

CHAPTER- IV: Taxes on Vehicles

4.1 Results of Audit

Test check of the records of the Transport Department during the year 2004-05, revealed non /short levy of motor vehicles tax, fees, penalties, fines etc. amounting to Rs 37.59 crore in 14,509 cases, which broadly fall under the following categories:

(Rupees in crore)			
Sl. No.	Category	No. of cases	Amount
1	Non/short levy of taxes	11,620	0.11
2	Short levy of taxes due to wrong fixation of seating capacity/ RLW	04	0.01
3	Other cases	2,884	10.28
4	Review on “Working of Motor Vehicles Department”	01	27.19
Total		14,509	37.59

During the year 2004-05 the concerned Department accepted under assessment and other irregularities in 896 cases involving Rs 0.90 crore of which 422 cases involving Rs 0.85 crore were pointed out in audit during 2004-05 and rest in earlier years.

A **Review on Working of Motor Vehicles Department** involving Rs 27.19 crore is given in the following paragraph:

4.2 Review: Working of Motor Vehicles Department

Highlights

- Taxes amounting to Rs 22.43 crore from 2,432 defaulter vehicles were not collected.
- Non/short realisation of trade tax of Rs 90.73 lakh from 45 dealers.
(Paragraph 4.2.9)

- Loss of revenue in the shape of interest of Rs 2.36 crore due to delay in transfer of revenue by collecting banks.
(Paragraph 4.2.14)

- Loss of interest of Rs 74.77 lakh due to non initiation of certificate proceedings.
(Paragraph 4.2.15)

4.2.1 Introduction

Motor Vehicles Department was established in 1972-73 in the State (erstwhile Bihar State) under the provisions of the Motor Vehicles Act, 1939, replaced by the Motor Vehicles Act, 1988, (MV Act). The levy and collection of tax and fee in the State is governed by Bihar Motor Vehicles Taxation (BMVT) Act, 1994, and Rules made thereunder and Bihar Motor Vehicles (BMV) Rules, 1992. The national permit scheme was introduced by Government of India in September 1975 under the provisions of MV Act, with a view to promote nation wide smooth operation of goods carriage by roads. On creation of State of Jharkhand with effect from 15 November 2000, the existing Acts, Rules and executive instructions of the State of Bihar were adopted by the State of Jharkhand.

4.2.2 Organisational set up

At the apex level, the State Transport Commissioner (STC), Jharkhand is responsible for administration of the Acts and Rules in the State. He is assisted by a Joint Transport Commissioner at the headquarters. The state has been divided into four regions* and 18 transport districts, which are controlled by State Transport Authority (STA) in the state, Regional Transport Authorities (RTAs) and District Transport Officers. They are assisted by motor vehicles inspectors (MVIs) who are authorised to inspect the vehicles and also issue certificates of fitness to transport vehicles.

* Dumka, Hazaribag, Palamu and Ranchi.

4.2.3 Audit Objectives

A review on the working of Transport Department was conducted with a view to ascertain whether:

- the provisions of laws and rules and departmental instructions were enforced to safeguard the revenue of Government;
- internal control measures as mentioned in the Act and Rules were being followed.

4.2.4 Scope of audit

With a view to ascertain the efficiency and effectiveness of the Transport Department in ensuring levy/collection of the tax/fee in accordance with the provisions of the Act/Rules, a test check of relevant records of STC office, Ranchi, two* out of four RTAs and 10** out of 18 District Transport Offices (DTO) for the years 1999-2000 to 2003-04 was conducted between October 2004 and April 2005. The cases which came to notice in five DTO*** in audit during the year are also incorporated in this report.

4.2.5 Internal control

- **Departmental Manual**

In order to keep a watch on various aspects of functioning of Motor Vehicles Department in implementing the Acts/Rules and orders in respect of registration of vehicles, levy and collection of taxes and fees etc, it is essential to have a manual in the Transport Department as an internal control. It was, however, noticed in audit that no manual has been prescribed in the Department. In the absence of any manual in the Department, the control which was required to be exercised and its efficacy could not be examined by audit.

