

CHAPTER – IV : TAXES ON MOTOR VEHICLES

4.1 Results of audit

Test check of the records of the Commissioner of Transport and district transport offices conducted during the year revealed non-realisation of motor vehicle tax, non-assignment of registration mark, non-levy of fine for overloading and other irregularities amounting to Rs. 177.66 crore in 73 cases which fall under the following categories:

(Rupees in crore)

Sl. No.	Category	Number of cases	Amount
1.	Assessment, levy and collection of motor vehicle tax (A review)	1	174. 73
2.	Non/short realisation of motor vehicle taxes	20	1.59
3.	Non-assignment of registration	7	0.11
4.	Non-levy of fine for overloading	2	0.06
5.	Other irregularities	43	1.17
Total		73	177.66

A review of **Assessment, levy and collection of motor vehicle tax** involving Rs. 174.73 crore is mentioned in the following paragraphs.

4.2 Assessment, levy and collection of motor vehicle tax

Highlights

Failure of the district transport officers to review the combined registers at periodic intervals and issue demand notices to the defaulting vehicle owners for payment of dues resulted in non-realisation of tax of Rs. 3.97 crore.

(Paragraph 4.2.7)

The Enforcement Wing failed to detect 1,48,624 commercial trucks carrying excess load beyond maximum permissible limit resulting in non-levy of fine of Rs. 169.47 crore.

(Paragraph 4.2.11)

There was non/short levy of licence fee of Rs. 29.91 lakh from 57 agents of passenger and goods vehicles.

(Paragraph 4.2.12)

4.2.1 Introduction

The Motor Vehicle (MV) Act, 1988 and the rules made thereunder as amended from time to time regulate registration and control of motor vehicles and also levy and collection of various types of fees and fines. The Transport Department is responsible for administering and regulating the motor vehicles in accordance with the provisions of the MV Act and the Central Motor Vehicles (CMV) Rules, 1989. It also enforces the Assam Motor Vehicles Taxation (AMVT) Act, 1936 and Assam Motor Vehicle (AMV) Rules, 2003 made thereunder.

A review of receipts from the motor vehicles taxes was conducted. The review revealed a number of system and compliance deficiencies which have been discussed in the succeeding paragraphs.

4.2.2 Organisational set-up

The Commissioner of Transport (COT), Assam under the administrative control of the Commissioner and Secretary, Transport Department is the overall head of the department and is responsible for overseeing the functioning of the various wings of the department and implementation of the Acts and rules governing the assessment, levy and collection of motor vehicles taxes, fees and fines. He is assisted at the headquarters by one Joint Commissioner of Transport who is also the ex-officio Secretary, State Transport Authority (STA), one Deputy Commissioner and one Assistant Commissioner of Transport. At the district level, there are 21 district transport officers (DTOs) who are also ex-officio regional transport authorities (RTAs). Besides, there are four DTOs with independent charge of registration & licencing, local plying permits¹, enforcement and pool under the jurisdiction of the Kamrup district. The Enforcement Wing of the department at the district level headed by the respective DTOs is responsible for enforcing the

¹ Other than national permit (NP) and stage carriages.

provisions of the Acts and Rules. The Joint Commissioner of Transport in the capacity of Secretary, STA, is responsible for issue of national permit and permit for all stage carriages as specified in the MV Act.

4.2.3 Audit objectives

The review was conducted with a view to examine whether

- demands for road tax, fees and fines were correctly raised and collected within the specified time frame as per the provisions of the Acts and Rules;
- the provisions of the MV Act and CMV Rules were applied for controlling the transport vehicles especially overloading of the goods carriages;
- there was effective co-ordination between the STA, Assam and the STAs of other states for ensuring realisation of composite tax at the appropriate rates;
- steps were taken to review the combined registers and detect the vehicles of others States plying within the State for more than one year without assignment of new registration numbers; and
- the internal control mechanism in the department was adequate and effective to prevent leakage of revenue.

