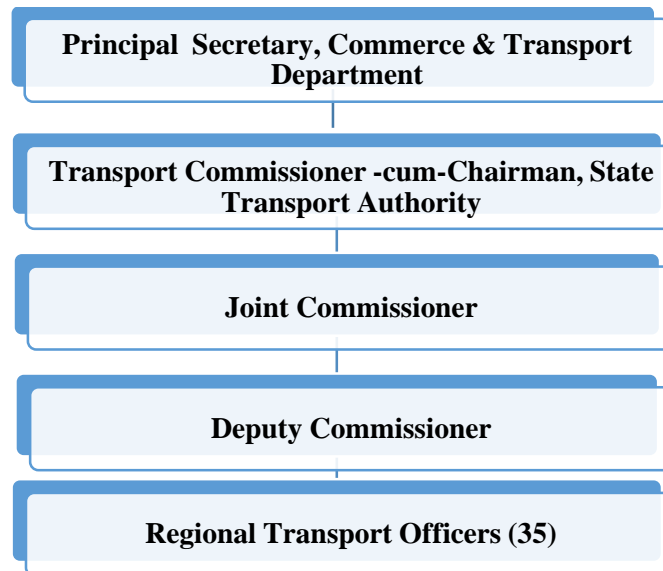


CHAPTER V

MOTOR VEHICLE TAX

5.1 Tax Administration

The receipts from Motor Vehicle (MV) Tax are regulated under the provisions of the Central and the State Motor Vehicle Acts and Rules made thereunder. The organisational setup for administration of motor vehicle tax is as under:



5.2 Internal Audit

During 2017-18, Internal Audit Wing of the Department, which is responsible for evaluating the Internal Control measures in the department and its field offices, had audited 11 out of 19 units planned for audit. The shortfall was attributed to shortage of manpower by the Department. It was observed that 613 paragraphs of Internal Audit Reports having money value of ₹ 681.88 crore were pending for disposal as on 31 March 2018.

5.3 Audit Methodology and Results of Audit

The Transport Department of Odisha uses the IT application *VAHAN* for providing online services to public. It is a centralised web based application for RTOs owned by Ministry of Road Transport & Highways (MoRTH), Government of India and managed/maintained by NIC, New Delhi. It contains a comprehensive database of the vehicles. The core function of the Department i.e. Registration of vehicles and allied activities have been computerised in the *VAHAN*. Online services for Tax payment, Permits, Fitness, No Objection Certificate, Renewal of registration etc. are offered to the citizens in the *VAHAN* application.

The dump data has been made available to audit by Transport Commissioner through NIC, Odisha State unit, in charge of Transport Project. Further, user login id has been provided to audit to access the *VAHAN* website so as to get real-time information of vehicle tax payment and other related information. The data was used for planning and performing audit. Audit analysed the *VAHAN* data using data analytic tool (IDEA) in each selected audit unit. The tax payment table of the database was linked with the category of vehicles database with various parameters like seating capacity, unladen weight, laden weight, cost of vehicles etc. to generate exception reports and detect anomalies.

During 2017-18, audit was conducted in 38 out of 52 units (73.08 *per cent*) of the Commerce & Transport Department in which 64,76,055 vehicles were registered. Revenue collected in the test checked 38 units was ₹ 1144.02 crore which constituted 94.07 *per cent* of the total revenue of ₹ 1216.08 crore. Out of these, 11,20,093 vehicles (approximate 17 *per cent*) were selected for test check. Audit noticed underassessment of tax and other irregularities involving ₹ 123.97 crore in 57,767 cases (approximate 5 *per cent* of sampled cases). This related to non/ short realisation of MV tax/ additional tax, non/ short realisation of penalty on belated payment of tax, non/ short realisation of fees on Trade Certificate/ Fitness test and other irregularities which are categorised as given in **Table 5.1**.

