

CHAPTER – VII
TAXES ON VEHICLES

Chapter – VII

Taxes on Vehicles



» MP Transport Website » e-Sewa Home » New Search : RC DL LL

Vehicle Registration Search

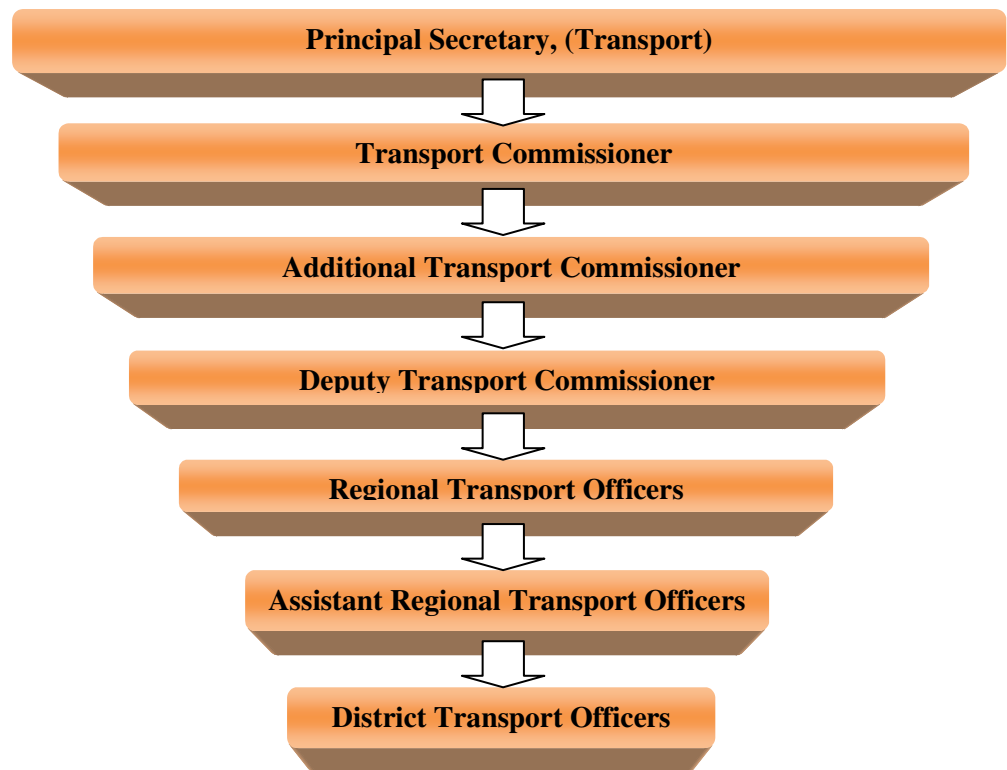
Registration No.	:	<input type="text"/>	<small>If Vehicle No. is MP 04 A 2300 then enter "MP04A2300" and click "Submit" Button</small>
Engine No.	:	<input type="text"/>	<small>If Engine No. is DFMBJC58332 then enter complete numeric and character "DFMBJC58332" and click "Submit" Button</small>
Chassis No.	:	<input type="text"/>	<small>If chassis No. is DFFBJC22641 then enter complete numeric and character "DFFBJC22641" and click "Submit" Button</small>
Search Criteria	:	<input checked="" type="radio"/> Exact <input type="radio"/> Start With <input type="radio"/> Anywhere <input type="radio"/> End With	
		<input type="button" value="Submit"/>	<input type="button" value="Clear"/>

7.1 Tax Administration

The Transport Department functions under the overall charge of the Principal Secretary (Transport). Issue of driving license/permit and levy and collection of tax/fee/penalty on vehicles is administered and monitored by the Transport Commissioner. He is assisted by one Additional Transport Commissioner (Enforcement), two Joint Transport Commissioners (Administration/Finance), three Deputy Transport Commissioners and an internal audit wing at headquarters level. There are 10 Divisional Deputy Transport Commissioners, 10 Regional Transport Offices (RTOs), 10 Assistant Regional Transport Offices (ARTOs) and 30 District Transport Offices (DTOs) at the field level. The Additional Transport Commissioner (Enforcement) monitors the computerisation activities in the Department.