4.2.4 Scope of Audit

To review the assessment, levy and collection of motor vehicle tax, records of the COT and 12² out of 25 DTOs and all the three MV check gates (Srirampur, Boxirhat and Digharkhal) for the period from 2002-03 to 2006-07 were test checked during October to December 2007. Sample selection was made as per the method of simple random sampling with replacement methodology.

4.2.5 Acknowledgment

The Indian Audit and Accounts Department acknowledges the co-operation of the Transport Department in providing the necessary information and records for audit. The findings of this review were reported to the Government on 28 April 2008 and discussed in the Audit Review Committee meeting held on 16 June 2008. The Government did not furnish any reply. However, the replies of the department have been incorporated in the respective paragraphs.

² Bongaigaon, Dibrugarh, Goalpara, , Jorhat, Kamrup (R&L), Kamrup (permit), Kamrup (enforcement), Kokrajhar, Nagaon, Sibsagar, Tezpur and Tinsukia.

Audit findings

4.2.6 Trend of revenue

The Budget Manual of Assam envisages that the estimates of revenue receipts should show the amount expected to be realised during the year. In estimating the revenue, the calculation is required to be based on the actual demand including any arrear due and advance collection for the coming years.

Budget estimates, actuals during the period from 2002-03 to 2006-07, variations between the budget estimates and actuals are mentioned below:

(Rupees in crore)

Year	Budget estimates	Actuals	Variation between budget estimates and actuals (+) excess/ (-) shortfall	Percentage of variation to budget estimates (+) excess/ (-) Shortfall
2002-03	95.30	116.28	(+) 20.98	(+) 22.01
2003-04	131.40	124.00	(-) 7.40	(-) 5.63
2004-05	140.11	134.72	(-) 5.39	(-) 3.85
2005-06	158.32	155.91	(-) 2.41	(-) 1.52
2006-07	172.63	151.15	(-) 21.48	(-) 12.44

Thus, though the collection of revenue showed an overall increasing trend except 2006-07, yet in comparison with the budget estimates, the trend was negative during the years 2003-04 to 2006-07. Reasons for the variations, though called for from the department/Government, have not been furnished (October 2008).

System deficiencies

Road Tax

4.2.7 Non-raising of demands of motor vehicle tax

Under the AMVT Act, as amended from time to time, taxes on motor vehicles are to be paid in advance on or before 15th April each year or optionally in four equal instalments payable on or before 15th of April, July, October and January respectively. Vehicles can go off-road on submission of an application in form 'H' and surrender their licence and avail exemption from payment of tax for the current period. The DTOs are required to review the combined registers/vehicles registers at periodic intervals to ensure that the tax is regularly paid. Prompt action is required to be taken to issue demand notice against the vehicle owners whose taxes are in arrears followed by suspension of the registration certificate (RC) of the violators under section 53 of the MV Act. Further, under section 5A of AMVT Act, inserted with effect from 9 May 2002, every owner of a motor vehicle who fails to pay the appropriate road tax in time shall be liable to pay a fine at a rate of Rs. 5 per day for every day of such delayed payment. **Audit scrutiny revealed that there was no system of conducting periodic review of the combined registers by the DTOs. Due to this, the DTOs failed to effectively monitor the payment of tax by the vehicle owners which led to blockage of Government revenue.**

Test check of the records of 10 DTOs³ revealed that in nine DTOs⁴ road tax amounting to Rs. 1.34 crore was due from 1,176 commercial vehicles for various periods from April 2002 to March 2007. **Due to the absence of a system of periodic review of the combined registers, these vehicles continued to ply in public places without payment of tax.** There was also nothing on record to show that the owners of these vehicles surrendered the licences or submitted H form. **Thus, failure of the DTOs to review the combined register at periodic intervals and issue demand notice to the defaulters resulted in non-realisation of tax of Rs. 3.97 crore including fine of Rs.2.63 crore.**

After the case was pointed out, the department stated (June 2008) that in most cases taxes are actually paid and endorsed accordingly in the registration certificate but not recorded in the combined registers as the owners do not bother to get the details of tax payment recorded in the combined register. It was also stated that some vehicle owners had shifted their base to the other states without obtaining the NOC from the registering authority. However, no supporting documents were furnished by the department in support of their reply.

