

CHAPTER 4 : Taxes on Vehicles

4.01 Results of Audit

Test check of the records of the transport offices during the year 2001-02, revealed non/short levy of motor vehicles tax, fees, penalties, fines etc. amounting to Rs. 11.25 crore in 6287 cases, which broadly fall under the following categories: -

(Rupees in crore)			
Sl. No.	Category	No. of cases	Amount
1.	Non/short levy of taxes	593	2.47
2.	Non-imposition of fees, fines and penalties	53	0.01
3.	Other cases	5641	8.77
Total		6287	11.25

During the year 2001-02, the concerned department accepted under-assessment and other irregularities in 272 cases involving Rs. 6.32 crore of which 83 cases involving 0.05 crore had been pointed out in audit during 2001-02 and rest in earlier years.

A few illustrative cases involving tax effect of Rs. 0.52 crore are discussed in the following paragraphs :-

4.02 Lack of control over collection of taxes

Under the Bihar and Orissa Motor Vehicles Taxation Act, 1930, as amended from time to time and rules made thereunder, tax in respect of a vehicle is payable annually or quarterly within 15 days from the commencement of the year or quarter, as the case may be. If owner of a Vehicle changes his place of residence/ business he shall within 30 days intimate his new address to the original registering authority concerned.

In 12 District Transport Offices¹, it was noticed (between January and December 2001) that the owners of 672 transport vehicles had stopped payment of taxes in the offices where they were originally registered, and no reasons were found recorded for non-payment of the tax. The department had also not taken any action to realise the same. This resulted in non-recovery of tax of Rs 1.92 crore pertaining to the period between January 1992 and December 2001.

On this being pointed out (between January and December 2001), 10² District Transport Officers (DTO), (in respect of 68 vehicles) stated (between February and December 2001) that demand notices would be issued for realisation of taxes while the DTO, Katihar stated (December 2001) that demand notices had already been issued to the vehicles owners concerned. The DTO Darbhanga stated (January 2001) in respect of 3 vehicles that owners were paying taxes in other district. The reply is not tenable as the owners of the vehicles did not obtain “no objection certificates” from the Registering authority and also no information regarding change in present address and tax position were found recorded in the Taxation Register. Further replies have not been received (November 2002).

The cases were reported to the Government (June 2002); their reply has not been received (November 2002).

4.03 Non-realisation of tax from vehicles

Under the Bihar Motor Vehicles Taxation (BMVT) Act, 1994 and rules made thereunder, when the owner of a motor vehicle does not intend to use his vehicle for certain period not exceeding six months at a time, he can be exempted from payment of tax by the competent authority provided his claim for exemption is supported by the required documents such as certificate of registration, fitness certificate, tax token, etc. For the period of non-use of vehicle he is entitled for exemption from payment of tax after following the prescribed procedure. He shall also furnish further undertaking to the concerned Taxation Officer if the extension of the said period is required.

(A) In 2 District Transport Offices (Muzaffarpur and Purnea), it was noticed (between April and August 2001) that documents of 54 motor vehicles

¹ *Bhagalpur, Bhojpur, Darbhanga, Hajipur, Katihar, Madhubani, Munger, Muzaffarpur, Patna, Rohtas, Saharsa and Samastipur.*

² *Bhagalpur, Bhojpur, Hazipur, Madhubani, Munger, Muzaffarpur, Patna, Rohtas, Saharsa and Samastipur.*

were surrendered between February 1998 and November 2000 but no further undertakings were received from any owners for extending the period of surrender. In the absence of fresh undertakings for extension of surrender, the vehicle owners were liable to pay tax of Rs. 15.60 lakh for the period from August 1998 to August 2001.

On this being pointed out (April and August 2001), the District Transport Officer (DTO), Purnea stated (April 2001) that demand notices would be issued while DTO, Muzaffarpur stated (August 2001) that cases would be examined and necessary action would be taken accordingly. Further reply has not been received (November 2002).

The cases were reported to the Government (June 2002); their reply has not been received (November 2002).

(B) In 3 District Transport Offices³, it was noticed (between July 2000 and September 2001) that in respect of 23 motor vehicles tax were not realised for the period falling between January 1994 and September 2001 though the applications for surrender were rejected / cancelled by the District Transport Officer/State Transport Commissioner. This resulted in non-realisation of taxes amounting to Rs. 11.49 lakh.

