

Chapter-4

Taxes on Vehicles

CHAPTER 4: TAXES ON VEHICLES

4.1 Tax administration

The Transport Department levies and collects taxes on vehicles in the State, in terms of the Motor Vehicles (MV) Act, 1988, Central Motor Vehicles (CMV) Rules, 1989, Bihar Motor Vehicle Taxation (BMVT) Act, 1994 and BMVT Rules, 1994. The Department is headed by the Principal Secretary, Transport Department at the Government level and by the State Transport Commissioner (STC) at the apex level of the Department. The STC is assisted by two Joint State Transport Commissioners at the headquarters. The State is divided into nine Regional Transport Authorities¹ (RTAs) and 38 District Transport Offices. They are assisted by Motor Vehicle Inspectors (MVIs). The main function of the RTAs is to issue road permits to the vehicles and the responsibility of registration of motor vehicles, levy and collection of fees and taxes and grant of driving licences are assigned to the District Transport Officers (DTOs) in the State.

4.2 Results of audit

During 2016-17, the Accountant General test checked records of 34² out of 49 units of the Transport Department. Revenue collected by the Department during 2015-16 was ₹ 1,181.22 crore of which, the audited units collected ₹ 888.87 crore. Audit scrutiny revealed non/short levy of taxes, leviable taxes not realised from transport vehicles, and other irregularities involving ₹ 147.10 crore in 362 cases as shown in Table - 4.1.

Table - 4.1

(₹ in crore)			
Sl. No.	Categories	No. of cases	Amount
1.	Non/short realisation of motor vehicle taxes	31	7.25
2.	Non-realisation of One Time Tax (OTT)	90	10.20
3	Non-realisation of trade certificate fee	19	1.70
4.	Non-realisation of OTT due to pending registration of tractors (commercial)	22	3.15
5.	Short realisation of motor vehicle taxes due to wrong assessment of seating capacity	14	1.46
6	Non-levy of penalty for belated payment of OTT	31	1.08
7.	Non-imposition of road safety cess on personalised vehicles	23	1.11
8.	Others	132	121.15
Total		362	147.10

The Department accepted short levy, short realisation and other deficiencies of ₹ 22.11 crore in 199 cases. Out of these 199 cases, ₹ 12.49 crore involved in 109 cases were pointed out during 2016-17 and the rest during earlier years. Further, the

¹ Bhagalpur, Darbhanga, Gaya, Katihar, Madhubani, Muzaffarpur, Patna, Purnea and Vaishali.

² **State Transport Commissioner**, Patna; **Regional Transport Authority**: Darbhanga, Muzaffarpur, Purnea and Saharsa; **District Transport Offices**: Araria, Bhagalpur, Bhojpur, Buxar, Darbhanga, East Champaran, Gaya, Gopalganj, Jamui, Kaimur, Katihar, Khagaria, Kishanganj, Lakhisarai, Madhubani, Munger, Muzaffarpur, Nalanda, Nawada, Patna, Purnea, Rohtas, Saharsa, Samastipur, Saran, Sitamarhi, Siwan, Vaishali and West Champaran.

Department recovered ₹ 27.36 lakh in 19 cases. Of which, ₹ 3.72 lakh related to cases pointed out during 2016-17 and rest related to earlier years. The replies in the remaining cases of 2016-17 and those of earlier years are awaited (June 2018).

Irregularities involving four paragraphs worth ₹ 13.28 crore have been illustrated in this chapter. Most of these irregularities have been repeatedly highlighted in the Audit Reports during the last five years as detailed in **Table - 4.2**.

Table - 4.2

(₹ in crore)

Nature of observation	2011-12		2012-13		2013-14		2014-15		2015-16		Total	
	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount
Non-realisation of taxes on vehicles	517	5.67	671	3.48	1,608	5.84	981	3.19	3,662	2.82	7,439	21.00
Short/non realisation of OTT and penalty	5,943	1.42	2,112	2.20	2,749	4.78	5,295	8.92	8,001	8.62	24,100	25.94
Delivery of vehicles without temporary registration	-	-	39,476	0.36	8,947	0.08	1,15,574	1.06	36,999	4.40	2,00,996	5.90

The recurrence of irregularities indicates that the State Government/Transport Department are not taking corrective measures despite repeated audit observations on similar issues.