The Government may consider making periodical review of combined registers and issuing demand notice to the defaulters, mandatory. Immediate steps may be taken for recovery of dues as arrears of land revenue in case of non-payment of dues despite notices. The DTOs may be made accountable for failure to recover the dues in time.

Control of transport vehicles

4.2.8 Short deposit of composite tax from other states under national permit scheme

As per the provisions of the CMV Rules, an intending national permit holder is required to pay to the home State prescribed authorisation fee along with the bank draft in respect of composite tax payable to the States in which the permission for operation is to be granted. **Audit scrutiny revealed that there was no system of monitoring on the part of the STA, Assam regarding the number of vehicles authorised by other States to ply within the State of Assam and receipt of the composite fees. The department also did not maintain register of valuables to keep a watch over the receipt of bank drafts from other states.**

Test-check of the records of the STA, Assam revealed that during 2002-03 to 2006-07, bank drafts for Rs. 54.36 crore were received from the STAs of other States and deposited by the STA, Assam into the bank for crediting to the Government account. Of these, bank drafts for Rs. 90.26 lakh were found defective and returned to the STA, Assam by the bank during the aforesaid

³ Bongaigaon, Dibrugarh, Goalpara, Jorhat, Kamrup (R & L), Kokrajhar, Nagaon, Sibsagar, Tezpur and Tinsukia.

⁴ Bongaigaon, Dibrugarh, Jorhat, Kamrup (R & L), Kokrajhar, Nagaon, Sibsagar, Tezpur and Tinsukia.

period. **Due to lack of monitoring on the part of the STA, Assam, no follow up action could be taken by the department for revalidation of the defective bank drafts for Rs. 90.26 lakh resulting in the revenue remaining out of the Government account. Further, the department was also not aware of the actual amount of composite fees realisable during a year as there was no monitoring on the part of the STA to obtain the number of vehicles permitted by the STAs of other States to ply in the State of Assam.**

After the cases were pointed out, the department stated in June 2008 that out of Rs. 90.26 lakh, an amount of Rs. 60.70 lakh was recovered, draft for Rs. 18.20 lakh were forwarded to the other States and Rs. 11.36 lakh was still pending with the bank. However, details of deposit of the recovered amount to the Government account and action taken for realisation of the balance amount has not been received (October 2008).

The Government may consider taking steps to strengthening the system of maintenance of records/registers relating to realisation of the composite tax. Also, co-ordination between the STA, Assam and the STAs of other states may be strengthened to ensure timely action in case of non/late receipt of bank drafts/information regarding numbers of vehicles allowed by respective STAs to ply in the State of Assam.

4.2.9 Internal audit

Internal audit is one of the tools of the internal control mechanism and functions as the 'eyes' and 'ears' of the management and evaluates the efficiency and effectiveness of the mechanism. It also independently appraises whether the activities of the organisation/department are being conducted efficiently and cost effectively.

Audit noticed that the department has an internal audit wing (IAW) consisting of one post of an Audit Officer (AO) and one post of an Assistant Audit Officer (AAO). Of these two posts, the post of AAO was lying vacant from 1999 to 2004-05. No internal audit had ever been conducted to evaluate the system of working of the department and to suggest ways and means to plug the leakage of revenue.

The Government may consider making the IAW operational so as to safeguard the interest of the revenue and avoid recurrence of the mistakes pointed out.

