

CHAPTER-IV: TAXES ON VEHICLES, GOODS AND PASSENGERS

4.1 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.

4.2 Results of audit

During 2019-20, test-check of records in 37 units³ out of 76 auditable units of the Transport Department revealed non/short realisation of tax/penalty/additional tax, fitness fee and other irregularities involving ₹ 146.55 crore in 86,480 cases, as shown in **Table-4.1**.

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

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

³ This includes office of Principal Secretary/Transport Commissioner, 18 RTOs and 18 ARTOs.

Table-4.1

Sl. No.	Categories	Number of cases	Amount (₹ in crore)
1	Short realisation of tax/additional tax	14,283	55.88
2	Vehicle plying without certificate of fitness	26,106	15.40
3	Non-recovery against issued Recovery Certificates	7,303	48.12
4	Non-realisation of penalty from UPSRTC buses	23,945	8.86
5	Other irregularities ⁴	14,843	18.29
Total		86,480	146.55

Irregularities involving 28,383 cases worth ₹ 26.19 crore have been illustrated in this Chapter. All the audit observations were communicated to the Department between January 2020 to May 2020, however, their replies have not been received (July 2021). Out of these, some categories of irregularity have been reported repeatedly during the last five years as detailed in **Table-4.2**.

Table-4.2

Nature of observation	(₹ in crore)											
	2014-15		2015-16		2016-17		2017-18		2018-19		Total	
	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount
Additional tax on JNNURM buses not levied	464	30.36	805	35.69	210	1.95	393	2.61	557	4.98	2,429	75.59
Fitness certificate of transport vehicles not renewed	5,820	2.69	16,246	7.43	9,852	4.48	-	-	-	-	31,918	14.60
Private vehicle plying without certificate of fitness	-	-	1,805	0.81	-	-	-	-	-	-	1,805	0.81
Authorisation of National Permit was not renewed	105	0.18	440	0.77	-	-	-	-	778	1.36	1,323	2.31

Recommendation:

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

4.3 Fitness certificate of vehicles not renewed

Total 13,284 transport vehicles and 6,045 private vehicles plied without valid fitness certificates and were liable for levy of fitness fee of ₹ 2.03 crore and imposition of penalty of ₹ 9.66 crore. The concerned RTOs/ARTOs did not initiate any action to issue notices to these vehicle owners and cancel the permits in case of transport vehicles.

The MV Act, 1988 and the CMV Rules, 1989 provide that a transport vehicle shall not be deemed to be registered unless it carries a certificate of fitness. A fitness certificate granted in respect of a newly registered transport vehicle is valid for two years and is required to be renewed every year thereafter. The transport authority may cancel or suspend the permit of such vehicles for such

⁴ Non-levy of additional tax on JNNURM buses, irregular payment, non-establishment of accident relief fund, incorrect calculation of service tax and misuse of Green Tax, etc.

period as it thinks fit. Plying a vehicle without a certificate of fitness is compoundable under Section 192 of the MV Act, 1988 at the rate of ₹ 5,000 vide notification dated 07 June 2019.

The CMV Rules prescribe test fee of ₹ 400 and ₹ 600 for three wheelers/light vehicles and medium/heavy vehicles respectively. In addition to this, renewal fee of ₹ 200 is also leviable in case of all categories of vehicles. In case of default, an additional amount equal to the prescribed test fee is also leviable. Further, as per Transport Commissioner's office order dated 12 December 2005, certificate of fitness is compulsory for Omni buses (vehicle having more than six seats but upto nine seats excluding driver).

Previous Audit Reports of 2011-12 to 2016-17 had highlighted persistent loss of Government revenue due to non-levy of fitness fee and penalty on various categories of vehicles.

- Audit test-checked the records⁵ of 31 RTOs/ARTOs and noticed (between December 2019 and February 2020) that 13,284 out of 63,180 transport vehicles were plying⁶ on road (between December 2016 and January 2020) without valid fitness certificate although the tax due had been realised from vehicle owners. Information relating to date of expiry of fitness was available in the VAHAN database. In spite of this, these cases were not detected by the Department as necessary application controls to prevent such vehicle owners from paying tax in those cases where fitness had expired was not built into the system. The RTOs/ARTOs also did not initiate any action to issue notices to these vehicle owners and cancel their permits. As a result the Government was deprived of fitness fee of ₹ 1.43 crore and penalty of ₹ 6.64 crore (**Appendix-VI**).
- Similarly, Audit test-checked the records⁷ of 24 RTOs/ARTOs and noticed (between December 2019 and February 2020) that 6,045 out of 21,953 private vehicles were plying on road (between January 2017 and January 2020) without valid fitness certificate although the tax due was realised from the concerned vehicle owners. As a result, fitness fee and penalty amounting to ₹ 3.63 crore was not realised (**Appendix-VII**). Plying of vehicles without certificate of fitness besides being detrimental to public safety, may also increase pollution levels.

