

CHAPTER-VI: TAXES ON VEHICLES, GOODS AND PASSENGERS

6.1 Tax administration

The levy and collection of motor vehicles tax and fee in the State is governed under the Motor Vehicles (MV) Act, 1988, the Central Motor Vehicles (CMV) Rules, 1989, the Uttar Pradesh Motor Vehicles Taxation (UPMVT) Act, 1997, the Uttar Pradesh Motor Vehicles Taxation (UPMVT) Rules, 1998, the Carriage by Road (CBR) Act, 2007, the Carriage by Road (CBR) Rules, 2011 and various Notifications, Circulars and Government Orders (GOs) issued by the Government and the Department from time to time.

The Principal Secretary, Transport, Uttar Pradesh is the administrative head at the Government level. The entire process of assessment and collection of taxes and fee is administered and monitored by the Transport Commissioner (TC), Uttar Pradesh, who is assisted by five Additional Transport Commissioners at the Headquarters.

There are six¹ Deputy Transport Commissioners (DTCs), 19 Regional Transport Officers² (RTOs) and 75 Assistant Regional Transport Officers (ARTOs) (Administration) in the field. RTOs perform the overall work of issue and control of permits of transport vehicles. The ARTOs perform the work of assessment, levy of taxes and fee regarding both transport vehicles and other than transport vehicles. Respective RTOs are responsible for the overall administration of the Sub-Regional Transport Offices.

There are 114 Enforcement squads in the State, each consisting of one ARTO (Enforcement), one supervisor and three Enforcement constables. These are attached to the Headquarters and deployed at the district level.

A software *viz.*, *VAHAN* had been adopted (October 2006) by the Department for automating the processes of vehicle registration, issue/renewal of permits, calculation, payment of taxes and fees, issue/renewal of fitness certificates, issue of challans and payment of the penalty amount. This software also has the facility to generate reports like arrears of revenue, lists of vehicles without permit and certificate of fitness, etc. There is another software *viz.*, *SARATHI* (adopted in January 2013) for issuing Driving Licenses and compilation of data with respect to Vehicle Registration & Driving Licenses in the State Register.

6.2 Results of audit

During 2018-19, test-check of records in 21 units³ out of 76 auditable units of the Transport Department revealed non/short realisation of tax/penalty and other irregularities involving ₹ 1,427.40 crore in 12,965 cases, as shown in **Table - 6.1**.

¹ Agra, Bareilly, Kanpur Nagar, Lucknow, Meerut and Varanasi.

² Agra, Aligarh, Prayagraj, Azamgarh, Banda, Bareilly, Basti, Faizabad, Ghaziabad, Gonda, Gorakhpur, Jhansi, Kanpur Nagar, Lucknow, Meerut, Mirzapur, Moradabad, Saharanpur and Varanasi.

³ One Principal Secretary/Transport Commissioner, 10 RTOs and 10 ARTOs.

Table – 6.1

Sl. No.	Categories	Number of cases	Amount (₹ in crore)
1	Short realisation of Passenger tax/additional tax and Goods tax	1,193	927.31
2	Other irregularities ⁴	11,772	500.09
Total		12,965	1,427.40

Irregularities involving 5,126 cases worth ₹ 20.37 crore have been illustrated in this Chapter. The Department accepted 1,325 cases amounting to ₹ 6.41 crore, out of which in 550 cases recovery of ₹ 1.05 crore was reported. Some of these irregularities have been regularly reported during the last five years as detailed in **Table-6.2**. The errors/omissions pointed out are on the basis of a test audit. **The Government/Department may, therefore, undertake a thorough review of all units to check whether similar errors/omissions have taken place elsewhere and if so, to rectify them and put in place a system that would prevent such errors/omissions.**

Table - 6.2

Nature of observation	(₹ in crore)											
	2013-14		2014-15		2015-16		2016-17		2017-18		Total	
	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount
Additional tax on Jawaharlal Nehru National Urban Renewal Mission (JnNURM) buses not levied	248	19.20	464	30.36	805	35.69	210	1.95	393	2.61	2,120	89.81
Authorisation of National Permit not renewed	1,973	3.45	105	0.18	440	0.77	-	-	-	-	2,518	4.40

Recommendation:

The Department should ensure prompt recovery of the large amounts of non/short realisations pointed out in the Audit Reports.

