operators (fleet owners).

(Paragraph 5.3.11.2)

Introduction

Motor Vehicle Tax (MVT) is one of the major sources of tax revenue receipts of the State. The levy and collection of Motor Vehicle Tax is governed by the Maharashtra Motor Vehicle Tax Act, 1958 (MMVT Act), the Maharashtra Motor Vehicle (Taxation of Passengers) Act, 1958 (MMVT(TP) Act) and Rules made thereunder. Motor vehicle tax in respect of non-transport vehicles is realized in the form of one lump-sum tax as onetime tax, whereas tax from transport vehicles is realized on monthly/quarterly/annual basis at the rates specified under the MMVT Act. Section 3 of the Act empowers the State Government to fix the rate of tax by issue of notifications from time to time. Section 12 of the Act provides for recovery of tax due, interest and penalty, from the owner of the vehicle in the same manner, as arrears of land revenue.

The fees for registration, fitness certificate, permits, 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 Rules) framed thereunder. Section 40 of the 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 vehicle¹ 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 the Act and the rules made thereunder.

In Maharashtra, the registration, permit, taxes, fitness, enforcement of the vehicles is covered by the software called “VAHAN” and Driving Licenses, Conductors License are issued on smart cards with the help of software called “SARATHI”. Both these software are developed by National Informatics Centre, New Delhi.

¹ “Transport Vehicle” means a public service vehicle, a goods carriage, an educational institution bus or a private service vehicle. All vehicles other than transport vehicles are classified as non-transport vehicles.

Organisational set up

The Additional Chief Secretary, Home Department (HD) is the administrative authority at the Government level and is responsible for the administration of the Acts. The Transport Commissioner (TC), Mumbai heads the Maharashtra Motor Vehicle Department and is assisted by an Additional Transport Commissioner, a Joint Transport Commissioner and six Deputy Transport Commissioners. The State of Maharashtra is divided into 15 regions each under control of the Regional Transport Officer (RTO) and 35 sub offices under control of Deputy Regional Transport Officers (DRTO). Besides, there are 22 border check posts (BCP) in the State for collection of revenue and verification of documents from the vehicles entering into the State.

Audit Objectives

The Performance Audit was taken up with a view to ascertain whether:

- the statutory provisions of the enabling Acts and Rules were being enforced effectively for registration and issue of driving licenses/commercial permits;
- the assessment, levy and collection of motor vehicle taxes and fees was in accordance with the provisions of the Act; and,
- An effective monitoring and internal control mechanism was in place.

Audit Criteria

Audit criteria adopted for ensuring the above audit objectives were:

- The Motor Vehicle Act, 1988
- The Central Motor Vehicle Rules ,1989
- The Maharashtra Motor Vehicle Rules, 1989
- The Maharashtra Motor Vehicles Tax Act, 1958
- The Bombay Motor Vehicles Tax Rules, 1959
- The Maharashtra Motor Vehicles (Taxation of Passengers) Act, 1958
- The Bombay Motor Vehicles (Taxation of Passengers) Rules, 1958

Audit scope and methodology

Performance Audit was conducted between April 2016 and November 2016 for the period 2010-11 to 2015-16 wherein records of the 21² units, selected out of 50 units in the State on the basis of stratified random sampling, were test checked. The selection of units was based on maximum revenue realization and the geographical location of each unit in such a way that the sample represented the entire State.

² RTOs- Aurangabad, Dhule, Kolhapur, Mumbai (C), Mumbai (E), Mumbai (W), Nashik, Nanded, Panvel, Pune and Thane; DRTOs - Beed, Hingoli, Jalgaon, Kalyan, Malegaon, Osmanabad, Pimpri-Chinchwad, Solapur, Vasai and Vashi.

An entry conference was conducted (May 2016) with the Additional Chief Secretary, Motor Vehicle Department, Mantralaya, Mumbai wherein the scope of Audit, audit objectives and criteria to be adopted was discussed for conduct of the Performance Audit.

The draft Audit Report was forwarded to the Department and to the Government on 2 September 2016. An Exit Conference for discussing the audit findings was held with the Additional Chief Secretary (Transport and Ports), Home Department on 3 November 2016. The replies received during the conference or at other points of time have been incorporated in the relevant paragraphs.

Reasons for taking up the Performance Audit: The topic was selected for overall scrutiny of the functioning of the Motor Vehicles Department in key areas viz. registration of vehicles, issue of driving licences, issue of vehicle fitness certificates, etc., procedure for assessment and recovery of taxes and fees under various Acts/Rules governing the Department and procedure of internal control in the Department as we had noticed a number of system and compliance deficiencies during course of transaction audit.

Acknowledgement

We acknowledge the co-operation of the Transport Department and subordinate offices for their assistance rendered during the course of Performance Audit.