Non maintenance of registers

- **Non maintenance of demand, collection and balance register**

Under the provisions of the BMVT Rules, every taxation officer is required to maintain the demand, collection and balance (DCB) register in Form N in order to keep effective control over the regular and timely realisation of taxes which shall be updated every year as on 1 October and 31 March.

* Hazaribag and Ranchi.

** Bokaro, Chaibasa, Chatra, Garhwa, Giridih, Gumla, Jamshedpur, Koderma, Palamu and Ranchi.

*** Deoghar, Dhanbad, Dumka, Hazaribag and Lohardaga.

In 13 DTOs^{*}, it was noticed that no DCB Register was maintained. This shows that there is no effective control on the taxes due for collection, actually collected and balance. Consequently, DTOs did not have details of the exact number of defaulting vehicles, the amount of arrears to be collected and the year wise break up of arrears.

After this was pointed out, Government stated in October 2005 that district transport officers have been instructed to maintain the register.

- ***Non completion of taxation register***

Under the provisions of the BMVT Rules, every taxing officer shall maintain a taxation register for each transport vehicle plying in the state in Form M. Each vehicle will have a separate page earmarked for it and entries relating to payment of tax, exemption / refund of taxes, if any, are made in the register. STC Bihar directed all DTOs in March 2000 to update the taxation register within a week.

In seven DTOs^{**} and STC Jharkhand, it was noticed that update entries regarding payment of taxes have not been made in the taxation registers in respect of transport vehicles plying in the State. As such, the position regarding payment of taxes by transport vehicles could not be ascertained.

After this was pointed out, Government stated in October 2005 that district transport officers have been instructed to maintain the register.

- ***Non maintenance of bank draft register***

As per the Bihar Financial Rules, all transactions must be brought to account without delay and should be credited to public account. A bank draft register containing receipt of bank drafts, permit numbers, number and date of bank draft, amount, period and name of state is required to be maintained.

In STA, Jharkhand it was noticed that no bank draft register was maintained showing the number of permit, date of receipt of bank drafts, amount, name of State from where bank drafts were received alongwith date of their disposal. In absence of this, the number of drafts received and actually deposited in banks could not be ascertained. This indicated a total lack of internal control relating to receipt and deposit of bank drafts.

After this was pointed out, STC stated that the above register would be maintained in future.

^{*} Bokaro, Chatra, Chaibasa, Dhanbad, Garhwa, Giridih, Gumla, Hazaribag, Jamshedpur, Koderma, Lohardaga, Palamu and Ranchi.

^{**} Bokaro, Dhanbad, Giridih, Hazaribag, Jamshedpur, Palamu and Ranchi.

- **Internal audit**

Internal audit is generally defined as control of all controls to enable an organisation to assure itself that the prescribed systems are functioning reasonably well. The audit wing of the Finance Department works as an internal auditor of all departments of the State Government including the Transport Department annually. The Finance Department in May 1960 directed that the internal audit parties are required to audit cases of levy and collection of motor vehicles tax including scrutiny of taxation registers, issue of demand notices and accounting of tax collected upto verification of deposit of the amount with treasury records for credit to the Consolidated Fund of the State.

Test check of records of 10 DTOs*, revealed that internal audit of the receipts of motor vehicles taxes was not conducted in any of these offices during the years from 2000-01 to 2003-04.

The total absence of internal audit system in the department resulted in the management remaining unaware of the areas of malfunctioning of the systems and did not, therefore, have any opportunity of taking remedial action.

- **Non reconciliation of figures**

As per the Bihar Financial Rules, it is the duty of the controlling officer to see that all sums due to the Government are promptly assessed, realised and credited to Government account. In order to ensure that amount credited to Government account has been properly accounted for, reconciliation between departmental figures and those booked in the Accountant General (A&E) office is required to be done regularly.