6.3 Embezzlement of Government receipts

Non-deposit of Government receipts led to embezzlement of ₹ 9.48 lakh.

Financial Handbook⁵ of the Government of Uttar Pradesh provides that under the Treasury Rule⁶, all moneys as defined in the articles of the Constitution, received by or tendered to the Government servants in their official capacity shall, without undue delay be paid in full into the treasury or into the Bank and shall be included in the Government Account. Financial Handbook⁷ further provides that while checking the cash book, the Drawing and Disbursing Officer (DDO) should match cash receipts entered in the receipt side of the cash book with the concerned counterfoil of receipt and ensure that all cash amounts received in the office on the day for which the cash book is being

⁴ Vehicles plying without certificates of fitness, non-realisation of penalty on delayed payment of additional tax from UPSRTC buses, non-levy of additional tax on JnNURM buses, non-establishment of accident relief fund, irregular payment against Government order, etc.

⁵ Para 21 of Financial Hand Book-Vol-5, Part-I.

⁶ Treasury Rule-7(1).

⁷ Appendix XXVI (GO No. A-1-1330/10-4(1)-70 dated 17 May 1979) of Financial Hand Book-Vol.5, Part II.

checked, are entered in the cash book and receipt number is entered against them. DDO should record the words 'Entered into cash book' on the counterfoil of the receipt. When the receipt book has been fully used, it should be checked and certified that all receipts of counterfoils of the receipt book have been entered into the accounts.

Subject to certain exceptions, any defalcation or loss of Government money, Departmental revenue or receipts, stamps, opium, stores, or other property, discovered in a Treasury or other office or the Department, which is under the audit of the Accountant General, should be immediately reported to the Accountant General and to the Government through the Head of the Department or the Commissioner of the Division, even when such loss has been made good by the person responsible for it.

Audit test-checked the records⁸ (between September 2017 and December 2018) of ARTO (Admn.), Raebareli and noticed (January 2019) that the amounts, detailed in the following **Table 6.3**, received by the clerks in different sections of the office were neither found entered in the subsidiary cash book/cash book maintained by the cashier nor deposited into the Treasury/Bank. Audit noticed that the clerks had deposited the amounts with the cashier and had taken the initial of the cashier in a register maintained by them. Though the ARTO (Admn.), who was discharging the responsibility of DDO, had checked figures of the cash book with the treasury scroll, he failed to detect that the amounts received by the clerks were not entered in the cash book and were resultantly not deposited in the Treasury/Bank. This led to embezzlement of a sum of ₹ 9.48 lakh. The details are given in **Table-6.3**.

Table - 6.3

Sl. No.	Dates of deposit of amount in the office	Dates of receipt of amount by the cash wing	Amount (in ₹)	Type/details of receipt
1	23-01-2018	23-01-2018	69,100	Compounding fees deposited in Enforcement Wing
2	24-01-2018	24-01-2018	1,79,600	---do---
3	25-01-2018	25-01-2018	42,450	---do---
4	27-01-2018	Not recorded	57,950	---do---
5	29-01-2018	30-01-2018	56,100	---do---
6	02-04-2018	02-04-2018	1,95,400	---do---
7	16-05-2018	Not recorded	1,91,500	---do---
8	30-05-2018	Not recorded	78,249	Tax/fees deposited at the counter for registration of light private vehicles.
9	01-06-2018	11-06-2018	41,200	Compounding fees deposited in Enforcement Wing
10	07-06-2018	11-06-2018	36,500	---do---
Total			9,48,049	

Non-deposit of the Government receipts which led to the embezzlement of ₹ 9.48 lakh shows failure on the part of ARTO (Admn.) and needs further investigation and action against the defaulting officers.

Audit reported the matter to the Department (February 2019). In reply (July 2020), the Department accepted the audit observation and stated that ₹ 10.78 lakh has been recovered and deposited through challan against the loss of revenue amounting to ₹ 9.48 lakh. The Department further stated that the employees and the officers involved in the embezzlement have been placed

⁸ Main cash book, subsidiary cash books, treasury challans and treasury reconciliation sheets.

under suspension and disciplinary action initiated against them. The final outcome of the proceedings against the delinquent officers/officials was awaited (September 2020).