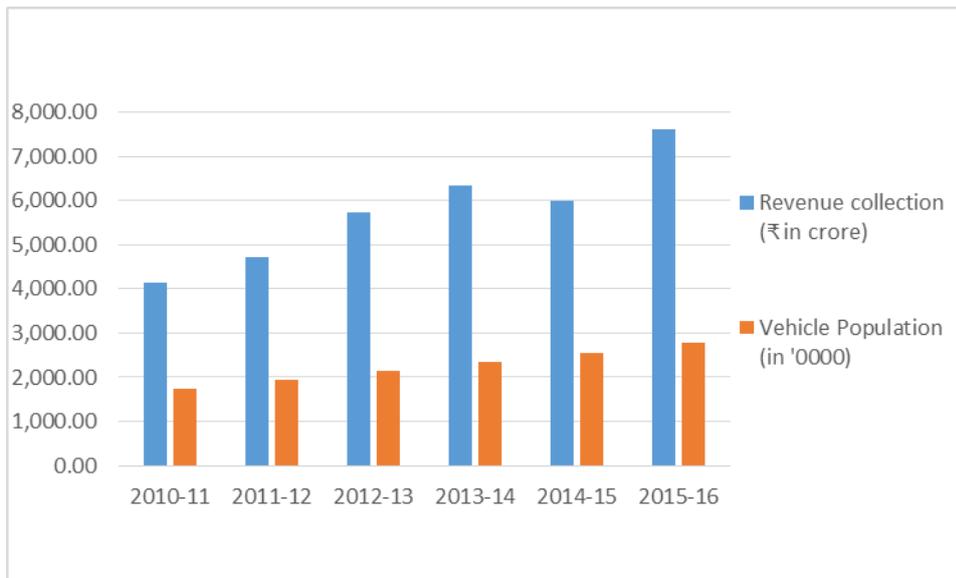
Trend of revenue

The details of revenue collected from taxes including taxes on vehicles, taxes on goods and passenger, various fees and penalty and the number of registered vehicles during the period from 2010-11 to 2015-16 are given below:

(₹ in crore)				
Year	Revenue collection	Increase in Revenue (%)	Vehicle Population	Increase in Vehicle Population (%)
2010-11	4,132.78	18.16	1,74,34,099	10.56
2011-12	4,711.67	12.3	1,94,32,361	11.46
2012-13	5,718.16	21.4	2,14,88,152	10.58
2013-14	6,336.60	10.8	2,33,93,776	8.87
2014-15	5,991.53	(-)5.44	2,55,92,175	9.40
2015-16	7,599.32	26.83	2,78,69,866	8.89

Source: Finance Accounts

Source: MVD Statistics



The receipts from taxes kept increasing for the period from 2010-11 to 2015-16 except during the year 2014-15. The decrease during the year was mainly on account of decrease in the collection of tax under the head “Tax on entry of goods into Local Area”.

Audit Findings

5.3.1 Computerisation

The Motor Vehicle Department started its computerisation since December 2006 in phased manner in the State. VAHAN and SARATHI developed by National Informatics Centre, New Delhi cover various activities performed by the Motor Vehicle Department. There are five modules viz. vehicle registration, permit, taxes, fitness, enforcement in VAHAN and two modules viz. Driving License and Conductors License in SARATHI. These are briefly discussed in the following paragraphs.

5.3.1.1 VAHAN and SARATHI

The functions and status of implementation of various modules are mentioned in the **Table 5.3.1**.

Table 5.3.1

Name of the Module	Main functions of the Module	Number of offices in which modules are in operation	
		Transport	Non Transport
Registration	Registration of new vehicles, renewal of registration, re-registration of vehicles on account of transfer from other States, transfer of ownership, change of address etc.	10	49
Permit	Issue and renewal of various permits viz. national, inter-state, contract carriage, stage carriage, private service vehicle, goods carriage for transport vehicles.	10	NA
Taxation	Assessment and payment of motor vehicle tax for transport and non-transport vehicles.	10	49
Fitness	Issue and renewal of fitness certificates to transport and non-transport vehicles.	Not operational (in three offices, the information was available in standalone form)	
Enforcement	Issue of challan and levy of penalty for offences committed by the owners of the vehicles, confiscation of DL, RC, permits etc.	Not operational	

Source: Information furnished by the Department

Thus, it would be seen from the above that in respect of transport vehicles, VAHAN was not implemented at all in 40 offices as against non-transport vehicles, where it was implemented in 49 offices. The Fitness Module was implemented in only three offices, whereas the enforcement module had not been implemented in any office.

After this being pointed out, the Department stated that NIC was developing a new type of VAHAN called VAHAN 4.0 as such computerisation of transport vehicles in 40 offices was not done.

Implementation of SARATHI: The SARATHI consists of two modules viz. Driving License and Conductors License. It has been implemented in 49 out of 50 offices.

The above facts indicate that VAHAN and SARATHI had not been fully implemented despite a lapse of 10 years and a complete database was still not created.