The organisational chart of the Department is as under:

Chart 7.1: Organisational Setup



Taxes on vehicles are collected under the provisions of the following Acts, Rules and notifications issued thereunder:

- The Motor Vehicles (MV) Act, 1988;
- Central Motor Vehicles (CMV) Rules, 1989;
- Madhya Pradesh *Motoryan Karadhan Adhiniyam (Adhiniyam)*, 1991 and
- Madhya Pradesh *Motoryan Karadhan Niyam (Niyam)*, 1994

7.2 Internal Audit

Internal audit is a vital component of Internal Control. It is generally defined as the control of all controls to enable an organisation to assure itself that the prescribed systems are functioning reasonably well.

The Internal Audit Wing (IAW) in the Department was constituted in 1992 under the direct control of Transport Commissioner. The Internal Audit is conducted under the supervision of Joint Transport Commissioner (JTC) (Finance) with the objective of conducting internal audit of all subordinate offices and issuing instructions for taking proper corrective action on irregularities detected during such examination.

During the year 2015-16, the Department planned 40 field units for internal audit, however, audit of only 20 units was completed. The Department cited shortage of staff as reason for not covering the remaining 20 units in internal audit. The internal audit raised objections on vehicle tax and penalty not levied, fitness of vehicles, departmental income, pending paras of PAC and others. The auditee units were instructed to comply with the objections and to maintain the registers/returns as per rules.

7.3 Results of Audit

We test-checked records of 28 units (Office of Transport Commissioner, RTOs – 8, ARTOs – 5 and DTOs –14) involving total revenue of ₹ 3,776.09 crore out of 51 units relating to taxes on vehicles during the year 2015-16 and observed underassessment of tax and other irregularities involving ₹ 42.37 crore in 63,869 cases which fall under the following categories as mentioned in **Table 7.1**.

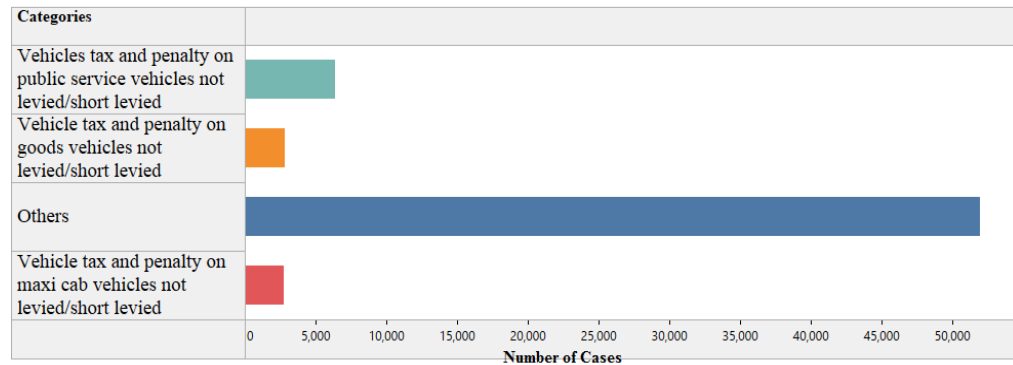
Table 7.1
Results of Audit

(₹ in crore)

Sl. No.	Categories	Number of cases	Amount
1.	Vehicles tax and penalty on public service vehicles not levied/short levied	6,386	24.28
2.	Vehicle tax and penalty on goods vehicles not levied/short levied	2,805	7.01
3.	Vehicle tax and penalty on maxi cab vehicles not levied/short levied	2,725	4.10
4.	Others	51,953	6.98
Total		63,869	42.37

Chart 7.2

Results of Audit (Amount involved ₹ 42.37 crore in 63,869 cases)



The audit observations were forwarded to the Department. The Department accepted underassessment and other deficiencies of ₹ 26.99 crore in 263 cases, which were pointed out in audit during the year 2015-16 and reported realisation of ₹ 2.81 lakh in 9 cases.

Two meetings were held with the Department on 20 September 2016 and 30 September 2016 to discuss issues raised in the paragraphs included in this chapter. Replies given by the Department during the meeting have been incorporated.

A few illustrative cases involving ₹ 24.77 crore are discussed in the following paragraphs.

7.4 Vehicle tax and penalty not realised

Vehicle tax of ₹ 13.09 crore and penalty of ₹ 9.14 crore in respect of public service vehicle kept as reserve, goods vehicles, maxicabs, stage carriage vehicles, public service vehicles plying on All India Tourist Permit and earthmovers / harvesters, was neither paid by the vehicle owners nor any demand notices found issued by the Taxation Authorities.