On this being pointed out (between July 2000 and September 2001); the DTO Bhagalpur and Patna stated (between July 2000 and February 2001) that demand notices would be issued while DTO Rohtas stated (October 2001) that necessary action would be taken after verification. Further reply has not been received (November 2002).

The case was reported to the Government (June 2002); their reply has not been received (November 2002).

4.04 Short realisation of revenue due to misclassification of vehicles

Under the Bihar Motor Vehicles Act, 1988, a motor vehicle owned by a college, school and other educational institutions and used solely for the purpose of transporting students or staff of the educational institution in connection with any of its activities, shall be treated as omnibus and shall be taxed accordingly. As per executive instruction issued by the State Transport Commissioner (STC) Bihar, in July 1994, unless an educational institution is recognised either by Bihar Government or is a Central educational institution, this facility will not be given. Further, as per notification issued by the State Government in May 1998, the above facility was withdrawn and such vehicles were liable to pay tax on the basis of their seating capacities.

In the District Transport Office, Bhagalpur, it was noticed (September 2001), that 12 motor vehicles not registered in the name of college, school or any educational institution recognized by Bihar Government or in the name of a Central educational institution, were treated as omnibuses and tax was realised

³ *Bhagalpur, Patna and Rohtas.*

at lower rate resulting in short realisation of tax amounting to Rs. 6.22 lakh for the period falling between October 1994 and April 2001.

On this being pointed out (September 2001), the DTO stated (September 2001) that demand notices were being issued. Further reply has not been received (November 2002).

The cases were reported to the Government (June 2002); their reply has not been received (November 2002).

4.05 Disposal of bank drafts received from other States

As per the Bihar Financial Rules, all transactions must be brought to account without delay and all moneys credited to Public account. A bank draft register containing receipt of bank drafts on account of realisation of composite fee due from concerned States is required to be maintained. The State Government have authorized certain nationalized banks to collect the amount of bank drafts deposited by State Transport Commissioner (STC). As per instructions of State Transport Commissioner (STC) (March 1996), the amount collected by bank during April to February is to be transferred to State Bank of India (SBI) Secretariat Branch, Patna in such a manner that all receipts during a particular month stand transferred latest by the 1st week of the following month. As regards the amount deposited in the month of March, it is to be transferred by 31st of March positively so that all amounts deposited in a financial year stand transferred to the Government account within the same financial year. As per Reserve Bank of India (RBI) instruction (June 1995) interest at the rate of 11.30 per cent per annum is payable by banks on delayed remittances to Government account.

(i) Non- realisation of revenue for want of revalidation of bank drafts

Test check of records of STA Patna revealed (May 2002) that 4911 bank drafts relating to the period between April 1994 and January 2001 involving Rs.49.96 lakh received from other States on account of composite fee, were returned by United Bank of India to STC Bihar in January 2002 for revalidation which were, however, not got revalidated by the department (May 2002) resulting in non-realisation of revenue in Government account.

(ii) Non-issue of cheque against balance at bank

There are 27 banks in Patna where bank drafts relating to composite fee received from other States/ RTAs are deposited by the STC for collection. In 7 banks⁴, there was a closing balance on account of collection of bank drafts valued at Rs 2.19 crore as on 31 March 2002. No action was taken by the STC to have it deposited in the Government account and to charge interest at the

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Allahabad Bank, Bank of Maharashtra, Bank of India, Indian Bank, Punjab and Sindh Bank, State bank of Patiala, and S.B.I. Main Branch, Patna.

rate of 11.30 per cent from the banks as per RBI instructions. This resulted in undue financial aid to banks.

(iii) Delay in deposit of revenue collection by banks

The collecting banks failed to credit the revenue collection through SBI Secretariat Branch, Patna into Government account within the prescribed time, with delays ranging from more than 1 month to 9 months. The department failed to take effective measures to ensure timely deposit of revenue by banks. This resulted in loss of revenue in the form of interest of Rs. 80.15 lakh for the period between May 2001 and February 2002.

The cases were reported to the Government (June 2002), their reply has not been received (November 2002).