In the Exit Conference, the Transport Commissioner accepted the above facts and stated that unified database accessible through remote devices would only solve these problems i.e. VAHAN 4.0.

5.3.1.2 Linking of Database

One of the important objectives of the VAHAN/SARATHI was interlinking the databases of the all offices of the transport Department in the State.

We noticed that the local database of the different RTOs/DRTOs was not interlinked. Thus, the licenses issued by one RTO could not be traced by another RTO. Similarly, information regarding offences committed by a vehicle in one RTO could not be shared by other RTOs/DRTOs. Even the data between different wings of the same RTO office was not interlinked. The non-sharing of information has resulted in issue of duplicate licences which has been discussed in Paragraph 5.3.2.

Absence of the interlinking has resulted in a number of irregularities. A few are discussed in succeeding paragraphs.

5.3.2 Absence of co-ordination between different wings resulting in issuing of duplicate driving licenses

Section 206 of the Motor Vehicles Act, 1988, read with notification dated 3 December 2011 issued by the GoM, empowers the officers of the Transport Department to impound the documents of any vehicles committing an offence. The documents include driving licenses issued by the Department.

Under Rule 11 of Maharashtra Motor Vehicle Rule, 1989 wherein at any time a driving license (DL) is lost by the holder or is destroyed or mutilated the holder shall intimate the fact in writing to the licensing authority in whose area he has his place of residence and under the Rule 13 duplicate driving licenses may be issued which should be clearly stamped “Duplicate” in red. The Department issues duplicate driving licenses on the basis of NOC issued by the Police Department.

We test checked 223 duplicate driving licenses in seven³ offices and found that out of these, 92 licenses (in original) were impounded by the enforcement wing of the same RTO as shown in **Table 5.3.2**.

Table 5.3.2

Sr. No.	Name of Unit	Cases Checked	Impounded License
1	RTO, Aurangabad	59	5
2	RTO, Mumbai (E)	37	14
3	RTO, Mumbai (W)	23	10
4	RTO, Nanded	35	9
5	DRTO, Osmanabad	25	20
6	DRTO, Solapur	30	21
7	DRTO, Vashi	14	13
Total		223	92

³ The cases were selected by random sampling in these seven RTOs. In other 14 RTOs/DRTOs such type of mistake was not found.

In all these cases, the offences committed by the defaulters were pending with the enforcement wing. Despite this, the concerned licensing authority issued duplicate driving licenses on the production of the NOC from the Police Department by the DL holders.

We found that there was no co-ordination between the Enforcement wing and the Driving license wing though both the wings were within the same office. Had the concerned RTO updated their SARATHI database, the issue of duplicate license could have been avoided.

In the Exit Conference, the Transport Commissioner accepted the fact that the problem was due to lack of institutional database and this would be sorted out with implementation of VAHAN 4.0 and computerisation.

The fact, however, remains that the Department had not updated the data regarding the impounding of the licenses in the SARATHI database in the above seven units as such the discrepancies continue to exist. Audit found that two offices, RTO Pune and DRTO Hingoli, had updated their database regarding impounded licences. This prevented issue of duplicate licenses in these two offices. It would be in the interest of the Department if the practice is replicated in other offices till the implementation of VAHAN 4.0.

5.3.3 Renewal of Fitness Certificate

Under Section 56 of Central Motor Vehicle Act, 1988 and Rule 62 of Central Motor Vehicle Rules, 1989 a transport motor vehicle shall not be deemed to be validly registered unless it carries a certificate of fitness. A certificate of fitness in respect of a newly registered vehicle is valid for two years and it is then required to be renewed every year. A fee is collected for conducting test of a vehicle for grant and renewal of fitness certificate. Further, plying vehicles without valid fitness certificate is a compoundable offence under Section 192 of MV Act which may attract a fine and imprisonment for a second or subsequent offence.

The Public Accounts Committee, Maharashtra while discussing Paragraph 3.2 of the Report of the Comptroller and Auditor General of India on the Revenue Receipts of the Government of Maharashtra for the year 2004-05 had recommended in paragraph number 2.28 of Sixth Report of the Public Accounts Committee for the year 2010-11, for incorporating a provision relating to issue of notices to vehicle owners who have not applied for renewal of fitness certificate under the MMV Rules, 1989. Audit found that no action has been taken on the recommendation till date and the vehicles continue to ply without FCs as mentioned in the following paragraph.

Analysis of data available in five⁴ offices revealed that the entries relating to issuance of fitness certificates were not found in respect of 35,535 transport vehicles registered during the years 2010-11 and 2011-12. In the remaining 16 offices, the RTOs/DRTOs had maintained information regarding fitness certificate separately in computers. This was not linked with VAHAN and a number of discrepancies like absence of registration year, model year, etc. were noticed in the data.

⁴ RTOs- Mumbai (C), Nanded and Nashik; DRTOs - Pimpri-Chinchwad and Solapur.