According to the provisions under Section 3 (1) of the Madhya Pradesh *Motoryan Karadhan Adhiniyam*, 1991 tax shall be levied on every goods vehicle used or kept for use in the State at the rates specified under item No. V(a) of the First Schedule to the *Adhiniyam*. If the tax due has not been paid by the owner of the vehicle within the prescribed period, he shall be liable to pay penalty at the rate of four *per cent* per month on the unpaid amount of tax which shall not be more than twice the amount of tax due as specified under Section 13 of the *Adhiniyam* *ibid*.

We scrutinised (between April 2015 and July 2016) the permit issue register, NOC issuance register, vehicle surrender register and computerised database and found that vehicle tax on 4,031 vehicles out of 11,916 vehicles test checked for the period between April 2010 and March 2015 was neither paid by the vehicle owners nor any demand notice was issued by the Taxation Authorities (TAs) for the outstanding amount. As a result, tax of ₹13.09 crore was not realised. Besides, a penalty of ₹ 9.14 crore on the unpaid amount of tax was also not levied. Thus, an amount of ₹ 22.23 crore was not realised as shown in **Table 7.2**.

Table 7.2
Vehicle tax and penalty not realised

(₹ in crore)

Type of vehicle / number of defaulter vehicles	Number of offices involved	Tax not realised	Penalty on tax not levied	Total
<u>Public Service Vehicles kept as reserve</u> 660	8 RTOs 4 ARTOs <u>13 DTOs</u> Total 25 offices ¹	4.27	2.97	7.24
<u>Goods Vehicles</u> 1550	8 RTOs 5 ARTOs <u>13 DTOs</u> Total 26 offices ²	3.43	2.57	6.00
<u>Maxicabs/Taxicabs</u> 885	5 RTOs 2 ARTOs <u>10 DTOs</u> Total 17 offices ³	1.52	1.09	2.61

¹ **RTO** Bhopal, Gwalior, Indore, Jabalpur, Morena, Rewa, Sagar and Ujjain

ARTO Chhatarpur, Chhindwara, Guna and Satna

DTO Anuppur, Badwani, Betul, Damoh, Dewas, Harda, Jhabua, Mandla, Neemuch, Panna, Raisen, Ratlam and Shivpuri

² **RTO** Bhopal, Gwalior, Indore, Jabalpur, Morena, Rewa, Sagar and Ujjain

ARTO Chhatarpur, Chhindwara, Guna, Satna and Seoni

DTO Anuppur, Badwani, Betul, Damoh, Dewas, Harda, Jhabua, Mandla, Narsinghpur, Neemuch, Panna, Raisen and Ratlam

³ **RTO** Bhopal, Indore, Jabalpur, Rewa and Ujjain

<u>Stage carriage vehicles</u> 213	7 RTOs 2 ARTOs 7 DTOs Total 16 offices ⁴	1.41	0.89	2.30
<u>All India Tourist permit vehicles</u> 57	4 RTOs 3 ARTOs 2 DTOs Total 9 offices ⁵	1.20	0.85	2.05
<u>Earthmover/Harvester</u> 666	5 RTOs 4 ARTOs 6 DTOs Total 15 offices ⁶	1.26	0.77	2.03
Total	4031	13.09	9.14	22.23

We reported the matter to the Government and Department between December 2015 and April 2016. In a meeting (September 2016), the Department accepted audit observation and reported recovery of ₹ 1.24 crore (October 2016).

7.5 Incorrect levy of tax on private service vehicles at the rate applicable to educational institution buses

Vehicle tax in respect of 155 private service vehicles was incorrectly levied at the rate applicable to Educational Institution Buses. Failure to detect the application of incorrect rate of tax resulted in short realisation of vehicle tax of ₹ 1.20 crore.

According to Section 2 (11) of Central Motor vehicle Act 1988, Educational Institution Bus means an omnibus, which is owned by a college, school or other educational institution and used solely for the purpose of transporting students or staff of the educational institution in connection with any of its activities.” On these buses, tax on concessional rate, at the rate of ₹ 30 per seat per quarter (₹ three per seat per quarter from October 2014) should be levied.