From information furnished by the STC, Jharkhand, Ranchi it was noticed that there was discrepancy of Rs 64.48 crore between the figures of revenue collection reported to Finance Department by the department and those shown in the Finance Accounts of Government of Jharkhand from 2000-01 to 2003-04 as detailed below:

(Rupees in crore)			
Year	Departmental figure	Figure as per Finance Accounts	Difference
15.11.2000 to 31.3.2001	29.61	18.27	(-) 11.34
2001-02	97.11	86.10	(-) 11.01
2002-03	116.12	104.91	(-) 11.21
2003-04	129.58	98.66	(-) 30.92
Total			(-) 64.48

The department failed to reconcile the discrepancy during 2000-01 to 2003-04.

* Bokaro, Chaibasa, Chatra, Gumla, Garhwa, Giridih, Koderma, Jamshedpur, Palamu and Ranchi.

After this was pointed out, STC Jharkhand stated in April 2005 that the work of reconciliation would be entrusted to some responsible officers. STC further stated in October 2005 that since a huge amount was involved, the matter was being investigated at Government level.

- ***Non furnishing of information by RO***

The PDR Act read with Rules made thereunder and the Board's instructions provide for furnishing by requisitioning officer (RO) correct addresses of defaulting vehicles owners against whom certificates are to be enforced by the certificate officer (CO) to enable him to institute certificate cases.

Test check of records of three ROs revealed that the COs had asked for certain details such as present addresses, the name of successors of defaulters and details of properties of these debtors etc. from the concerned ROs in respect of 133 cases involving Rs 73.92 lakh during the period from January 2001 to January 2005.

(Rupees in lakh)

Sl. No.	Name of ROs	Period during which information sought for by COs	Number	Amount
1.	Hazaribagh	January 2001 & January 2004	19	15.49
2.	Jamshedpur	January 2004 & January 2005	6	18.59
3.	Palamu	December 2002 & January 2003	108	39.84
		Total	133	73.92

The information called for by COs was not supplied by ROs. As such, certificate proceedings could not be initiated. This resulted in blockage of revenue of Rs 73.92 lakh.

After this was pointed out, the ROs Hazaribagh and Jamshedpur stated that the requisite information would be sent to the COs. RO Palamu stated in March 2005 that compliance had been sent to CO in January 2003. However, it was noticed from the records of RO that relevant information was not furnished to the CO. Government stated in October 2005 that ROs have been instructed to initiate prompt action.

- ***Irregular disposal of certificate cases***

The RO and CO are jointly responsible for timely disposal of certificate cases and to bring to each other's notice any undue delay.

In the office of DTO East Singhbhum, Jamshedpur, it was noticed in April 2005 that 302 cases involving tax of Rs 1.44 crore where requisitions were sent to CO were shown as disposed of during 2000-01 to 2003-04 as shown under:

(Rupees in crore)

Year	No. of certificate cases disposed of	Amount involved
2000-01	61	0.16
2001-02	118	0.73
2002-03	55	0.09
2003-04	68	0.46
Total	302	1.44

No entry was recorded in Register IX by RO in support of the disposal of certificate cases. Moreover, no information regarding mode of recovery of these cases was received from CO Jamshedpur.

Thus, there was an irregular disposal of certificate cases involving tax dues of Rs 1.44 crore without proper entry in Register IX as well as without any information from CO Jamshedpur whether the recovery was made by him.

After this was pointed out, the district transport officer Jamshedpur stated that necessary information would be obtained from CO. The STC instructed the district transport officer in October 2005 to initiate prompt action in the matter.

- ***Delay in entry of cases in Register X***

Under the PDR Act, on receipt of any requisition, from RO, if the CO is satisfied that demand is recoverable and that recovery is not barred by law, he may sign a certificate and shall cause the certificate to be filed in his office and enter the same in register X.

In the office of CO, Palamu, Daltonganj, it was noticed that 52 certificate requisitions involving Rs 1.47 crore received from RO, Palamu between October 2001 and January 2002 were entered in Register X by CO during the year 2004-05 resulting in delay in initiating certificate proceedings for more than two years.

After this was pointed out, the district transport officer Palamu stated in March 2005 that the matter would be taken up with CO. STC in October 2005 further instructed the DTO to initiate prompt action in the matter.