4.3 Non-realisation of one-time tax (OTT)

In 22 DTOs, owners of 862 motor vehicles did not pay OTT of ₹ 4.44 crore including penalty.

The BMVT Act, 1994 provides for different rates of one-time tax (OTT) on personalised vehicles, tractors, maxi/cabs, three-wheelers and light goods vehicles. The BMVT Rules, 1994, further provide that the due date of payment of tax in cases of new vehicles shall be the date of acquisition of the vehicles and where the tax is not paid within due dates, the taxing officer may impose penalty from 25 per cent to twice the amount of tax due.

Audit examined records of 29 DTOs and observed in 22 DTOs³ that out of 64,253 test checked motor vehicles, the owners of 862 motor vehicles⁴, who had applied for registration, were assigned registration numbers in VAHAN between January 2013 and January 2017 but no registration certificate was issued to them due to non-payment of applicable OTT. Audit observed that the application for registration is accepted and processed to generate a registration mark in VAHAN without ensuring payment of OTT, due to absence of provision for registration of vehicle and payment of tax simultaneously. Audit further observed that though the information of non-payment of OTT was available with the DTOs in VAHAN database, they neither corresponded with the vehicle-owners nor initiated any action for levy of penalty and institution of certificate case to recover the OTT. This resulted in

³ Araria, Bhagalpur, Bhojpur, East Champaran, Gaya, Gopalganj, Jamui, Kaimur, Katihar, Khagaria, Lakhisarai, Munger, Muzaffarpur, Nalanda, Nawada, Patna, Purnea, Rohtas, Saharsa, Samastipur, Saran and West Champaran.

⁴ Tractor (commercial)- 503. Tractor (agricultural)- 101, Three-wheelers- 176, Taxi-cab-40 and Light Goods Vehicle-42.

non-realisation of OTT of ₹ 4.44 crore including leviable penalty. Moreover, the plying of unregistered vehicles is fraught with the risk that they can be misused for subversive activities.

In response to the audit observation, the Department replied in April 2018 that in 13 out of 38 DTOs VAHAN-2 was converted to VAHAN-4. Under VAHAN-4, E-notice to the tax defaulters is issued by the software itself and therefore it is not correct to say that DTOs have not issued demand notices. At present VAHAN-4 software has now been installed and implemented in all 38 DTOs.

The reply of the Department is not relevant as VAHAN-4 was installed after March 2017 in all DTOs except DTO, Lakhisarai, and the findings are limited up to March 2017. Moreover, the Department's reply does not explain why the DTOs failed to pursue the tax defaulters and take action to recover the tax dues.

Similar observations were pointed out repeatedly in Audit Reports for the period 2011-12 to 2015-16 highlighting non-realisation of tax and penalty of ₹ 25.94 crore from 24,100 owners of vehicles. However, similar nature of lapses/irregularities are still persisting, indicating that the Department did not take corrective measures to prevent their recurrence leading to leakage of revenue.

Recommendation:

The Department should ensure payment of OTT and penalty by vehicle owners and communicate their defaulter status to the enforcement wing for interception of defaulting vehicles plying on roads.

4.4 Motor vehicle taxes not realised

Absence of a mechanism for periodic review of VAHAN database by the DTOs to detect tax defaulter vehicles resulted in non-realisation of motor vehicle taxes of ₹ 6.68 crore in 25 District Transport Offices.

As per the BMVT Act, 1994, every owner of a registered motor vehicle shall pay motor vehicle tax to the taxing officer in whose jurisdiction the vehicle is registered. The vehicle owner can pay the tax to the new taxing officer in case of change of residence/business, subject to the production of No Objection Certificate (NOC) from the previous taxing officer. Further, the taxing officer may exempt the vehicle owner from payment of tax. The BMVT Rules, 1994 provide that where the tax of a vehicle remains unpaid, the taxing officer may impose penalty at the rate of twice the taxes due, if delayed for more than 90 days.