We also found that no checklist indicating the number of vehicles that had remained without fitness certificate was handed over to the flying squads. As such, the vehicles plying without fitness certificates could not be traced out.

In the Exit Conference, the Transport Commissioner stated that it was not possible to carry out fitness tests of such a large number of vehicles due to shortage of staff.

As per report of National Crime Record Bureau, Ministry of Home Affairs, Government of India on Accidental Deaths and Suicides in India, 2014 the State of Maharashtra falls under high accident prone category. Vehicles plying without valid fitness certificate compromises on public safety, endangering lives of people. A stringent monitoring mechanism for renewal of fitness certificates should be evolved by the Department on priority.

5.3.4 Registration and issue of Fitness Certificates of omnibuses

As per Section 2 of the Motor Vehicle Act, 1988 any motor vehicle constructed or adopted to carry more than six persons excluding driver is an omnibus. As per notification dated 19 June 1992 issued by the Government of India classification of omnibuses as transport and non-transport vehicle depended upon their end use. Further, the Government of India for the purpose of issue of fitness certificate put the omnibuses under transport category vide gazette notification issued (November 2004). The levy of taxes as transport or non-transport on such vehicles was left to the State Government.

Scrutiny of records in 16⁵ offices revealed that 92,682 omnibuses owned by individuals had been registered under non-transport category. These Omnibuses were required to be brought under transport category for the purpose of issue of fitness certificates. This has not been done till date and the vehicles continue to ply as non-transport vehicles, and without issue of fitness certificate compromising the norms of public safety.

It also resulted in non-realization of revenue on conducting fitness tests @ ₹ 200 per vehicle and a fee of ₹ 100 for grant and renewal of fitness certificate. The revenue foregone in the shape of fee at the minimum rate of ₹ 100 per vehicle per year amounted to ₹ 4.63 crore during the past five years.

In the Exit Conference, the Transport Commissioner stated that he did not have detailed information regarding registration of omnibuses and he would discuss it with the officials of the Department.

5.3.5 Renewal of registration of non-transport vehicles

As per section 41 (7) of the Motor Vehicle Act, 1988 and Rule 52, Central Motor Vehicle Rules, 1989 made thereunder registration of a motor vehicle other than transport vehicles shall be valid only for a period of 15 years from the date of registration and renewal of certificate of registration shall be made within 60 days before the date of its expiry. Renewal of certificate of registration of such vehicles shall be accompanied by appropriate fees for

⁵ RTOs- Aurangabad, Dhule, Kolhapur, Mumbai (C), Mumbai (E), Mumbai (W), Nanded; Panvel and Pune; DRTOs - Beed, Jalgaon, Kalyan, Malegaon, Osmanabad, Solapur and Vasai.

registration and fitness tests as specified under Rule 81 of the Central Motor Vehicle Rules, 1989. If a motor vehicle has been destroyed or has been rendered permanently incapable of use, the owner shall intimate the fact to registration authority within 14 days for cancellation of registration under provisions of Section 55 of Motor Vehicle Act, 1988. In case the owner fails to make an application for such renewal or cancellation, a sum not exceeding ₹ 100 may be realized as penalty under Rule 49 of the Maharashtra Motor Vehicle Rules, 1989.

Analysis of the database available in VAHAN of 15⁶ offices indicated that 95,283 non-transport vehicles (two wheelers - 47,462 and others - 47,821) were registered prior to 31 March 2002, as such the vehicles required renewal of their registration for plying on road as on 31 March 2016. Audit noticed that neither vehicle owner had applied for renewal for their registration nor had the Department taken any action for the same. The possibility of plying of these vehicles without fitness certificates could not be ruled out, thus compromising the standards of public safety. Apart from this, the Government could have also earned revenue by way of collection of fitness fee of ₹ 1.24⁷ crore.

In the Exit Conference, the Transport Commissioner stated that it had only 60 flying squads for entire State and it was not possible to enforce such issues with such a shortage of staff. The Department was taking up recruitment drive for enforcing the provisions of the Act.

5.3.6 Non Implementation of High Security Registration Plate (HSRP) Order, 2001

Government of India notified specific standards for High Security Registration Plate (HSRP) for motor vehicles and the process used by a manufacturer or vendor for manufacturing or supplying such plates with reference to the amendment in the Central Motor Vehicle Rules, 1989 (Rule 50). This order was effective from 28 September 2001 for newly registered vehicles after this date and in case of already registered vehicles, two years from the date of publication of this order in the official gazette.

The Government of Maharashtra initiated the process of implementation of HSRP, wherein number plates having a patented chromium hologram and embossed registration numbers would be supplied to the vehicle owners after registration. The GoM issued a tender for manufacture and supply of such license plates to the RTOs in June 2007 for which financial bids were opened in 2008. Records further revealed that the tendering process was cancelled by the State Government as it wanted to add a Radio Frequency Identification Device (RFID) technology in HSRP, which was not agreed to by the Ministry of Road Transport and Highways (MoRTH). The Supreme Court in its judgment dated 7 April 2011, had directed the State to complete the tendering process within a period of six weeks.