- ***Discrepancy between the figures of Register IX and X***

As per the Board of Revenue's instruction issued under the PDR Act, RO is required to maintain Register IX in respect of requisition issued to CO for instituting certificate proceedings. On receipt of requisition from RO the CO is required to check the requisition and information, if any, required to be called for is obtained from ROs and thereafter enter the requisition in Register X. In order to have proper check over these two registers and to ensure that requisitions are promptly attended to, Register IX of RO is to be compared every month with Register X of CO.

In eight ROs and COs, it was noticed that there was a discrepancy between the figures of Register IX and Register X on 31 March 2004 as detailed below:

(Rupees in crore)

Name of RO and CO	Register IX		Register X		Difference	
	No. of cases	Amount involved	No. of cases	Amount involved	No. of cases	Amount involved
1. Giridih	1,331	1.98	345	0.64	986	1.34
2. Chaibasa	1,433	3.17	609	1.62	824	1.55
3. Lohardaga	60	0.19	58	0.20	2	(-) 0.01
4. Ranchi	4,184	33.76	4,183	33.71	1	0.05
5. Dhanbad	3,564	15.99	3,553	15.73	11	0.26
6. Bokaro	2,398	9.75	1,670	3.62	728	6.13
7. Palamu	269	2.19	225	0.79	44	1.40
8. Jamshedpur	2,109	10.09	1,760	8.89	349	1.20
Total	15,348	77.12	12,403	65.20	2,945	11.92

The above facts clearly indicate that there was a discrepancy of 2,945 certificate cases involving Rs11.92 crore between both the registers.

After this was pointed out, the concerned ROs stated that the matter would be taken up with the COs. STC stated in October 2005 that DTOs have been instructed to initiate prompt action in the matter.

4.2.6 Trend of revenue

The budget estimates of Transport Department and actual collection for the last five years is given below:

(Rupees in crore)

Year	Budget estimates	Actuals	Short fall (-)/ Excess (+)	Percentage short fall /Excess
2000-01	177.73	223.98	(+) 46.25	(+) 26
2001-02	140.00	86.10	(-) 53.90	(-) 39
2002-03	182.75	104.91	(-) 77.84	(-) 39
2003-04	190.00	98.66	(-) 91.34	(-) 48
2004-05	224.59	130.24	(-) 94.35	(-) 42

The position for the year 2000-01 also includes the budget estimates and actuals of erstwhile state of Bihar upto 14 November 2000. The shortfall in revenue during the years 2001-02 to 2004-05 ranged between 39 to 48 per cent. In none of the years target was achieved by the department after the creation of Jharkhand State.

After this was pointed out, STC Jharkhand stated in May 2005 that targets were fixed by the Finance Department without consultation with the Transport Department. It was also added that the targets could not be achieved due to shortage of staff in the department.

4.2.7 Position of arrears

The arrears of revenue pending collection at the end of 31 March 2004 as reported by the Department was Rs 136.54 crore, out of which certificate proceedings of Rs 110.64 crore in 21,481 cases had been initiated.

(Rupees in crore)	
Year	Amount
1999-2000	117.00
2000-01	121.67
2001-02	127.97
2002-03	132.36
2003-04	136.54

It would be seen that amount of arrears has increased from Rs 117 crore in 1999-2000 to Rs 136.54 crore as on 31 March 2004 which is 17 *per cent*. The year wise position of certified arrears was not furnished by the STC.

4.2.8 Deficiency in pursuance of certified arrears

Under the BMVT Act, arrears of motor vehicle tax shall be recoverable as arrears of land revenue under Public Demands Recovery Act, 1914 (PDR Act) which stipulates that the CO on receipt of requisition in prescribed form from the RO after being satisfied that the demand is recoverable shall cause the certificate to be filed in his office. The Act also empowers him to cancel such certificates if he finds that the RO is not reasonably diligent in pursuing cases. As per instructions issued by the Board of Revenue, the RO is primarily responsible for systematic application of certificate, prompt disposal of objections, if raised by CO. The RO and CO are jointly responsible for timely disposal of certificate cases and bound to bring to each other's notice any undue delay.