Table 5.1
Category of Audit observations on revenue receipts

(₹ in crore)			
Sl. No.	Category	Number of cases	Amount
1	Non/ short realisation of MV tax/ additional tax	48,889	117.06
2	Non/ short realisation of penalty on belated payment of tax	265	0.80
3	Short realisation of MV tax/ additional tax due to irregular issue of Permits	292	1.40
4	Non/ short realisation of fees on Trade Certificate/Fitness test	8,062	4.66
5	Other irregularities	259	0.05
Total		57,767	123.97

During 2017-18, the Department accepted underassessment and other deficiencies worth ₹ 82.19 crore in 40,885 cases pointed out in Audit. An amount of ₹ 5.69 crore pertaining to 44 cases realised during the year was pointed out in earlier years. In two cases, pointed out in 2017-18, ₹ 0.002 crore was realised.

There are four broad categories of audit observations which are detailed below. There may be similar irregularities, errors/ omissions in other Units of the Department but not covered in the test audit.

Department may, therefore, like to internally examine all the other units with a view to ensure that the taxes are levied as per provisions of the Act and rules.

5.4 Audit Observations

Audit scrutinised records relating to assessment and collection of MV tax in offices of the Transport Commissioner (TC)-cum-Chairman, State Transport Authority (STA) and the Regional Transport Officers (RTOs) and found several cases of non-observance of the provisions of Acts/ Rules and other cases as mentioned in the succeeding paragraphs of this chapter.

5.5 Non-compliance of the provisions of the Act/ Rule

The provisions of the Motor Vehicles (MV) Act 1988, Odisha Motor Vehicles Taxation (OMVT) Act, 1975 and Rules made thereunder require levy and collection of:

- (i) *motor vehicle tax/ additional tax from the vehicle owner at the prescribed rate in advance and within the grace period provided;*
- (ii) *penalty up to double the tax for late payment of tax, if the tax is not paid in time within two months after the expiry of the grace period of 15 days;*

Non-compliance of the provisions of the Acts/ Rules in some cases are mentioned in succeeding paragraphs.

5.5.1 Non realisation of Motor Vehicle tax/ additional tax

5.5.1.1 Goods Carriages and Contract Carriages

Motor Vehicle tax and additional tax of ₹ 26.74 crore and penalty of ₹ 53.48 crore not realised from registered owners of 27,413 vehicles.

As per Section 3(1) and 3A of Odisha Motor Vehicles Taxation (OMVT) Act, 1975, Motor Vehicle (MV) tax and additional tax shall be levied on every motor vehicle used or kept for use. Under Section 4 of the said Act, such tax shall be paid in advance at the rates prescribed for different classes of vehicles in Taxation Schedule I of the Act, unless exemption from payment of such tax is allowed for the period covered by ‘off-road undertaking’¹ under Section 10 (1) of the Act. Further, as per Section 13(1) of the Act read with Rule 9(2) of the OMVT Rules, 1976, if such tax is not paid within two months after expiry of the grace period of 15 days from the due date of payment, the registered owner of the vehicle or the person having possession or control thereof shall, in addition to payment of tax due, be liable to pay penalty which shall be twice the tax due.

Audit analysed (between April 2017 and February 2018) VAHAN database with taxation records in 32 out of 35 Regional Transport Offices (RTOs). It was observed that registered owners of 27,413 out of 4,13,822 vehicles of two classes did not pay MV tax and additional tax during April 2015 to March 2017. The details are given in the table below.

