

CHAPTER IV - TAXES ON VEHICLES

4.1 Results of audit

Test check of the records of the Transport Department during 2007-08 revealed non/short levy of motor vehicles tax, fees, penalties, fines etc. amounting to Rs. 36.97 crore in 58,554 cases, which fall under the following categories:

(Rupees in crore)

Sl. No.	Category	No. of cases	Amount
1.	Non/short levy of taxes	3,003	16.12
2.	Non-imposition of fees, fine and penalty	967	0.13
3.	Other cases	54,584	20.72
Total		58,554	36.97

The department accepted non/short levy of motor vehicles tax, fees, penalties, fines etc. of Rs. 36.97 crore in 58,554 cases pointed out in audit during 2007-08.

A few illustrative cases involving loss of revenue of Rs. 29.80 crore are discussed in the succeeding paragraphs:

4.2 Non-collection of taxes

Under the provisions of the Bihar Motor Vehicles Taxation Act, 1994 (adopted by the Government of Jharkhand), tax is to be paid by owner of the vehicle, within 15 days of commencement of the quarter, to the taxing officer in whose jurisdiction the place of registration falls. In case of change of place of residence/business, the owner can pay tax to the new registration authority subject to the production of 'no objection certificate' from the previous taxing officer. In case of non-payment of tax within the stipulated period, the taxing authority may impose penalty at the prescribed rates. According to the instructions issued by the State Transport Commissioner, Bihar, in November 1990, the taxing officers are to raise demand notices against such defaulters.

Test check of taxation registers in 17 district transport offices¹ between May 2007 and March 2008 revealed that the owners of 5,661 transport vehicles did not pay the tax and additional tax for the various periods between April 2003 and March 2008. Although no reasons were found recorded for non-payment of tax, the department did not raise demand for tax and penalty against the defaulting vehicle owners. This resulted in non-levy of tax of Rs. 7.89 crore and penalty of Rs. 15.77 crore.

After the matter was reported in April 2008, the Government stated in September 2008 that a sum of Rs. 25.64 lakh had been realised from 70 defaulting vehicle owners and in respect of other defaulting vehicle owners demand notices had been issued in six districts². Further reply has not been received (November 2008).

4.3 Delay in deposit of collected revenue by banks

Under the provisions of the Bihar Financial Rules (adopted by the Government of Jharkhand), all transactions must be brought to account without delay and money received should be forthwith credited to the Government account. Instructions (March 1996) of State Transport Commissioner, Bihar, and Transport Commissioner, Jharkhand (January 2001), stipulates that the amount collected by the banks during April to February should be transferred to the State Bank of India, Doranda branch, Ranchi in such a manner that all the receipts during a particular month are transferred latest by the first week of the following month. The amount deposited in the month of March is to be transferred by 31 March positively so that all amount deposited during a financial year are transferred to the Government account in the same financial year. Further, as per instructions issued by the Reserve Bank of India in April 2006, interest at the rate of eight *per cent* per annum, on an average quarterly balance exceeding Rs. 1 crore, is payable by the banks on delayed remittances to the Government account.

¹ Bokaro, Chatra, Deoghar, Dhanbad, Dumka, East Singhbhum (Jamshedpur), Giridih, Godda, Gumla, Hazaribag, Koderma, Lohardaga, Pakur, Palamu, Ranchi, Sahebganj and West Singhbhum (Chaibasa).

² East Singhbhum (Jamshedpur), Hazaribag, Lohardaga, Palamu, Ranchi and Sahebganj.

Test check of the records of five district transport offices³ between June 2007 and March 2008 revealed that the collecting banks, i.e., four branches of Punjab National Bank at Bokaro, Dhanbad, East Singhbhum (Jamshedpur) and Ranchi and one branch of Central Bank of India at West Singhbhum (Chaibasa) delayed the transfer of the collected revenue of district transport offices into the Government account through State Bank of India, Doranda branch by one to 11 months. The collecting banks did not credit the leviable interest of Rs. 2.30 crore during 2006-07 for delayed transfer of the Government revenue into State Bank of India, Doranda, Ranchi. The department did not pursue the matter of non-payment of interest by the banks.

After the matter was reported in April 2008, the Government stated in September 2008 that business with Punjab National Bank, Ranchi had been discontinued as a collecting bank and Punjab National Bank, Jamshedpur had been asked to deposit the collected amount with interest accrued thereon. Further, it was stated that certificate case had been instituted against Central Bank of India, Chaibasa. Further reply has not been received (November 2008).

4.4 Non-levy of taxes against trailers

Under the provisions of the Bihar Motor Vehicles Taxation Act and Rules framed thereunder, an owner of a registered motor vehicle is required to pay road tax and additional motor vehicle tax at the prescribed rates. The Act further provides that trailer is a transport vehicle and shall not be eligible for any exemption from payment of tax, irrespective of nature of its use. If delay in payment of tax exceeds 90 days, penalty at twice the amount of tax due may be imposed.