Further as per Section 2 (33) of Central Motor Vehicle Act 1988, Private Service Vehicle means a motor constructed or adapted to carry more than six persons excluding the driver and ordinarily used by or on behalf of the owner of such vehicle for the purpose of carrying persons for, or in connection with his trade or business otherwise than for hire or reward but does not include a motor vehicle used for public purposes. Tax at the rate of ₹ 450 per seat per quarter (₹ 480 per seat per quarter from October 2014) according to Section 7 of First Schedule of the *Adhiniyam*, should be levied on such vehicles.

We scrutinised (between May 2015 to January 2016) the permit issue register, NOC issuance register, vehicle surrender register and computerised database

ARTO	Satna and Seoni
DTO	Anuppur, Badwani, Betul, Damoh, Harda, Jhabua, Mandla, Neemuch, Raisen and Ratlam
⁴ RTO	Bhopal, Indore, Jabalpur, Morena, Rewa, Sagar, and Ujjain
ARTO	Chhindwara and Seoni
DTO	Badwani, Damoh, Jhabua, Neemuch, Panna, Ratlam and Shivpuri
⁵ RTO	Gwalior, Indore, Morena and Sagar
ARTO	Chhatarpur, Chhindwara and Seoni
DTO	Dewas and Shivpuri
⁶ RTO	Bhopal, Indore, Jabalpur, Rewa and Ujjain
ARTO	Chhatarpur, Guna, Satna and Seoni
DTO	Jhabua, Mandla, Neemuch, Raisen, Ratlam and Shivpuri,

in 11 offices⁷ for the period between April 2011 to March 2015. We test checked records of 1,425 vehicles and found that vehicle tax in respect of 155 private service vehicles, was levied at the rate prescribed for “Educational Institution Buses”. Failure of the TAs to detect the application of incorrect rate of tax resulted in short realisation of vehicle tax of ₹1.20 crore.

After we pointed this out, the DTO Raisen stated (May 2016) that Demand notices have been issued for recovery. RTO Ujjain did not accept the audit observations in 90 out of 91 cases and stated (June 2016) that vehicle owners have entered into lease agreement with Educational institutions. We do not agree with the reply of RTO Ujjain as copy of lease deed was neither produced to audit team nor forwarded with the reply.

We reported the matter to the Government and Department between December 2015 and April 2016. In a meeting (September 2016), the Department stated that in cases pertaining to RTO Ujjain, the information was awaited, while in remaining cases, recovery was in progress.

7.6 Vehicle tax and penalty on public service vehicles plying on stage carriage permit was short levied

Vehicle tax amounting to ₹ 33.72 lakh in respect of 80 public service vehicles plying on stage carriage permit was neither paid by the vehicle owners nor any demand notices had been issued by the Taxation Authorities. A penalty of ₹ 17.21 lakh was also leviable for not paying the taxes.

According to Section 3(1) of the *Adhiniyam*, tax shall be levied on every motor vehicle used or kept for use in the State at the rates specified in the first schedule. In case of public service vehicles, tax will be calculated on the basis of the seating capacity of the vehicle and distance of the route allowed. If the tax due has not been paid within the prescribed period, penalty is also leviable at the rate specified under Section 13 of the *Adhiniyam*.

We scrutinised (between April 2015 to January 2016) the permit issue register, NOC issuance register, vehicle surrender register and computerised database in eight offices⁸ and examined 1,305 vehicles for the period between April 2009 and March 2015. It was found that vehicle tax in respect of 80 vehicles was paid short by the vehicle owners. The reason for the short payment was wrong calculation of tax by vehicle owners. Taxation authorities failed to detect the short payment by vehicle owners, although, upto date vehicle-wise data is available online on the Department's portal <http://www.mptransport.org>. As a result, vehicle tax amounting to ₹ 33.72 lakh was neither paid by vehicle owners nor could be realised by the Department. Besides, a penalty of ₹ 17.21 lakh was also leviable.

We reported the matter to the Government and Department between December 2015 and April 2016. In a meeting (September 2016), the Department reported

⁷ **DTO** Badwani , Dewas , Narsinghpur, Neemuch, Raisen and Ratlam

RTO Indore,Ujjain and Rewa

ARTO Chhatarpur and Satna

⁸ **RTO** Indore, Jabalpur and Rewa

DTO Badwani, Damoh, Mandla, Neemuch and Ratlam.

recovery of ₹ 56,000, while in remaining cases, it was stated that recovery was in progress.