⁶ RTOs - Aurangabad, Dhule, Mumbai (C), Mumbai (E), Mumbai (W), Kolhapur, Nanded, Panvel and Pune; DRTOs - Beed, Kalyan, Malegaon, Osmanabad, Solapur and Vasai.

⁷ Fitness renewal fee- ₹60 for two wheelers; ₹200 for other vehicles.

The GoM again floated tenders for implementation of HSRP in July 2013, for which five bidders responded, out of these, two bidders were found ineligible. The ineligible bidders filed writ petition against the Government to cancel the tender process. In the meantime, MoRTH published a new Road Safety Bill on 30 November 2014. A High Power Committee headed by the Chief Secretary discussed and finalized the qualification criteria for bidders on 5 March 2014. The GoM intimated the Court that a new criterion was under preparation and fresh bidders will be called. The petition was dismissed. However, no further action has been taken by the Government till date.

Thus, even after lapse of 15 years the Government of Maharashtra has not implemented the HSRP order, 2001 despite clarifications/instructions of the Supreme Court/Ministry of Road Transport and Highways though other states such as Madhya Pradesh, Andhra Pradesh/Telangana, Delhi, Bihar, Goa, Meghalaya etc. have implemented the same successfully.

In the Exit Conference, the Transport Commissioner stated that the new Request For Proposal to implement HSRP and RFID has been drafted wherein HSRP was compulsory and RFID was optional and the draft was ready for submission to the Government.

5.3.7 Allocation of proceeds of Environment Tax

Section 3A of the Maharashtra Motor Vehicles Tax Act, 1958 provided for levy of Environment Tax on motor vehicles which have completed eight years (transport)/15 years (non-transport) of age and being used or kept for use in the State. Section 11 provided *inter alia* utilization of receipts for strengthening the public transport system, develop vehicle inspection centre, pollution checking centre, training drivers, advance vehicle testing centres to issue or renew fitness certificates.

As per the information available in Finance Accounts of the State, the Motor Vehicle Department has recovered ₹ 199.89 crore during the period 2010-11 to 2015-16 on account of environment tax. The Motor Vehicle Department had neither asked for the budgetary provisions out of the fund nor had the Government allocated any amount for the purposes for which the fund was specified for the items for which it was created.

In the Exit Conference, the Transport Commissioner stated that the matter would be taken up with the Government.

5.3.8 Adherence to the National Road Safety Policy

The Central Government approved (March 2010) a National Road Safety Policy which outlined the initiative to be undertaken by the Government at all levels to improve the road safety in the country. The policy initiative included, *inter alia*, creating Road Safety Fund (RSF), raising awareness about road safety, ensuring safer road infrastructure, safer drivers, safer vehicles, enforcing safety laws etc. In pursuance of the above policy the Government of Maharashtra notified the 'Maharashtra State Road Safety Policy' in 2015 i.e. after lapse of five years.

As per the policy the Government was to put in place a system of driving licenses and training to improve the competence of the drivers. However, we found lack of infrastructure as mentioned in the following paragraphs:

- There were no test tracks in 36 out of 50 offices for conducting tests before issue of driving licenses and fitness certificates. No vehicle fitness centre was established by the Department in units selected for test check.
- Equipment relating to road safety like alcoholmeter, speed guns, interceptors, etc. were not available with the Department. Only a smoke meter for testing vehicular pollution was provided to each Regional Transport office in Maharashtra by the Ministry of Road Transport and Highways (MoRTH), New Delhi.
- Enforcement module of VAHAN software was not in operation in any of the selected offices. Implementation of enforcement module will facilitate easy retrieval of the history of offences and for taking stringent action against habitual offenders.

In the Exit Conference, the Transport Commissioner stated that State Road Safety Fund has been created on 24 October 2016 in the State and all the expenditure to implement various road safety measures would be met out of this fund.

5.3.9 Non- monitoring of disposal of seized and unclaimed vehicles

Under provisions of Section 207 of Central Motor Vehicle Act, 1988 any Police Officer or other person authorized in this behalf by the Government may detain and seize vehicles in prescribed manner if he has reason to believe that a motor vehicle has been or is being used in contravention of the provisions of the Act. Further, as per procedure under Rule 18A of the Maharashtra Motor Vehicle Tax Rules, 1959 for seizure and detention of motor vehicles in case of non - payment of tax, an officer authorized by State Government under Section 12B may detain the vehicle if tax remains unpaid for more than 30 days. If the registered owner of the motor vehicle so seized and detained fails to produce necessary proof of payment of tax before expiry of 10 days from the date of seizure, the taxation authority shall cause the vehicle to be further detained till the due is paid or proof of payment of due is furnished. Where no such payment is made or proof of payment is not produced within reasonable period after expiry of the aforesaid period, the taxation authority shall forward a certificate of recovery of the tax and penalty as arrears of the land revenue to the Collector of the district in which the owner of the registered vehicle resides.