6.4 Additional tax on JnNURM buses not levied

Additional tax of ₹ 4.98 crore was not levied on 557 JnNURM buses plying outside the designated municipal areas.

No transport vehicle of the State Transport Undertaking (STU) shall be used in any public place in Uttar Pradesh unless additional tax prescribed under the UPMVT Act, 1997 (as amended on 28 October 2009) has been paid. Motor vehicles of STU operating within the limits of Municipal Corporation or Municipality are however exempted from payment of additional tax.

Audit test-checked the records⁹ of six RTOs during the year 2018-19, Audit cross-checked the list of JnNURM buses with routes defined under municipal corporations and noticed that 557 out of 1,044 JnNURM buses under six¹⁰ State Transport Undertakings were plying outside the designated municipal areas of these cities for periods between February 2017 and February 2019, for which they were liable to pay additional tax of ₹ 4.98 crore. The concerned RTOs did not check the route chart of these buses and therefore failed to notice that these JnNURM buses were plying outside the municipal areas as defined by the municipal corporation. As a result, additional tax of ₹ 4.98 crore was not levied as detailed in **Table - 6.4**.

Table - 6.4

(₹ in lakh)						
Sl. No.	Name of the unit		No. of buses under STUs	No. of cases in which irregularity noticed	Period for which additional tax leviable	Total Additional tax
1	RTO	Agra	170	36	02/17 to 08/18	33.52
2	RTO	Kanpur Nagar	231	23	05/17 to 09/18	16.22
3	RTO	Lucknow	260	179	07/17 to 11/18	139.60
4	RTO	Meerut	126	104	02/18 to 01/19	82.94
5	RTO	Prayagraj	127	113	02/17 to 09/18	115.50
6	RTO	Varanasi	130	102	07/17 to 02/19	110.67
Total			1,044	557		498.45

Audit reported the matter to the Department (between November 2018 and April 2019). In reply (July 2020), the Department stated that the action had been initiated and recoveries would be ensured.

⁹ VAHAN database, route files, Nagar Nigam rate list, etc.

¹⁰ Agra Mathura City Transport Services Limited, Kanpur City Transport Services Limited, Lucknow City Transport Services Limited, Meerut City Transport Services Limited, Prayagraj City Transport Services Limited, and Varanasi City Transport Services Limited.

6.5 Non-imposition of penalty on delayed payment of additional tax

No public service vehicle owned or controlled by a State Transport Undertaking shall be operated in any public place in Uttar Pradesh unless an additional tax as may be notified by the State Government in addition to tax payable has been paid in respect thereof. Under the UPMVT Rules¹¹, where the tax or additional tax is not paid within the period specified, penalty at the rate of five *per cent* of the due tax/additional tax per month or part thereof, (not exceeding the due amount) shall be payable. Principal Secretary directed (February 2006) the Uttar Pradesh State Road Transport Corporation (UPSRTC) to remit the total additional tax due so collected directly to the treasuries and submit the original challan to the headquarters of UPSRTC and copy to the concerned RTO.

6.5.1 Non-imposition of penalty on delayed payment of additional tax by *JnNURM* buses

Penalty of ₹ 9.48 crore was not imposed on *JnNURM* buses for delay in payment of additional tax.

Audit test-checked the records¹² of RTO Lucknow and noticed (December, 2018) that additional tax of ₹ 9.48 crore was due in respect of 138 *JnNURM* buses operated by Lucknow City Services Limited, Lucknow, for the period from October 2009 to June 2013. This amount was paid (31 August 2018) with delays ranging from 87 to 107 months. The Department did not impose and realise penalty of ₹ 9.48 crore for delayed payment of additional tax for these 138 *JnNURM* buses.

6.5.2 Non-imposition of penalty on delayed payment of additional tax by UPSRTC buses

Penalty of ₹ 4.46 crore was not imposed on UPSRTC buses for delay in payment of additional tax.

Audit test-checked the records¹³ of eight RTOs/ARTOs for the period from May 2017 to February 2019 and noticed (between October 2018 and March 2019) that in all 3,652 test-checked cases of UPSRTC buses, UPSRTC deposited the additional tax after the due date. The Department failed to impose penalty amounting to ₹ 4.46 crore (as shown in **Appendix-XIX**) for delays ranging from one month to three months in payment of additional tax on buses plying under UPSRTC.