Test check of the records of 14 district transport offices⁴ between May 2007 and March 2008 revealed that the owners of 1,216 trailers did not pay road tax and additional motor vehicle tax for the period between April 2003 and March 2008. The department did not raise demand against the defaulting trailer owners. Non-enforcement of the provisions of the Act/Rules resulted in non-levy of tax of Rs. 58 lakh and penalty of Rs. 1.16 crore.

After the matter was reported in April 2008, the Government stated in September 2008 that a sum of Rs. 3 lakh had been realised from 19 defaulting vehicle owners and in respect of other defaulting vehicle owners demand notices had been issued in four districts⁵. Further reply has not been received (November 2008).

4.5 Non-levy of additional amount of fee on smart card

Under the provisions of the Central Motor Vehicle Rules, 1989, the registering authority shall issue a certificate of registration to the owner of the motor vehicle in form '23' or '23A'. In September 2004, the Government of

³ Bokaro, Dhanbad, East Singhbhum (Jamshedpur), Ranchi and West Singhbhum (Chaibasa).

⁴ Bokaro, Deoghar, Dhanbad, Dumka, East Singhbhum (Jamshedpur), Giridih, Gumla, Hazaribag, Koderma, Lohardaga, Palamu, Ranchi, Sahebganj and West Singhbhum (Chaibasa).

⁵ East Singhbhum (Jamshedpur), Hazaribag, Sahebganj and West Singhbhum (Chaibasa).

Jharkhand entered into an agreement with a contractor for issue of registration certificates and driving licences in the form of computerised smart cards. Further, by a notification issued in May 2005, for every smart card, an additional fee of Rs. 200 is leviable under the rules.

Test check of the records of eight district transport offices⁶ between May 2007 and January 2008 revealed that 46,031 certificates of registration in the form of smart cards were issued without levying additional fee between April and November 2006. Non-adherence to the provisions of the rules resulted in non-levy of additional fee amounting to Rs. 92.06 lakh.

After the matter was reported in April 2008, the Government intimated in September 2008 that the additional amount of fee on smart cards was being realised regularly at Lohardaga and Hazaribag after November 2007. In case of other districts reply has not been received (November 2008).

4.6 Non/short levy of trade tax

Under the Bihar Motor Vehicles Taxation Act and Rules framed thereunder, tax at the prescribed annual rate is leviable on a manufacturer/dealer in respect of the motor vehicles in his possession in the course of his business as manufacturer/dealer. Further, as per the executive instruction issued in May 2001 by the department, penalty on delayed payment of trade tax is leviable at the prescribed rate.

Test check of the records of three district transport offices⁷ between May 2007 and February 2008 revealed that 25 manufacturers/dealers of motor vehicles had not deposited the requisite trade tax in respect of 1,00,287 vehicles possessed by them between 2003-04 and 2006-07. The department did not raise any demand against the defaulters. This resulted in non-levy of trade tax of Rs. 86.51 lakh including penalty of Rs. 3.46 lakh.

After the matter was reported in April 2008, the Government stated in September 2008 that a sum of Rs. 1.58 lakh had been realised from a dealer by District Transport Office, Deoghar and notices had been issued in rest of the cases. Further reply has not been received (November 2008).

4.7 Non-levy of tax on surrendered vehicles

Under the Bihar Motor Vehicles Taxation Act and Rules made thereunder, when an owner of a motor vehicle does not intend to use his vehicle due to disability of motor vehicle caused by mechanical breakdown or other causes for any period more than a month and not exceeding six months at a time, he can be exempted from the payment of tax by the competent authority provided his claim for exemption is supported by the required documents. In the absence of any extension, the vehicle would be deemed to have been used and the vehicle owners will be liable to pay tax. If the delay in payment of tax exceeds 90 days, penalty at twice the amount of tax due may be imposed.

⁶ Bokaro, Deoghar, Dhanbad, Giridih, Gumla, Hazaribag, Lohardaga and Palamu.

⁷ Deoghar, East Sinhbhum (Jamshedpur) and Sahebganj.

Test check of the records of six district transport offices⁸ between July 2007 and March 2008 revealed that 42 vehicles were surrendered between June 2004 and January 2007 but after expiry of the surrendered period, neither the vehicle owners applied for extension of surrendered period nor was demand raised by the taxing officer beyond the expiry of the surrendered period between September 2004 and January 2008. This resulted in non-levy of tax amounting to Rs. 31.25 lakh including penalty for the period between September 2004 and March 2008.

After the matter was reported in April 2008, the Government stated in August 2008 that demand notices against all the defaulting vehicle owners in Jamshedpur had been issued. In case of other districts, reply has not been received (November 2008).

⁸ East Singhbhum (Jamshedpur), Giridih, Hazaribag, Palamu, Ranchi and Sahebganj.