The position of certified arrears in respect of 10 DTOs* as collected by audit is indicated below:

(Amount in crore)											
Year	Opening balance		Addition		Total		Disposal		Balance		Percentage of disposal of amount
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	Col. 5 to 4
1	2		3		4		5		6		7
2000-01	13,431	61.70	-	-	13,431	61.70	62	0.16	13,369	61.54	0.26
2001-02	12,888	63.05	4	0.03	12,892	63.08	194	1.55	12,698	61.53	2.45
2002-03	12,736	63.13	17	3.06	12,753	66.19	81	0.19	12,672	66.00	0.29
2003-04	12,678	66.00	36	0.17	12,714	66.17	76	0.52	12,638	65.65	0.78
Total			57	3.26			413	2.42			

12,638 certificate cases involving an amount of Rs 65.65 crore remained unsettled till March 2004. Only 413 certificate cases involving Rs 2.42 crore could be settled during the period from 2000-01 to 2003-04 which ranged between 0.26 to 2.45 *per cent* of the total amount of certified arrears. It would be seen that there was discrepancy in number of cases and amount between closing balance and opening balance in all the years which was not reconciled.

After this was pointed out, the concerned district transport officers stated between November 2004 and April 2005 that matter would be taken up with

* Bokaro, Chaibasa, Chatra, Garhwa, Giridih, Gumla, Jamshedpur, Koderma, Palamu and Ranchi.

the COs for early disposal of cases. The STC stated in October 2005 that district transport officers have been instructed to initiate action promptly.

4.2.9 Non raising of demand for collection of taxes

- ***Lack of control over collection of taxes***

Under the provisions of the BMVT Act, tax is to be paid to the taxing officer in whose jurisdiction the vehicle has been registered. In case of change of residence/business, the owner of vehicle can pay tax to the new taxation officer subject to production of “no objection certificate” (NOC) from the previous taxing officer. Taxes in respect of a motor vehicle are payable within 15 days from commencement of the quarter or year as the case may be. Non payment of tax in time attracts penalty at the rates prescribed depending upon period of delay. If the delay exceeds 90 days, penalty at twice the amount of tax due is leviable. District transport officers are required to issue demand notices against the defaulter and initiate certificate proceedings where necessary under PDR Act. The Chief Secretary, Bihar, in March 1999 and October 2000 directed all the departments to ensure payments of tax dues on vehicles of Government/public sector undertakings and corporations.

In 15 DTOs^{*}, it was noticed that in cases of 1,843 motor vehicles, the owners/Government departments, public sector undertakings and corporations had stopped payment of taxes during the period from 2000-01 to 2004-05 and the concerned district transport officers failed to issue any demand notices on the defaulters. This resulted in non levy of tax of Rs 7.14 crore. Besides penalty of Rs 14.30 crore was also leviable.

After this was pointed out in June 2005, Government stated in October 2005 that district transport officers have been instructed to issue demand notices against the defaulters.

- ***Non levy of taxes against trailers***

Under the BMVT Act and Rules made thereunder, owners of trailer are required to pay road tax and additional motor vehicles tax at the rates prescribed. The above Act provides that a motor vehicle used for transporting agricultural produce shall not be deemed to be used solely for the purposes of agriculture.

In 15 DTOs^{**}, it was noticed that the owners of 589 trailers stopped payment of road tax and additional motor vehicles tax during the period from 2000-01 and 2004-05 in the offices where they were originally registered. The Department did not raise any demand against the defaulters. This resulted in

^{*} Bokaro Chatra, Chaibasa, Deoghar, Dhanbad, Dumka, Garhwa, Giridih, Gumla, Hazaribag, Jamshedpur, Koderma, Lohardaga, Palamu and Ranchi.

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non levy of tax of Rs 33.11 lakh. Besides penalty of Rs 66.21 lakh was also leviable.

After this was pointed out in June 2005, Government stated in October 2005 that district transport officers have been instructed to issue demand notices against the defaulters.

- ***Non/short levy of trade tax against dealers***

Under the BMVT Act, tax at the rate of Rs 400, Rs 500 and Rs 600 per year per seven vehicles, depending on the class of vehicles, shall be paid by a manufacturer or a dealer in motor vehicles in respect of motor vehicles in his possession in the course of his business as a manufacturer or dealer under the trade certificate granted under Central Motor Vehicles (CMV) Rules, 1989.