Audit reported the matter to the Department (between December 2018 and April 2019). In reply (July 2020), the Department stated that there is no clear cut provision for calculating the due date of penalty on delay in payment of additional tax under Section 9 of the UPMVT Act, 1997. Due to absence of clear provision of penalty under Section 9(3) of the UPMVT Act, 1997 with reference to UPSRTC, penalty cannot be imposed.

The reply of the Department is not acceptable because Section 9(3) of the UPMVT Act, read with Rule 24 of the UPMVT Rules, 1998 clearly provides

¹¹ Section 6(1) of the UPMVT Act read with Rule 9 and 24.

¹² *VAHAN* database, route files, etc.

¹³ *VAHAN* database, monthly deposit scrolls of UPSRTC buses, deposit challans, etc.

for the imposition of the penalty on delayed payment of tax/additional tax at the rate of five *per cent* per month of the due tax/additional tax. The aforementioned provisions have universal applicability and do not provide for any exception to the corporation. Further, the Transport Commissioner specifically issued letters to UPSRTC from time to time detailing the calculation methodology of the penalty on delayed payment of additional tax, which clearly states that if the tax or additional tax is paid after the 15th of each calendar month, penalty at the rate of five *per cent* per month of the due tax/additional tax shall be payable as per the aforementioned provisions.

Recommendation:

The Department may institute a mechanism to periodically monitor the collection of revenue from the defaulter vehicles plying under JnNURM/UPSRTC and ensure strict adherence to the provisions of the Acts/Rules.

6.6 Authorisation of National Permit not renewed

Composite and authorisation fees amounting to ₹ 1.36 crore was not realised from 778 goods vehicles found plying on roads without renewal of authorisation of national permit.

Under the MV Act¹⁴, a permit other than a temporary permit shall be effective for a period of five years. As per CMV Rules¹⁵, authorisation for National Permit is for one year. As per orders of the Transport Commissioner (February 2000), the authorities concerned shall issue notice to the permit holder within 15 days of expiry of authorisation calling for his explanation as to why the permit should not be cancelled in case of non-renewal of authorisation and cancel the permit in case no explanation is received within the prescribed time. A composite fee of ₹ 16,500¹⁶ per annum for authorisation along with application fee amounting to ₹ 1,000 was to be deposited in the Government account for authorisation of national permit.

Audit test-checked the records¹⁷ of eight RTOs and noticed (between May 2017 and January 2019) that 778 out of 6,084 goods vehicles covered under national permit were plying on road (May 2017 to January 2019) without renewal of authorisation of national permit even after expiry of the validity period. All information such as date of expiry of authorisation, tax paid and other details of vehicle with national permit was available in the VAHAN database. In spite of this, these cases were not detected by the Department. The RTOs also did not initiate any action to issue notices to these permit holders and cancel the permit. As a result, composite fee and authorisation fee amounting to ₹ 1.36 crore was not realised (**Appendix-XX**).

Audit reported the matter to the Department (between November 2018 and April 2019). In reply (July 2020), the Department accepted the audit observation in case of 767 out of total 778 vehicles reported by audit, amounting to ₹ 1.34 crore. Of these, in case of 549 vehicles, recovery of

¹⁴ Section 81 of MV Act.

¹⁵ Rule 87(3) of CMV Rules.

¹⁶ GoI Ministry of Road Transport & Highways order No. RT-16031/6/2010-T dated 2 April 2012.

¹⁷ VAHAN database of National Permits, concerned files etc.

₹ 94 lakh was reported by the Department. In case of the remaining 218 vehicles, involving tax impact amounting to ₹ 40.32 lakh, the Department stated that recovery notice has been issued to the vehicle owners.


However, the Department contested an amount of ₹ 1.92 lakh in case of 11 vehicles stating that these vehicles owners have taken all-UP permit by getting the national permit cancelled and on plying elsewhere taking the No Objection Certificate (NOC). However, no details were provided in respect of these 11 vehicles.

Recommendation:

The Department may prescribe Standard Operating Procedure for utilising the VAHAN database to keep track of authorisation of national permits.

Lucknow
The

18 JANUARY 2021


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27 जनवरी 2021
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