As per information furnished by 13⁸ offices, 1,934 vehicles were seized by the Department as on March 2016. The vehicles were lying unclaimed and were not disposed off for periods ranging from one to sixteen years. The age-wise position of vehicles is mentioned in **Table 5.3.9**.

⁸ RTOs – Aurangabad, Mumbai (C), Mumbai (E), Mumbai (W), Nanded, Nashik, Panvel and Thane; DRTOs – Malegaon, Osmanabad, Pimpri-Chinchwad, Solapur and Vasai.

Table 5.3.9

Period	Number of vehicles
More than 15 years	3
Ten to fifteen years	40
Five to ten years	232
Three to five years	600
Less than three years	283
Without date of detention	776

Source: Information furnished by the Department

Once the vehicle was seized 'Checking Report Memo' was being prepared by the prosecution section of the Department. Thereafter, it was noted in a register called 'Detained Vehicle Register'. Audit found that no reason for seizing the vehicles was recorded in their registers. The records also did not indicate the name of any person, authority or company that had claimed the ownership of the vehicles. There was no indication in the records test checked that any of the vehicles had been seized for non-payment of tax so that these could be recovered under the provisions of Maharashtra Land Revenue Code, 1966. The vehicles were kept in the open and were subject to vagaries of nature. The value of the vehicle was not determined at any stage as such the loss on account of non-disposal of the vehicles could not be ascertained.

It is recommended that the Government may issue instruction to the Department for disposal of the vehicles or for production in a court of law in a time bound manner.

In the Exit Conference, the Transport Commissioner stated that he would look into the matter.

5.3.10 Non filing of cases in courts of law

Section 200 of the Motor Vehicle Act, 1988 provides that any offence whether committed before or after the commencement of this Act punishable under various Sections of the Act may be compounded by such officers or authorities for such amount as the State Government may specify by notification in the official gazette in this behalf and as per Section 208 of the Motor Vehicle Act, 1988 and Rule 164 of Central Motor Vehicle Rules, 1989 the court will take cognizance of the offences. However, as per Section 468 of the Criminal Procedure Code, 1973, the court will not take cognizance of the offences which are punishable with fine only after expiry of six months from the date of commencement of the offence.

Scrutiny of records of prosecution section in 15⁹ offices revealed that as on 31 March 2016, 1,52,709 offence cases were not sent to the court within the specified period of six months. The RTO-wise breakup of the offence cases is as in given in **Table 5.3.10**.

⁹ RTOs- Aurangabad, Dhule, Kolhapur, Mumbai (C), Mumbai (E), Mumbai (W), Nanded, Panvel and Pune; DRTOs – Jalgaon, Kalyan, Malegaon, Osmanabad, Solapur and Vasai.

Table 5.3.10

Sr. No.	Name of the RTO/DRTO Office	No. of cases
1	Aurangabad	938
2	Dhule	5,067
3	Jalgaon	6,514
4	Kalyan	13,486
5	Kolhapur	42,128
6	Malegaon	368
7	Mumbai (E)	33,800
8	Mumbai (W)	8,593
9	Mumbai (C)	7,048
10	Nanded	10,374
11	Osmanabad	3,206
12	Panvel	7,975
13	Pune	1,868
14	Solapur	8,689
15	Vasai	2,655
Total		1,52,709

Source: Information furnished by the Department

Thus, it could be seen from the above 1,52,709 cases were not produced to the court within stipulated period of six months and no action could be taken for the offences committed by the offenders.

- Out of the above, the maximum number of cases 42,128 i.e. 27.58 per cent of the total cases was pending in RTO, Kolhapur.
- The minimum number of cases 368 i.e. 0.24 per cent of the total cases was pending in DRTO, Malegaon.

The Department had not prescribed any return to watch disposal of the cases at the apex level. The cases pertained to various offences like overloading, seizure of licenses for violation of traffic norms, incomplete documents, etc. The inaction on the part of the Department not only resulted in letting the offenders free but also resulted in loss in revenue in the shape of fines which could have been levied from the offenders i.e. minimum fine at rate of ₹ 100 leviable under Sections 177 to 198 of the MV Act would have aggregated to ₹ 1.53 crore.

In the Exit Conference, the Transport Commissioner stated that Motor Vehicle Department does not have the power under the Criminal Procedure Code to deal with such cases. However, legal opinion would be taken in this matter.

The fact remains that the Department has not followed the rules and filed the cases against the offenders in a Court of law within the stipulated period of six months.

It is recommended that the Transport Commissioner may devise a system for constant monitoring of the cases by way of returns so that each offence is brought to the notice of Court.