Audit examined records of 25 DTOs⁵ for the period 2014-15 and 2015-16 and observed that out of test checked 16,376 transport vehicles (non-OTT), the owners of 1,695 vehicles (10 per cent of test checked vehicles) did not pay tax of ₹ 6.68 crore pertaining to the period between January 2012 and January 2017. In none of the

⁵ Araria, Bhagalpur, Bhojpur, Buxar, Darbhanga, East Champaran, Gopalganj, Jamui, Katihar, Khagaria, Kishanganj, Lakhisarai, Munger, Muzaffarpur, Nawada, Patna, Purnea, Rohtas, Saharsa, Samastipur, Saran, Sitamarhi, Siwan, Vaishali and West Champaran.

cases, evidence⁶ of non-plying of vehicles in the jurisdiction of DTOs concerned was found on record. However, the DTOs concerned did not generate the defaulters list from the *VAHAN* software or correspond with vehicle owners or initiate any action for levy of penalty and institution of certificate case⁷ to recover the tax arrears despite the information of non-payment of tax by defaulters was available with them in *VAHAN* database. As a result, tax of ₹ 6.68 crore (Road tax: ₹ 2.23 crore; Green tax: ₹ 2.49 lakh and Road safety cess: ₹ 1.16 lakh) including penalty of ₹ 4.41 crore remained unrealised.

In response to the audit observation, the Department replied in April 2018 that in 13 out of 38 DTOs *VAHAN-2* was converted to *VAHAN-4*. Under *VAHAN-4*, E-notice to the tax defaulters is issued by the software itself and therefore this is not correct to say that DTOs have not issued demand notices. At present *VAHAN-4* software has now been installed and implemented in all 38 DTOs.

The reply of the Department is irrelevant as except DTO Lakhisarai, *VAHAN-4* was installed after March 2017 in all other DTOs and the audit findings are limited up to March 2017. Further, the claim of the Department that E-notices to the tax defaulters were being issued by the software itself was not found correct as in DTO, Patna demand notices generated by *VAHAN-4* was being sent manually. Moreover, the Department's reply does not explain why the DTOs failed to pursue the tax defaulters and ensure further action to recover the tax dues.

Similar observations were pointed out repeatedly in Audit Reports for the period 2011-12 to 2015-16 highlighting non-realisation of tax and penalty of ₹ 21.00 crore from 7,439 owners of vehicles. However, similar nature of lapses/irregularities are still persisting, indicating that the Department did not take corrective measures to prevent recurring leakage of revenue.

Recommendation:

The Department should ensure that demand notice is issued on real-time basis to the tax defaulters as generated from the *VAHAN* database to ensure prompt payment of tax.

4.5 Non-realisation of road safety cess and differential tax

Registering Authorities in 14 District transport offices did not ensure levy of road safety cess and differential tax of ₹ 1.11 crore.

As per the BMVT Act, 1994, the Transport Department revised OTT on commercial tractors from two *per cent* to 4.5 *per cent* with effect from 19 September 2014.

⁶ Such as change of addresses of the owners or surrender of documents for securing exemption from payment of tax as prescribed in Section 9 read with Section 17 of the Act *ibid*.

⁷ Institution of certificate case: when the certificate officer is satisfied that any public demand payable to the Collector is due, he may sign a certificate in the prescribed form, stating that the demand is due and shall cause the certificate to be filed in his office.

The Act *ibid* further stipulates levy of road safety cess from every driving licence holder as well as motor vehicle owners at the prescribed⁸ rates from 16 August 2016.

Audit examined records of 14 DTOs⁹ and observed that 5,560 personalised vehicles were registered and 22,245 driving licences were issued between August and September 2016 without levy of road safety cess due to delay of 20 days in mapping (5 September 2016) of road safety cess in *VAHAN* database and delay of 15 days in mapping (1 September 2016) in *SARATHI* database by NIC, though the Department had instructed (12 August 2016) the NIC in advance to make necessary changes in the *VAHAN* to give effect to the said notification. Similar delay of 27 days was observed in mapping of *VAHAN* to change the rate of tax of commercial tractor according to the notification dated 19 September 2014. As a result, Audit observed in seven DTOs¹⁰ that OTT was realised from the owners of 181 tractors registered between 19 September and 4 October 2014 at pre-revised rate.