4.2.10 Outstanding revenue

According to the AMV Act, as amended, motor vehicle taxes are to be realised in advance. In case of default in payment of tax by the vehicle owners, the DTOs may forward to the Deputy Commissioner a certificate over his signature specifying the amount of tax due from such person and the Deputy Commissioner on receipt of such certificate shall proceed to recover such tax

including such penalty as he may deem fit, not exceeding one half of the annual tax, as if it were an arrear of land revenue.

Audit scrutiny revealed that the amount receivable, amount received and the outstanding amount at the end of the year were not worked out by the DTOs. No report/return has been prescribed for furnishing the position of the amount realisable, amount realised and amount outstanding during a particular period by the DTOs to the higher authorities. Due to the failure/deficiencies of the department at various levels to monitor the collection of arrear and non-initiation of effective steps to recover the arrear, amount of Rs. 94.77 lakh accumulated during the years 2002-03 to 2006-07 could not be realised till date. Also, no timeline has been prescribed for sending the case to the *bakijai*⁵ officer for recovery of dues as arrears of land revenue.

The consolidated position of outstanding MV revenue as on 31 March 2007 for the State as a whole was not furnished by the COT, Assam though called for. Only five⁶ out of 10 DTOs furnished the position of accumulated arrear revenue as on 31 March 2007 as mentioned below:

(Rupees in lakh)

Year	Amount outstanding at the beginning of the year	Demand for the year	Total amount	Collection during the year	Percentage of shortfall	Balance
2002-03	82.84	61.51	144.35	76.99	46.66	67.36
2003-04	67.36	57.48	124.84	55.53	55.52	69.31
2004-05	69.31	60.87	157.18	47.47	69.80	82.71
2005-06	82.71	67.49	150.20	45.55	69.67	104.65
2006-07	104.65	48.77	153.42	58.65	61.77	94.77

Thus, during the years 2003-04 to 2005-06, the concerned DTOs failed to collect even the demand for the current years. Also, none of the DTOs covered in the review were in a position to furnish the details of the cases forwarded to the *bakijai* officers for recovery of dues.

The Government may consider prescribing a specific timeline for sending the cases to the *bakijai* officer. Report/returns to be furnished by the DTOs mentioning amount due, amount realised and amount outstanding during the period of the report may be introduced for better monitoring of the recovery of the arrears.

Compliance deficiencies

4.2.11 Non-levy of fine on trucks carrying excess load of coal

Section 113 of the MV Act empowers the State Government to prescribe, *inter-alia*, the maximum weight to be carried by the transport vehicles. Section 114 provides that vehicles suspected to be carrying more than the authorised

⁵ Arrear recovery officer.

⁶ Dibrugarh, Kokrajhar, Nagaon, Tezpur and Tinsukia.

weight can be weighed by a weighing device. Further, in term of section 194 of the MV Act, whoever drives a motor vehicle or causes or allows a motor vehicle to be driven in contravention of the provisions of the sections 113 and 114 of the MV Act is punishable with a minimum fine of Rs. 2,000 and an additional amount of Rs. 1,000 per tonne of excess load.

4.2.11.1 Verification of the records of the Directorate of Mineral Resources check gate at Dainadubi in Meghalaya revealed that during the period between April 2001 and March 2004, 1,45,247 commercial trucks carried 28,16,755 MT of coal against the maximum permissible limit of 14,52,470 MT from different parts of the Garo Hills in Meghalaya and entered the State of Assam. The excess load of 13,64,285 MT escaped the notice of the Enforcement Wing leading to non-levy of minimum fine of Rs. 165.48 crore⁷.

4.2.11.2 Cross verification of the records of the DTO, Enforcement, Kamrup, Guwahati with those of the Superintendent of Sales Tax, Check gate, Jalukbari revealed that 3,377 commercial trucks carried load of 67,084 MT from Beltola to Azara/New Guwahati/Byhata/Rangia railway yard against the maximum permissible limit of 33,986 MT during different periods between January 2006 and October 2006. Excess load of 33,098 MT carried by these trucks beyond the maximum permissible limit escaped the notice of Enforcement Wing resulting in irregular plying of these vehicles with excess load and non-realisation of fine of Rs. 3.99⁸ crore.