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

Penalty of ₹ 5.65 crore was not imposed on 4,467 UPSRTC buses for delay in payment of additional tax.

Under UPMVT Act⁸, 1997, 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

⁵ VAHAN database, tax position, concerned files, receipt books, etc.

⁶ Vehicle owners had not surrendered certificate of registration for non-use of vehicles and not applied for refund of tax.

⁷ VAHAN database, Tax register/position, concerned files, etc.

⁸ Section 6(1) of UPMVT Act.

Rules⁹, where the tax or additional tax is not paid within the period specified (15th of each calendar month), 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) Uttar Pradesh State Road Transport Corporation (UPSRTC) to remit the total additional tax due so collected directly to the treasury and submit the original challan to the headquarters of UPSRTC with copy to concerned RTO.

Audit test-checked the records¹⁰ of 13¹¹ RTOs/ARTOs for the period from July 2017 to January 2020 and noticed (between December 2019 and February 2020) that in 4,467 out of 4,553 test-checked cases of UPSRTC buses, the additional tax was paid with delays ranging from one to five months. The Department did not impose and realise penalty of ₹ 5.65 crore (**Appendix-VIII**) for delayed payment of additional tax for these 4,467 UPSRTC buses.

4.5 Authorisation of National Permit not renewed

Composite and authorisation fees amounting to ₹ 3.28 crore was not realised from 1,875 goods vehicles plying on roads without renewal of authorisation of national permit.

Under the MV Act¹², 1988, a permit other than a temporary permit shall be effective for a period of five years. As per CMV Rules¹³, 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 ₹ 16,500¹⁴ 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 records¹⁵ of 12 RTOs¹⁶ and noticed (between December 2019 and February 2020) that 1,875 out of 6,949 goods vehicles, covered under national permit plied on road (between January 2018 and January 2020) 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

⁹ Section 6(1) of UPMVT Act read with Rules 9 and 24 of UPMVT Rules.

¹⁰ *VAHAN* database, monthly deposit scrolls of UPSRTC buses, deposit challans, passenger tax register, records of online/offline payments of additional tax, etc.

¹¹ RTOs-Aligarh, Ghaziabad, Jhansi, Kanpur Nagar, Lucknow, Meerut, Mirzapur, Moradabad, Prayagraj and Varanasi; ARTOs-Muzaffarnagar, Shahjahanpur and Rampur.

¹² Section 81 of MV Act.

¹³ Rule 87(3) of CMV Rules.

¹⁴ Government of India, Ministry of Road Transport & Highways order No. RT-16031/6/2010-T dated 2 April 2012.

¹⁵ *VAHAN* database of National Permits, concerned files etc.

¹⁶ RTOs-Agra, Aligarh, Banda, Bareilly, Ghaziabad, Jhansi, Kanpur Nagar, Lucknow, Meerut, Moradabad, Saharanpur and Varanasi.

fee and authorisation fee amounting to ₹ 3.28 crore was not realised (Appendix-IX).

4.6 Permit fee, application fee and penalty not levied on vehicles plying without permit

Permit fee, application fees and penalty amounting to ₹ 1.82 crore was not realised from 1,960 vehicles plying on roads without renewal of permit.

Under the MV Act¹⁷, 1988, a permit other than a temporary permit shall be effective for a period of five years and no owner of a motor vehicle shall use or permit the use of the vehicle as a transport vehicle in any public place without permit. UPMVT Rules¹⁸ prescribed rates for issue of new permit and its renewal and application fees. Further plying a vehicle without permit is compoundable under the MV Act¹⁹, at the rate of ₹ 5,000.