5.3.11 Non-recovery of arrears

5.3.11.1 Motor vehicle Tax

According to Section 12 of the Maharashtra Motor Vehicle Tax Act, 1958, if any tax or interest thereon as provided by or under the Act remains unpaid for more than 30 days the Government may take appropriate measures to recover it in the same manner as arrears of land revenue as per provisions of the Maharashtra Land Revenue Code (MLRC). A statement showing category-wise/ year-wise tax arrears has been prescribed by the Department for sending information to Transport Commissioner.

We found that out of 21 units test checked, only six units had maintained 'Dormant Register' and has submitted the returns to the Transport Commissioner up to the date mentioned in the following table. The remaining 15 units had not maintained the Dormant Register. These units were neither submitting the returns nor were asked for submission of the same by the authority. All these 15 units intimated that position of arrears was not available with them. Information furnished by six¹⁰ offices is detailed in **Table 5.3.11.1**.

Table 5.3.11.1

(₹ in crore)				
Sr. No	RTO/DRTO	Year ended 31 st March	No. of Cases	Amount
1	Mumbai (C)	2014	37,060	10.74
2	Osmanabad	2015	3,139	2.26
3	Nashik	2015	NA	1.70
4	Pimpri-Chinchwad	2015	19,561	6.09
5	Thane	2015	1,32,882	38.41
6	Vashi	2015	1,514	5.41
Total			1,94,156	64.61

Source: Information furnished by the Department

Of the above, unit at Sr. No.1 had maintained position of arrears up to the year 2013-14 and units at Sr. No. 2 to 6 had maintained up to the year 2014-15. Thus it would be seen from the above that there was lack of monitoring of recovery of arrears at the apex level. Absence of the information indicates that

¹⁰ RTOs - Mumbai (C), Nashik and Thane; Dy. RTOs – Osmanabad, Pimpri-Chinchwad and Vashi.

the Department could not recover the arrears from the defaulting vehicle owners.

It will be in the interest of revenue if appropriate steps are taken for maintaining the records relating to outstanding arrears and their timely recovery by the concerned RTOs/DRTOs and monitoring the recovery of the arrears at the apex level.

5.3.11.2 Passenger Tax

As per provision of the Section 9 read with Sections 6, 7 and 8 of the Maharashtra Motor Vehicles (Taxation of Passengers) Act, 1958, the Tax Officer shall serve a notice of demand on the operator for the sums payable to the State Government. The sums specified in such notices may be recovered as arrears of land revenue from the operator.

Audit scrutiny of returns submitted by six stage carriage operators (fleet owners) out of ten fleet owners revealed that Department has not recovered Passenger Tax and Child Nutrition Surcharge (CNS) of ₹ 388.04 crore and ₹ 22.98 crore respectively up to March 2015 from various operators as detailed in **Table 5.3.11.2**.

Table 5.3.11.2

(₹ in crore)			
Sr. No	Name of the Operator	Arrears as on 31 March 2015	
		Passenger Tax	CNS
1	Brihanmumbai Electric Supply and Transport (BEST)	202.15	15.26
2	Pune Mahanagar Parivahan Mahamandal Ltd. (PMPML)	142.39	5.35
3	Kalyan-Dombivali Municipal Transport (KDMT)	6.10	0.21
4	Kolhapur Municipal Transport (KMT)	8.08	0.25
5	Thane Municipal Transport (TMT)	15.62	0.88
6	Navi Mumbai Municipal Transport (NMMT)	13.70	1.03
Total		388.04	22.98

Source: Information furnished by the Department

It was noticed that Department had issued demand notices to the fleet owners. Thereafter, no reasons were found on record for not taking action for recovery of the arrears as arrears of land revenue.

In the Exit Conference, the Transport Commissioner stated that it has been decided that the arrears will be recovered through book adjustment.

5.3.12 Internal Control

Internal control helps in creation of reliable financial management system for adequate safeguards against misappropriation or evasion of taxes. A robust

internal control system ensures effectiveness, efficiency and compliance with rules and policies. Deficiencies noticed in the internal control mechanism have been commented in the following paragraphs.

Internal Audit:

- As per Transport Commissioner's instruction inspection wing of the Department was required to conduct annual inspection of each office up to 2012, thereafter, inspection wing was required to conduct inspection of only 15 RTOs. Each RTO was required to conduct inspection of the concerned DRTOs. As per the information furnished the inspection wing had conducted audit of 50 units during the period 2010-11 to 2014-15 and raised 1,165 observations involving amount of ₹ 9.44 crore. Out of these, the wing had closed 458 paras involving ₹ 1.03 crore and 707 paras involving ₹ 8.41 crore were outstanding.
- It was noticed in two¹¹ offices that nine cheques issued by vehicle owners for payment of MVT amounting to ₹ 5.75 lakh were dishonoured by concerned banks. These amounts were required to be recovered in cash along with interest under Rule 98(2)(v) of the Maharashtra Treasury Rules. However, no effort was made to watch the encashment of the dishonoured cheques. This resulted in non-realisation of revenue amounting to ₹ 5.75 lakh and interest thereon.
- It was noticed that reconciliation of remittance of motor vehicle tax with Pay and Accounts Office was not done by the Transport Commissioner in Mumbai Region¹² for the period from September 2013 to April 2016 and for profession tax it was not done for the period from April 2008 to April 2016.
- A packet containing one DL or RC has a weight of less than 50 gms and as per tariff of DOP the service charges payable is ₹ 17 for local areas. The Department charged service payment of ₹ 50 per article (DL/RC) instead of ₹ 17¹³ for payment to Department of Posts (DOP). After this excess charge to the public was pointed out by us, the Transport Commissioner stated in the Exit Conference that the issue will be taken up with the Department of Posts.

5.3.13 Conclusion and recommendations

The VAHAN application was not fully implemented in the State in respect of transport vehicles, and the local databases were not interlinked within all RTO offices in the State, thereby sharing of information could not be done. Fitness Module of the application was also not being utilized to its full potential.

- The Government may direct the Department to implement the VAHAN application in the entire State for transport vehicles and to consider interlinking of databases of local offices with each other for sharing of information, and to utilize all modules to their full potential.

¹¹ RTOs- Aurangabad and Thane.

¹² RTOs - Mumbai (C), Mumbai(E) and Mumbai (W).

¹³ DL/RC has a weight of less than 50 gms and as per tariff of DOP the service charges payable is ₹ 17 for local areas.

Omnibuses were not being registered under transport category despite the Government of India's instruction to do so for bringing them into the fitness regime. Though the Government of India issued orders for implementation of High Security Registration Plates for motor vehicles, the same was yet to be introduced in the State.

- The Government may direct the Department to implement the Government of India's/Departmental instructions in respect of omnibuses and HSRP.

The Department was issuing duplicate driving licences in cases where the original licences were impounded by and lying with the Department as the details of these licences were not being updated on SARATHI application.

- The Government may consider issuing instructions to the Department to update the information regarding impounded licences on SARATHI application so that instances of fraudulent issue of licences are kept in check.

The Department was yet to take action on the recommendation of the Public Accounts Committee for incorporation of provisions in the Rules for issue of notice in respect of renewal of fitness certificates.

- The Government may consider integrating the issue of fitness certificate in VAHAN software, so that a watch is kept on the fitness certificates issued as well as due.

Compounding cases were not being forwarded to the Courts for prosecution of offenders within the stipulated time of six months resulting in their being time-barred.

- The Government may direct the Department to act on the compounding cases within the stipulated time to avoid time-barring.

In the Exit Conference, the Transport Commissioner, Maharashtra State, accepted all the recommendations.

Other audit observations

5.4 Short recovery of Motor Vehicle Tax on Passenger Buses

Tax exemption available for school buses was incorrectly granted to the buses operated in one institution. This resulted in short levy of Motor Vehicle Tax of ₹ 16.65 lakh

As per Section 3 (iii) of Bombay Motor Vehicles Tax Act, 1958, an ordinary omnibus permitted to carry more than twenty four passengers, should be levied a tax of ₹ 1,900 per seat per annum for every passenger that the vehicle is permitted to carry. Further, Government of Maharashtra, Home Department, vide notification dated 16 October 2010 exempted omnibuses partially from the tax levied under the Motor Vehicle Tax (MV Tax) Act. Under this notification, tax exemption in excess of ₹ 100 per seat per annum for school buses transporting school children (to and fro) was notified. Further, under the notification, 'School Bus' has been explained as a four wheeled motor vehicle registered to carry children or students to and fro at school up to secondary education level.

Scrutiny of records in the Office of the Deputy Regional Transport Officer, Wardha (Dy. RTO) revealed (January 2015) that 22 busses were registered during 2012-13 in the name of M/s Narayan Vision for Advance Skill with the address of a degree college namely Agnihotri College Campus, Bapuji Wadi, Ramnagar, Wardha. As per registration records all these 22 buses were registered as 'School Buses' by Dy. RTO and levied tax at the rate of ₹ 100 per seat per annum amounting to ₹ 0.93 lakh as against the tax to be levied at the rate of ₹ 1,900 per seat per annum amounting to ₹ 17.58 lakh. Granting exemption of Motor Vehicle Tax to the advance study institution was incorrect and in contravention to the notification *ibid*. This resulted in short levy of MV Tax amounting to ₹ 16.65 lakh.

After this being pointed out (January 2015), the Dy. RTO, Wardha accepted (January 2015) the observation and issued notice (April 2016) to the bus owner for recovery of balance MV Tax.

The matter was brought to the notice of Government in May 2016. Reply thereto was awaited (February 2017).