After the case was pointed out, the department stated (July 2008) that they had only three check gates located at Boxirhat, Digharkhal and Srirampur and no check gate has been erected in the other entry and exit points of the State. The enforcement staff was working during dawn to dusk and night checking is not possible due to the lack of infrastructure.

The Government may make it mandatory for the Transport Department to cross verify the records of other departments periodically to detect trucks carrying load in excess of the permissible weight and levy penalty on the offenders.

4.2.12 Non/short realisation of licence fee from agents

The AMV Rules prescribes the rates of annual licence fee for issue/renewal of agents licence for goods and passenger vehicles. Section 93 of the MV Act provides that no person shall engage himself as an agent or canvasser in the sale of tickets for travel by public service vehicles or otherwise in soliciting customers for such vehicle or as an agent in the business of collecting, forwarding or distributing goods carried by goods carriages unless he has obtained a licence from such authority prescribed by the State Government.

⁷	1,45,247 X Rs. 2,000 =	Rs. 29,04,94,000
	13,64,285 X Rs. 1,000=	<u>Rs.136,42,85,000</u>
		<u>Rs. 165,47,79,000</u>
⁸	3,377 x Rs. 2,000	Rs. 67,54,000
	33,098 x Rs. 1,000	<u>Rs.3,30,98,000</u>
		<u>Rs.3,98,52,000</u>

Further, under the provisions of Section 193 of the MV Act, whoever engages himself as an agent or canvasser in contravention of the provisions of Section 93 or of any rules made thereunder shall be punishable for the first offence with fine which may extend to Rs. 1,000 and for any second or subsequent offences with imprisonment which may extend to six months or with fine which may extend to Rs. 2,000 or with both.

Test check of the records of the COT, Assam revealed that 57 licences were issued to the agents of passengers and goods vehicles during the period from April 2003 to March 2007. Of this, 33 (30 passenger vehicles and three goods vehicles) licences were issued on realisation of Rs. 17,000 against the realisable amount of Rs. 10.40 lakh. For the remaining 24 goods vehicles, licence fee was not realised. This resulted in short/non-realisation of licence fees from agents amounting to Rs. 29.91 lakh.

After the case was pointed out, the department accepted the audit observation and stated (June 2008) that the respective DTOs were directed to take action on the defaulting licence holders with the help of district and police administration. Further development/report on realisation of tax has not been received (October 2008).

4.2.13 Non-assignment of new registration marks

Section 47 of the MV Act stipulates that a motor vehicle registered in one State and kept in another State for a period exceeding 12 months, must be registered in the later State. Rule 81 of the CMV Rules prescribes the rate of registration fee for different categories of motor vehicles. The AMV Rules prescribes that if the owner of the vehicle of other States fails to apply for assignment of new registration mark under Section 47 of the MV Act, he shall be liable to pay a fine of Rs. 100 if the application is submitted within seven days after the expiry of the prescribed period. Further, if the vehicle is not reassigned within seven days of detection, a fine of Rs. 300 shall be leviable and this procedure can be repeated after every seven days till the vehicle is assigned a new registration number.

Test check of the combined registers for the period from April 2002 to March 2007 revealed that in nine⁹ DTOs, though 742 vehicles of other States plying within the State of Assam for more than one year, yet the owners of these vehicles failed to apply for new registration marks. No action was also taken by the DTOs to review the combined registers periodically and issue notices to the vehicle owners for assignment of new registration marks. This resulted in non-realisation of reassignment fee of Rs.4 lakh. Besides, fine of Rs.74,200 was also leviable.

After the case was pointed out, the department accepted the observation and stated (June 2008) that all the DTOs have been directed to endorse on the registration certificate and permit to reassign within the stipulated period.

⁹ Bongaigaon, Goalpara, Jorhat, Kamrup, Kokrajhar, Nagaon, Sibsagar, Tezpur, and Tinsukia.