Sl. No.	Number of RTOs	Vehicle classes	Number of vehicles	Amount of tax not realised	Penalty leviable	Total
				₹ in crore		
1	30 ²	Goods Carriages	19,329	22.48	44.96	67.44
2	32 ³	Contract Carriages	8,084	4.26	8.52	12.79
	Total		27,413	26.74	53.48	80.23

Source: VAHAN database

On verification of off-road Register maintained in the RTOs, it was noticed that these vehicles were not exempted under off-road undertakings under Section 10(1) of the Act. The period of delay involved in all these cases were more than two months and therefore, penalty as twice the tax due was also leviable. The VAHAN software contained a provision to generate a list of tax defaulters by the Regional Transport Officers (RTOs) at any point of time. The RTOs, however, neither issued demand notices nor took any action against the vehicle owners for realisation of tax and imposition of penalty thereon. This resulted in non-realisation of Motor Vehicles tax and additional tax of ₹ 26.74 crore. Besides, penalty of ₹ 53.48 crore was also leviable.

¹ An undertaking given by the owner of the vehicle to the RTO and prior permission obtained from him for not plying the vehicle for a temporary period and exempted from tax for the said period

² Angul, Balangir, Balasore, Bargarh, Bhadrak, Bhubaneswar, Bhubaneswar-II, Boudh, Chandikhol, Cuttack, Deogarh, Dhenkanal, Gajapati, Ganjam, Jagatsinghpur, Jharsuguda, Kalahandi, Keonjhar, Koraput, Malkangiri, Mayurbhanj, Nabarangpur, Nayagarh, Nuapada, Phulbani, Puri, Rayagada, Rourkela, Sambalpur and Sundargarh

³ Angul, Balangir, Balasore, Bargarh, Bhadrak, Bhubaneswar, Bhubaneswar-II, Boudh, Chandikhol, Cuttack, Deogarh, Dhenkanal, Gajapati, Ganjam, Jagatsinghpur, Jharsuguda, Kalahandi, Keonjhar, Kendrapara, Koraput, Malkangiri, Mayurbhanj, Nabarangpur, Nayagarh, Nuapada, Phulbani, Puri, Rayagada, Rourkela, Sambalpur, Subarnapur and Sundargarh

Thus, RTOs had failed to use the VAHAN database to detect the defaulters of MV tax and issue demand notice, which resulted in non-realisation of tax. Such inaction also defeated the intended objectives of digitisation of records of the Department.

In reply, Government stated that an amount of ₹ 17.52 lakh had been realised in 69 cases, demand notices had been issued against 7,234 vehicles and tax recovery proceedings had been initiated against 4,476 vehicles pertaining to 19 RTOs. The reply, however, did not cover the status with regard to the remaining 15,282 cases under 13 RTOs.

5.5.1.2 Tractor Trailer Combinations, Private Service Vehicles and Educational Institution Buses

Motor Vehicle tax of ₹ 4.06 crore and penalty of ₹ 8.12 crore not realised from registered owners of 13,520 vehicles.

Audit test checked (between May 2017 and February 2018) VAHAN database with taxation records in 32 out of 35 Regional Transport Offices for the period from 2015-16 to 2016-17. It was observed that owners of 13,520 out of 2,65,047 vehicles of three classes did not pay MV tax for different periods from April 2012 to March 2017. Additional tax was not payable for these categories of vehicles.

Sl. No.	No. of RTOs	Vehicle classes	No. of vehicles	Amount of tax not realized	Penalty leviable	Total
				₹ in crore		
1	32 ⁴	Tractor Trailer Combinations	13,328	3.90	7.80	11.70
2	13 ⁵	Private Service Vehicles ⁶	90	0.12	0.24	0.36
3	11 ⁷	Educational Institution Buses	102	0.04	0.08	0.12
Total			13,520	4.06	8.12	12.18

Source: VAHAN database

These vehicles were not covered by ‘off-road undertakings’ under Section 10(1) of the Act. The period of delay involved in these cases were more than two months and therefore, penalty as twice the tax due was also leviable. The VAHAN software contained a provision to generate tax defaulter list by the RTOs at any point of time. The RTOs, however, neither issued demand notices nor took any action against the vehicle owners for realisation of tax and imposition of penalty thereon. This resulted in non-realisation of MV tax of ₹ 4.06 crore. Besides, penalty of ₹ 8.12 crore at twice the tax due was also leviable.