In 11 DTOs^{*}, it was noticed between July 2004 and April 2005 that in the case of 45 dealers trade tax was either not paid or paid short in respect of motor vehicles in their possession during the course of their business pertaining to the period from 1999-2000 to 2003-04. This resulted in non levy of trade tax amounting to Rs 58.83 lakh. Besides penalty of Rs 31.90 lakh was also leviable.

After this was pointed out in June 2005, Government stated in October 2005 that district transport officers have been instructed to issue demand notices against the defaulters.

- ***Non levy of tax against surrender of vehicles***

Under the BMVT Act and Rules made thereunder, when the owner of a motor vehicle does not intend to use his vehicle for a 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 and tax token. He shall also, from time to time, furnish an undertaking to the concerned taxation officer of the extension, if any, of the said period.

In six DTOs^{**}, it was noticed that 35 vehicles were surrendered between April 1999 and March 2004 but after the expiry of surrendered period, neither the vehicle owners applied for extension of surrender nor any action was taken by the taxing officer to cancel the surrender and levy the tax accordingly. This resulted in non levy of tax amounting to Rs 35.63 lakh including penalty.

After this was pointed out, Government stated in October 2005 that district transport officers have been instructed to issue demand notices against the defaulters.

^{*} Chaibasa, Deoghar, Dhanbad, Dumka, Garhwa, Giridih, Gumla, Hazaribag, Jamshedpur, Koderma and Ranchi.

^{**} Chaibasa, Garhwa, Giridih, Gumla, Jamshedpur and Palamu.

- ***Non levy of additional motor vehicles tax***

Under the BMVT Act, additional motor vehicles tax in lieu of passenger and goods tax is payable by registered owners or persons having possession or control of public service motor vehicles or transport vehicles at the rate specified in the Act by all owners of transport vehicles irrespective of whether the vehicles are public or private transport vehicles.

During the course of audit of five DTOs*, it was noticed that additional motor vehicles tax in respect of 158 vehicles during the period between August 1999 and March 2005 amounting to Rs 33.05 lakh including penalty was not levied. No action was taken by the Department to levy the same.

After this was pointed out, Government stated in October 2005 that district transport officers have been instructed to issue demand notices against the defaulters.

4.2.10 Loss of revenue

By notifications issued on 28 March 2001 and 31 May 2002, Government of India enhanced the rates of fee in respect of driving licence, registration of vehicles, issue of certificate of fitness and testing fee etc. with effect from 1 April 2001 and 31 May 2002 respectively. The notification dated 28 March 2001 was circulated to field offices on 7 March 2002 and notification of 31 May 2002 though received in the office of the STC Jharkhand in July 2002 has not been circulated so far.

In eight DTOs**, in 53,551 cases it was noticed that in cases of 51,209 driving licences, 1,171 registration of vehicles, 1,171 certificates of fitness and testing fees, enhanced rate of fees was not levied by concerned offices between April 2001 and December 2004 due to delayed circulation of Government of India notification dated 28 March 2001 and non circulation of notification dated 31 May 2002. This resulted in loss of revenue of Rs 29.48 lakh.

After this was pointed out, all district transport officers stated that demand notices would be issued for realisation of fees, whereas STC stated in March 2005 that the action on notification issued by the Central Government on 31 May 2002 would be taken.

4.2.11 Evasion of tax

The CMV Rules enumerate the procedure for registration of motor vehicles and issue of registration certificates to owners. Under the provisions of the BMVT Act, tax is to be paid to the taxing officer in whose jurisdiction the vehicles have been registered. Non payment of tax in time attracts penalty at the rates prescribed.

* Chaibasa, Chatra, Garhwa, Gumla and Palamu.

** Bokaro, Chatra, Dumka, Garhwa, Giridih, Gumla, Koderma and Ranchi.

In DTO Dhanbad, it was noticed that Police Department applied for registration of 45 vehicles during July and September 2001. As a token of receipt of registration fee, "likely registration marks" to these vehicles were allotted through computer. Thereafter, the Police Department did not obtain certificates of registration of these vehicles and pay the tax. This resulted in evasion of tax amounting to Rs 4.10 lakh by Police Department. Besides penalty of Rs 8.20 lakh was also leviable.