4.2.14 Non-realisation trade licence fee

Under Rule 112(1) of the AMV Rules, no person shall establish a repairing centre for body building/weigh bridges and become a dealer/sub-dealer of motor vehicles, without a licence granted by the licencing authority, on realisation of licence fee as prescribed under Rule 112 (7) of the AMV Rules. Rule 112 (3) of the AMV Rules provides that licence shall be in force for five years and thereafter may be renewed for another five years on an application not less than six days before the date of expiry of previous licence. In case of non-renewal of licence in time, a fine of Rs. 2 per day will be imposed.

Test check of the records of 10 DTOs¹⁰ revealed that in three DTOs (Bongaigaon, Kokrajhar and Tezpur), 69 repairing centres/centres for body building/weigh bridges and dealers/sub-dealers were running their business without renewal of trade licences for periods ranging from April 2003 and March 2007. The department had not taken any action towards obtaining applications and renewal of their trade licence. This resulted in non-realisation of fees and fine amounting Rs. 2.44 lakh.

4.2.15 Non-realisation of trade certificate fee

Rule 81 of the CMV Rules (as amended in November 1994), provides that dealers of motor vehicles and parts are required to obtain trade certificates annually on payment of prescribed fees.

Test check of the records of two out of 10 DTOs¹¹ (Kokrajhar and Tinsukia) revealed that though trade certificate fees was not paid in 27 cases involving Rs. 1.39 lakh, yet no action was taken by the department for realisation of the fees. This resulted in non-realisation of trade certificate fees of Rs. 1.39 lakh.

4.2.16 Conclusion

Audit noticed that a number of system and compliance deficiencies in enforcement of the provisions of the MV Act and Rules which affected the collection of revenue adversely. Due to non-conducting of periodic review of combined registers by the DTOs, the department failed to check non-registration, non-payment of road tax within the prescribed period. Failure of the STA to maintain prescribed registers/records resulted in non-monitoring of the number of vehicles permitted by the STAs of other States to ply within the State of Assam and recovery of composite tax. Lack of regular checking of overloaded vehicles by the Enforcement Wing resulted in plying of overloaded vehicles on public roads causing threat to public life and property, besides loss of revenue. The internal control mechanism of the department was abysmally weak as is evidenced by the absence of an IAW which is the control of all controls and a management tool for plugging leakages of revenue.

¹⁰ Bongaigaon, Dibrugarh, Goalpara, Jorhat, Kamrup (R & L), Kokrajhar, Nagaon, Sibsagar, Tezpur and Tinsukia.

¹¹ Bongaigaon, Dibrugarh, Goalpara, Jorhat, Kamrup, Kokrajhar, Nagaon, Sibsagar, Tezpur and Tinsukia.

4.2.17 Summary of recommendations

The Government of Assam may consider the following steps to enhance the effectiveness of the machinery for levy and collection of motor vehicle tax, fees and fines.

- making it mandatory for the DTOs to periodically review the combined registers and issue demand notice to the defaulters. In case of non-payment of dues despite notices, immediate steps may be initiated for recovery of dues as arrears of land revenue;
- strengthening the system of maintenance of records/registers relating to realisation of composite tax. Also, co-ordination between the STA, Assam and the STAs of other States may be strengthened to ensure timely action in case of non/late receipt of bank drafts/information regarding numbers of vehicles allowed by respective STAs to ply in the State of Assam;
- making the IAW operational so as to safeguard the interest of revenue and avoid recurrence of the mistakes pointed out; and
- prescribing a specific timeline for sending the cases to the *bakijai* officer. Report/returns to be furnished by the DTOs mentioning amount due, amount realised and amount outstanding may be introduced for better monitoring of the recovery of arrears.
- making it mandatory for the Transport Department to cross verify the records of other departments periodically to detect trucks carrying load in excess of the permissible weight and levy penalty on the offenders