The DTOs concerned did not ensure payment of road safety cess and differential tax by manually calculating and collecting it by raising demand notice, though the information of non-payments of road safety cess and OTT at revised rates was available with them in *VAHAN* database. Thus due to delay in mapping and non-realisation of difference amount by the DTOs concerned revenue of ₹ 1.11 crore (road safety cess: ₹ 0.89 crore and differential tax: ₹ 0.22 crore) could not be realised.

In response to the audit observation, the Department replied (April 2018) that provision of the notification was mapped by the NIC after its issuance and therefore the process naturally takes time. However, the Department's reply was silent on the inaction of DTOs to levy the differential tax manually to comply with the said notification even after it was brought to their notice by Audit.

Recommendation:

The Department may ensure timely mapping of any change in rate of motor vehicle tax or introduction of new measures in *VAHAN* and *SARATHI* database.

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Sl. No.	Class of licensee/vehicle	Amount of Cess in ₹
1.	Learner's Licence	50
2.	Licence for Two wheeler, whether with or without gear	100
3.	Licence for Light Motor Vehicle License-Non-transport	150
4.	Licence for Light Motor Vehicle License-transport	200
5.	Licence for Medium and Heavy Motor Vehicles	500
6.	OTT paying Vehicles	one <i>per cent</i> of value of vehicles
7.	Other than OTT paying Vehicles	one <i>per cent</i> of the annual tax

⁹ Aurangabad, Bhojpur, Darbhanga, East Champaran, Gaya, Katihar, Kishanganj, Madhubani, Muzaffarpur, Patna, Purnea, Rohtas, Samastipur and Saran.

¹⁰ Araria, East Champaran, Jamui, Kaimur, Khagaria, Lakhisarai and Nawada.

4.6 Loss of revenue due to delivery of vehicles without temporary registration

Delivery of vehicles to the purchasers without temporary registration resulted in loss of ₹ 1.05 crore.

As per the MV Act, 1988 read with the CMV Rules, 1989, no trade certificate holder shall deliver a motor vehicle to a purchaser without registration, whether temporary or permanent. The prescribed charges for temporary certificate of registration for two wheelers and four wheelers were ₹ 90 and ₹ 140 respectively.

Audit examined records of nine DTOs¹¹ and observed that the holders of trade certificates delivered 1,16,144 vehicles (light motor vehicles: 1,827 and two wheelers: 1,14,317) without assigning even temporary registration mark during the period between January 2011 and January 2017. The DTOs too permanently registered those vehicles after their delivery without ensuring temporary registration in contravention to the aforesaid provisions. Thus absence of a monitoring mechanism related to delivery and registration of vehicles and non-prescribing of deterrent measures for the dealers, resulted in delivery of 1,16,144 vehicles without temporary registration and subsequent loss of ₹ 1.05 crore in shape of temporary registration fees.

In response to the audit observation, the Department replied in April 2018 that all the DTOs had been instructed in July 2009 to ensure that no vehicle could be delivered by the dealers without registration and all the DTOs are complying the said instruction at present. Penalty is levied in case any motor vehicle is caught plying without registration. At present VAHAN-4 software has been installed and implemented in all DTOs and therefore no vehicle can ply without registration.

The Department's reply was silent on the issue of loss of revenue of ₹ 1.05 crore already incurred and action against erring DTOs.

Similar observations were pointed out repeatedly in Audit Reports for the period 2011-12 to 2015-16 highlighting non-realisation of tax and penalty of ₹ 5.90 crore from 2,00,996 owners of vehicles. However, similar nature of lapses/irregularities are still persisting, indicating that the Department did not take corrective measures to prevent their recurrence leading to leakage of revenue.

Recommendation:

The Department may prescribe a monitoring mechanism related to delivery and registration of vehicles to ensure compliance of these Rules besides providing for deterrent measures against errant dealers.

¹¹ Araria, Bhojpur, Darbhanga, Katihar, Kishanganj, Purnea, Rohtas, Saharsa and Saran.