7.7 Short levy of tax due to wrong assessment of seating capacity of public service vehicles

Fifty seven vehicles were registered with less seating capacity ranging from two to six seats by the registration authority than the prescribed seating capacity according to wheel base and model. This resulted in short levy of vehicle tax of ₹ 40.08 lakh.

According to the Rule 158(3) of Motor Vehicle Tax Act, 1994 and instructions issued by the Transport Commissioner on 31 May 2005, seating capacities of the buses should be decided by the Registration Authority on the basis of the wheel base/model of the respective vehicle as per the provisions of the Motor Vehicle Act.

We scrutinised (between May and August 2015) the permit issue register, NOC issuance register, vehicle surrender register and computerised database of eight offices⁹ for the period from April 2011 to March 2015 and found that 57 vehicles were registered with less seating capacity by the registration authority than the prescribed seating capacity on the basis of wheel base and model. Vehicles were registered with less seating capacity ranging from two to six seats. This resulted in short levy of vehicle tax amounting to ₹ 40.08 lakh.

We reported the matter to the Government and the Department between December 2015 and April 2016. In a meeting (September 2016), the Department stated that recovery was in progress.

7.8 Trade fees not levied

The Department failed to recover trade fees from dealers of vehicles, amounting to ₹ 29.60 lakh (at ₹ 50 per two wheelers and at ₹ 200 per vehicle for other vehicles) on 32,345 two wheelers and 6,714 four wheelers registered between April 2011 and March 2015.

According to Rule 34 of the Central Motor Vehicles Rules (CMVR), 1989, an application for grant or renewal of a trade certificate shall be made in Form 16 and shall be accompanied by the appropriate fee (for motorcycle ₹ 50 and for others ₹ 200 per vehicle) as specified in Rule 81 *ibid*. The Transport Commissioner directed (January 2012) to levy trade fees on each vehicle at the time of renewal/issuance of trade certificate as per Rule 81.

We scrutinised the vehicle registration data and trade certificate/fee register of three offices¹⁰ (between March 2015 and October 2015) and observed that various registered dealers sold 39,059 vehicles between April 2011 and March 2015 on which trade fee of ₹ 29.60 lakh was not levied and recovered by the TAs.

⁹ RTO Ujjain
 DTO Badwani, Damoh, Dewas, Jhabua, Mandla, Raisen and Ratlam.

¹⁰ DTO Damoh, Raisen and Ratlam

We reported the matter to the Transport Commissioner and the Government (between April 2015 and April 2016). In a meeting (September 2016), the Department stated that recovery was in progress.

7.9 Penalty on belated payments of tax not realised

Vehicle tax in respect of 130 vehicles was paid by the owners after delay ranging from one to 81 months. However, penalty of ₹ 13.31 lakh was neither demanded from the owners along with tax, by the Taxation Authorities nor it was paid by owners.

According to the provisions under Section 13 of the *Adhiniyam*, if the tax in respect of any motor vehicle is not paid on due date as specified in Section 5, the owner shall, in addition to the payment of tax due, be liable to pay penalty at the rate of four *percent* per month on the unpaid amount of tax which shall not be more than twice the amount of tax. In case of payment not realised, the taxation authority is required to issue a demand notice and recover the dues as arrears of land revenue.

We scrutinised (between May 2015 and March 2016) the records¹¹ in eleven Regional/Asst. Regional/District Transport offices¹² and found that tax in respect of 130 vehicles out of 2,638 vehicles scrutinised for the period between April 2011 and March 2015 was paid by the owners after delay ranging from one to 81 months. However, penalty of ₹ 13.31 lakh was neither demanded by the TAs along with tax nor paid by the owners of the vehicles.

We reported the matter to the Government and the Department (between May 2015 and June 2016). In a meeting (September 2016), the Department reported recovery of an amount of ₹ 2.79 lakh while in remaining cases, the Department stated that information from respective offices was awaited.

¹¹ Demand and collection register, NOC issuance register, as well as computerised database

¹² **RTO** Sagar, Rewa and Ujjain

ARTO Satna

DTO Badwani, Damoh, Jhabua, Mandla, Panna, Raisen and Ratlam