Thus, RTOs failure in detecting the defaulting vehicles through VAHAN database and issuing demand notice resulted in non-realisation of tax. Such inaction also defeated the intended objective of computerisation of the Department.

⁴ Angul, Balangir Balasore, Bargarh, Bhadrak, Bhubaneswar, Bhubaneswar-II, Boudh, Chandikhole, Cuttack, Deogarh, Dhenkanal, Gajapati, Ganjam, Jagatsinghpur, Jharsuguda, Kalahandi, Keonjhar, Kendrapara, Koraput, Malkangiri, Mayurbhanj, Nabarangpur, Nayagarh, Nuapada, Phulbani, Puri, Rayagada, Rourkela, Sambalpur, Subarnapur and Sundargarh

⁵ Angul, Bhadrak, Bhubaneswar, Bhubaneswar-II, Chandikhol, Cuttack, Jagatsinghpur, Keonjhar, Koraput, Phulbani, Rayagada, Rourkela and Sambalpur

⁶ Private Service Vehicle (PSV): A motor vehicle 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 purpose

⁷ Balangir, Bargarh, Bhubaneswar, Bhubaneswar-II, Chandikhol, Keonjhar, Koraput, Nabarangpur, Nuapada, Rayagada and Sambalpur

In reply, Government stated that an amount of ₹ 4.82 lakh had been realised in 48 cases, demand notices had been issued against 2,166 vehicles and tax recovery proceedings had been initiated against 901 vehicles pertaining to 19 RTOs. Action taken in the remaining 9,275 cases was not forthcoming.

5.5.2 Permit databases of STA and RTA not interlinked

The permit databases of STA were not interlinked with RTOs which resulted in short realisation of tax.

Inter Region permits were issued by the STA and entered in the *DISHA* database for which the tax was assessed and realised by the concerned RTOs. MV tax and additional tax were realised at the rates prescribed under Taxation Schedule-I of the OMVT Act 1975. Also, penalty twice the tax due was leviable under Rule 9(2) of the OMVT Rules 1976, if the tax was not paid within two months after expiry of the grace period of 15 days.

Audit analysed the permit particulars issued by the STA, Odisha in *DISHA* database and taxation records in *VAHAN* database maintained in RTOs. It was noticed that Inter Region permits were issued to 1,269 Stage Carriages by the STA during 2015-18. Out of this, 39 Stage Carriages under seven RTOs⁸ did not pay the MV tax and additional tax as per the permit particulars such as distance, permit type and seating capacity. In the absence of linkage between permit database of STA with RTOs, the RTOs could not verify the permit particulars online. RTOs also did not insist for copy of permit from the vehicle owner for assessment of actual tax payable. The RTOs had accepted the tax as per the previous tax payment particulars and self-assessment of vehicle owners. This resulted in short realisation of tax worth ₹ 5.54 lakh. Besides, penalty of ₹ 11.08 lakh was also leviable.

In reply, Government stated (April 2019) that inter region Stage Carriage permits were issued through Odisha Permit Management System (*OPMS*) which was linked with *VAHAN-4* and interstate stage carriage permits were being issued through Permit Issue Management System (*PIMS*). Steps were being taken to link *PIMS* and *Central Processing System (CPS)* with *VAHAN-4* so as to streamline collection of tax at appropriate rate under the OMVT Act.

5.5.3 Short realisation of revenue due to irregular issue of permit

Permits were issued to 49 stage carriages as Ordinary service instead of Express in intra state routes although the average distance between the stoppages was more than 25 km. Similarly, permits were issued to 14 stage carriages as Ordinary service instead of Express despite the length of the inter-state routes being more than 250 km.