After this was pointed out, Government stated in October 2005 that district transport officers have been instructed to issue demand notices against the defaulters.

4.2.12 Short levy of tax due to application of incorrect rates

Under the BMVT Act, every owner of a transport vehicle is required to pay road tax and additional motor vehicles tax at the rates specified in the Act. STC Bihar vide instruction dated 30 September 2000 stated that seating capacity of bus having wheel base of 205" was to be determined as 53 seats and tax realised accordingly irrespective of the number of seats fitted in it.

In five DTOs*, road tax and additional motor vehicles tax on 16 buses having wheel base of 205" were levied at rates lower than those specified in the Act. This resulted in short levy of tax of Rs 7.82 lakh for periods falling between March 1999 and June 2005.

After this was pointed out, Government stated in October 2005 that district transport officers have been instructed to issue demand notices against the defaulters.

4.2.13 Non realisation of fees due to non assignment of registration mark

Under the provisions of the MV Act and Rules made thereunder, where a motor vehicle belonging to other state is intended to be kept in the state for a period exceeding 12 months, the owner on furnishing declaration to that effect is to submit an application accompanied by a NOC alongwith appropriate fee at any time within 12 months for assignment of new registration mark to the vehicle. If the owner fails to apply within the prescribed period he is required to pay a sum which may extend to Rs 100 and Rs 300 for the first and second or subsequent offences respectively.

In seven DTOs**, it was noticed that 822 transport vehicles remained in the concerned districts for a period beyond 12 months with registration number of previous states without being assigned local registration mark. This resulted in loss of revenue in the shape of fee of Rs 5.44 lakh pertaining to the period between January 2000 and March 2004.

After this was pointed out, Government stated in October 2005 that district transport officers have been instructed to issue notices against the defaulters.

* Bokaro, Chaibasa, Chatra, Giridih and Jamshedpur.

** Bokaro, Dhanbad, Giridih, Hazaribag, Jamshedpur, Koderma and Lohardaga.

4.2.14 Delay/ irregular transfer of Government revenue

Bihar Financial Rules (as adopted by Government of Jharkhand) prescribe that all transactions must be brought to account without delay and all revenue should be credited to Government account. As per instructions issued by STC Bihar, Patna (March 1996) the collection of revenue i.e, motor vehicle tax and fees etc. for the period from April to February is required to be transferred to State Bank of India (SBI), Secretariat Branch, Patna in the first week of the following month for credit to Government account by the collecting bank. The same instructions were adopted by Government of Jharkhand and collection of revenue required to be transferred to SBI Doranda Branch, Ranchi after the formation of Jharkhand State on 15 November 2000. Collection in the month of March is to be transferred by 31 March so that all amounts deposited in a financial year stand transferred to Government account within the same financial year.

- In the office of DTO Palamu, it was noticed in March 2005 that a sum of Rs 22.04 lakh being collection of revenue under the head '0041- Taxes on vehicles' for the period from 18 November 2000 to 5 December 2000 was transferred to SBI Secretariat Branch, Patna instead of SBI Doranda, Ranchi. This resulted in irregular transfer of revenue pertaining to State of Jharkhand to State of Bihar. No action was taken for transfer of the aforesaid amount from Bihar State to Jharkhand State by the Department.

After this was pointed out, district transport officer, Palamu stated that the statement of deposit was sent to STC, Jharkhand, Ranchi. The reply is not tenable as the revenue collected was credited to the account of Bihar Government instead of Jharkhand Government. STC Jharkhand stated in October 2005 that the matter was being investigated at Government level.

- As per Reserve Bank of India's instructions issued in April 2003, interest at the rate of eight *per cent* per annum is payable by banks on delayed remittance to Government account.