Audit test-checked the records²⁰ of 11 RTOs²¹ and noticed (between December 2019 and February 2020) that 1,960 out of 14,127 vehicles (contract carriage, auto/three wheeler, stage carriage, school vehicles, tanker and goods vehicles) plied on road (between April 2017 and January 2020) even after expiry of validity period of permit. Information such as the expiry of permit validity was available in the VAHAN database. In spite of this, these cases were not detected by the Department. Also vehicle owners had not applied for refund of tax and not surrendered the certificate of registration for non-use of vehicles. The RTOs/ARTOs also did not initiate any action to issue notices to these permit holders. As a result, permit fees, application fee and penalty amounting to ₹ 1.82 crore was not realised (Appendix-X).

4.7 Additional tax on JNNURM buses not levied

Additional tax of ₹ 2.30 crore was not levied on 312 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 records²² of five RTOs during the year 2019-20. Cross-check of the list of Jawaharlal Nehru National Urban Renewal Mission (JNNURM) buses with routes defined under municipal corporations revealed that 312 out of 661 JNNURM buses under four²³ State Transport Undertakings

¹⁷ Section 81 and 66 of MV Act.

¹⁸ Rule 125 of UPMVT Rules.

¹⁹ Section 192A of MV Act.

²⁰ VAHAN database, permit register, receipt books, etc.

²¹ RTOs-Aligarh, Bareilly, Faizabad, Ghaziabad, Gorakhpur, Kanpur Nagar, Lucknow, Meerut, Mirzapur, Prayagraj and Varanasi.

²² VAHAN database, records of route files of areas (inside/outside) from Nagar Nigam/Nagar Palika, records of additional tax deposit, Nagar Nigam rate list, etc.

²³ Agra Mathura City Transport Services Limited, Kanpur City Transport Services Limited, Meerut City Transport Services Limited and Prayagraj City Transport Services Limited.

were plying outside the designated municipal areas of these cities for periods between August 2017 and January 2020, for which they were liable to pay additional tax of ₹ 2.30 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 ₹ 2.30 crore was not levied as detailed in **Table-4.3**.

Table-4.3

(₹ in lakh)						
Sl. No.	Name of the office		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	09/2018 to 11/2019	26.46
2	RTO	Kanpur Nagar	187	49	10/2018 to 11/2019	32.93
3	ARTO	Mathura	59	16	08/2017 to 12/2019	18.79
4	RTO	Meerut	126	99	02/2019 to 12/2019	59.29
5	RTO	Prayagraj	119	112	10/2018 to 01/2020	92.66
Total			661	312		230.13

4.8 Tax/additional tax from surrendered vehicles not realised

The taxation officers failed to realise tax/additional tax amounting to ₹ 1.44 crore from 440 vehicles which were surrendered for a period beyond three calendar months.

As per UPMVT Rules²⁴, 1998, if the owner of a transport vehicle withdraws his motor vehicle from use for one month or more, the certificate of registration, tax certificate, additional tax certificate, fitness certificate and permit, if any, must be surrendered to the taxation officer. The taxation officer shall not accept the intimation of not using of any vehicle for more than three calendar months, within a calendar year. However, the period beyond three calendar months may be accepted by the RTO of the region concerned, if the owner makes an application with requisite fee to the taxation officer. If any such vehicle remains surrendered for more than three calendar months during a year without extension of acceptance of surrender by RTO, it shall be deemed to be revoked and the owner shall be liable to pay tax and additional tax, as the case may be. Further, subject to the provision of sub-rule (4), the owner of a surrendered vehicle in respect of which intimation of not using the vehicle has already been accepted, shall be liable to pay tax and additional tax for the period beyond three calendar months during any calendar year regardless of whether the possession of the surrendered documents have been taken from the taxation officer or not.

Audit test-checked the records²⁵ of 16²⁶ RTOs/ARTOs and noticed (between October 2018 and February 2020) that 440 out of 2,247 vehicles remained

²⁴ Rule 22 of UPMVT Rules.

²⁵ Surrender register, related files, Tax deposit records, etc.

²⁶ RTOs- Azamgarh, Bareilly, Jhansi, Kanpur Nagar, Lucknow, Meerut and Varanasi; ARTOs- Ambedkarnagar, Badaun, Bijnor, Etawah, Firozabad, Hardoi, Kanpur *Dehat*, Raebareli and Shahjahanpur.

surrendered (January 2017 to November 2019) for periods ranging between four to 12 months in a calendar year. Though extension of acceptance of surrender beyond three months was not granted by the concerned RTOs, the taxation officers failed to initiate any action to realise the tax/additional tax due thereon. As a result, revenue amounting to ₹ 1.44 crore was not realised **(Appendix-XI)**.