(A) Intra-state routes

Under Rule 2 (1) of OMV Rules 1993, a Stage Carriage with permit to stop, pick up and set down passengers once in an average distance of five kilometres by its route with the exception of district, sub-division, tahasil, block headquarters *en-route* and the place of its starting and terminus is termed as Ordinary service carriage and where the average distance is more than 25 km, is termed as Express Stage carriage. The motor vehicles tax and

⁸ Balasore, Bhubaneswar-I, Cuttack, Jagatsinghpur, Keonjhar, Koraput and Rourkela

additional tax payable on Stage Carriages is based on different distance slabs prescribed under Taxation Schedule-I of the OMVT Act, 1975. The motor vehicles tax and additional tax payable on Express Stage Carriages are higher than the rate of Ordinary Service Carriages.

Audit analysed the *DISHA*, *VAHAN* and *CPS* databases along with permit files maintained at STA and nine selected RTOs. During verification of permit particulars and route maps, it was noticed that 49 out of 1,294 stage carriages were issued permits as Ordinary service during 2015-18 although the average distance between the stoppages was more than 25 kilometres. The motor vehicles tax and additional tax, accordingly, were realised as Ordinary service instead of Express. This resulted in short realisation of motor vehicles tax and additional tax worth ₹ 17.37 lakh.

In reply, Government stated (April 2019) that as pointed out by audit, STA/ RTO will determine nature of service of stage carriage permit *i.e.* Express/ Ordinary basing upon the stoppages mentioned in the permit and type of Stage carriages.

(B) Inter-state routes

As per Section 88 (5) of the MV Act 1988, reciprocal transport agreements were made (2007 and 2008) between Odisha-Jharkhand and Odisha-Chhattisgarh for encouraging the movement of transport vehicles on the inter-State routes. As per provisions contained in the agreements, if the total length of the route is more than 250 km, the nature of service shall be express. Those carriages are liable for payment of MV tax and additional tax applicable to express service prescribed under Taxation Schedule-I of the OMVT Act, 1975.

Audit test checked the permit and taxation files of stage carriages plying on inter-State routes during 2015-18 in STA, Odisha. It was noticed that permits were issued to 212 stage carriages during the period covered under audit to ply under the reciprocal transport agreements. Out of this, 14 stage carriages of Odisha, Jharkhand and Chhattisgarh were issued with Ordinary instead of Express permits despite the length of the inter-State routes were more than 250 km. This resulted in short-realisation of motor vehicles tax and additional tax amounting to ₹ 6.10 lakh.

Reply (April 2019) furnished by the Government was not relevant to the irregularity pointed out.

5.5.4 Delayed notification of tax structure for Air-Conditioned Stage Carriages

Delay in making provision of tax structures for Air-Conditioned Stage Carriages resulted in loss of potential revenue of ₹ 99.73 lakh.

OMV Rules, 1993 prescribes to issue ordinary, express, super express, super-fast express and deluxe nature of permit to a stage carriage. The Department made provision for Air-Conditioned Deluxe Stage Carriage, Air-Conditioned Deluxe Sleeper Stage Carriage and fully built Air-Conditioned Sleeper Stage Carriage nature of permits in November 2015. OMVT Act, 1975, however, was belatedly amended in November 2017 for the revised tax structure for those class of stage carriages.

During analysis of the permit particulars in *DISHA* database maintained in STA, Odisha, it was noticed that Deluxe and AC permits were issued to 190 stage carriages, out of 2,816 permits issued during November 2015 to October 2017. The revenue realised was at the

tax rates applicable to Deluxe stage carriages. Thus, delay in making provision of tax structures for AC Stage Carriages resulted in loss of potential revenue of ₹ 99.73 lakh during the above period in respect of 190 AC Stage Carriages.

In reply, Government stated (April 2019) after amendment of OMVT Act with effect from 21 November 2017, appropriate tax from AC Deluxe, AC Deluxe Sleeper, fully built Sleeper Stage Carriages were being collected. Reason for the delay in making provision of tax structure for AC Stage Carriages was, however, not answered.