Test check of bank reconciliation statement of Punjab National Bank, SBI, CMPDI branch and ICICI Bank Main Road, Ranchi as available in the office of STC Ranchi and three DTOs* revealed that the banks transferred the revenue collected to SBI, Doranda Branch, Ranchi for credit into Government account with delays ranging from one to 11 months. The Department did not charge interest for delayed remittances of amount to Government account resulting in loss of interest of Rs 2.36 crore.

After this was pointed out, the concerned district transport officers stated that matter would be taken up with the concerned banks. The STC stated in October 2005 that concerned DTOs have been instructed to pursue the matter with bank authority.

* Bokaro, Jamshedpur and Ranchi.

4.2.15 Loss of interest due to non institution of certificate proceedings

Under the BMVT Act, recovery of tax, penalty or fine is recoverable as arrear of revenue. There is no provision in BMVT Act to levy interest for delay whereas as per provision of PDR Act simple interest at the rate of 12 *per cent* per annum is recoverable from the date of signing of certificate till the date of realisation. Any delay in initiating certificate proceedings has the effect of loss of interest to Government as the provision for charging interest on belated payment covered by certificate takes effect only from the date of signing of the certificates.

In the office of DTO Daltonganj (Palamu), it was noticed that tax revenue amounting to Rs 3.79 crore was outstanding for the period from 1999-2000 to 2002-03 against defaulters. The amount was not covered under any stay of judicial/appellate authority. The department did not initiate certificate proceedings against defaulters till the date of audit. This resulted in loss of interest of Rs 74.77 lakh calculated from 1999-2000 to 2003-04 on outstanding dues besides non recovery of taxes amounting to Rs 3.79 crore.

After this was pointed out, district transport officer Palamu stated in March 2005 that action would be taken to file certificate cases as soon as possible. STC stated in October 2005 that the district transport officer has been instructed to initiate action in the light of audit observation.

4.2.16 Delay in issue of national permit/renewal of authorisation thereof

As per instruction issued by the STC in February 1996, national permit/renewal of authorisation thereof is to be issued within seven/three days respectively of the receipt of application.

Test check of records of STA Jharkhand in February 2005 revealed that in respect of 13 cases there was delay of 13 to 41 days in issue of national permits and in nine cases delay of 21 to 66 days in renewal of authorisation of national permits during the period from June 2001 to August 2004.

4.2.17 Non renewal of authorisation of national permit

Under the MV Act, a permit other than a temporary or special permit shall be issued for a period of five years. As per provisions of national permit scheme, the owner of vehicle is required to obtain authorisation for one year on payment of authorisation fee of Rs 500 in advance alongwith composite fee in the shape of bank drafts for transmission to states where the vehicle is to be plied. This authorisation is a continuous process unless the permit expires or is surrendered by the permit holder. In case of non payment of composite fee within the due date, the permit issuing authority is required to impose penalty at the rate of Rs 100 per month or part thereof.

Test check of records relating to composite fee in respect of STA and RTAs Hazaribagh and Ranchi revealed that in 398 cases subsequent authorisation for plying goods vehicles under national permits was neither renewed for the

period falling between June 2002 and March 2005 during the periodicity of permits nor the national permits were surrendered. This resulted in non realisation of authorisation fee of Rs 3.42 lakh. Besides composite fee of Rs 1.11 crore pertaining to other states was realisable. In addition, penalty at prescribed rate was also leviable.

After this was pointed out, the RTAs and STA stated that the notices would be issued for renewal of authorisation to the concerned permit holders.

4.2.18 *Recommendations*

In view of the above observations, Government may consider to:

- take necessary steps to maintain and update the prescribed Registers under the provisions of Act/Rules to facilitate prompt collection of tax dues and fees etc;
- ensure timely transfer of revenue into Government account by the collecting banks;
- fix target for collection of arrears and monitor the same closely;
- take prompt action for implementation of rate of fees revised by Government of India to avoid loss of revenue.

4.2.19 *Acknowledgement*

Audit findings, as a result of test check of the implementation of working of Motor Vehicles Department were reported to the Government in June 2005 with a specific request for attending the meeting of Audit Review Committee (ARC) for Transport Department, so that view point of Government was taken into account before finalising the review. The meeting of ARC was held on 14 October 2005.