

CHAPTER - IV : TAXES ON VEHICLES

4.1 Results of Audit

Test check of records relating to taxes on vehicles during the year 2004-05 revealed non assessment of tax and losses of revenue amounting to Rs.68.79 crore in 2,100 cases which can broadly be categorised as under:

(Rupees in crore)

Sl. No.	Category	Number of cases	Amount
1.	Non/short levy of vehicle tax, penalty and composition fee on public service vehicles	620	5.57
2.	Non/short levy of vehicle tax and penalty on goods vehicles	695	1.58
3.	Others	784	39.25
4.	Arrears of Motor Vehicle Tax	1	22.39
	Total	2,100	68.79

During the year 2004-05, the Department accepted underassessment of tax of Rs.46.40 crore involving 2,099 cases which were pointed out in audit during 2004-05. An amount of Rs.27.70 lakh had been recovered in seven cases during the year 2004-05.

A few illustrative cases involving Rs.6.35 crore highlighting important cases are mentioned in this chapter.

4.2 Arrears of Motor Vehicle Tax

4.2.1. Introduction

Madhya Pradesh Motor Karadhan Adhiniyam, (*Adhiniyam*) 1991 provides that tax shall be levied on every motor vehicle used or kept for use in the State at the rate specified in the *Adhiniyam* and in accordance with the Madhya Pradesh Motor Vehicle Rules, 1994 (Rules) made thereunder. The tax levied under the *Adhiniyam* shall be paid either monthly, quarterly, half yearly or yearly in advance by the owner of the motor vehicle. Where the owner of a vehicle fails to file declaration of payment of tax, taxation authority may on the basis of information available with it, after giving the owner of vehicle an opportunity of being heard in writing, determine the amount of tax and penalty and initiate proceedings to recover the amount of tax, penalty and interest without any delay. Where tax in respect of a motor vehicle is paid, the taxation authority shall issue a certificate to the owner of the vehicle. The fact of tax being paid shall be recorded in the RC of the vehicle.

If the tax dues are not paid within the prescribed time, the owner of the vehicle is liable to pay a penalty for the default of each month or part thereof. In addition, interest is also required to be levied after six months from the expiry of the due date.

If any owner fails to pay the tax due, penalty or interest payable under this Act, the taxation authority to whom such amount is payable shall serve on the owner a notice in Form 'E-2' for the sum payable to the State Government. After service of notice, if within seven days, the sum is not paid, it is recoverable as arrears of land revenue under Madhya Pradesh Land Revenue Code (MPLR Code), 1959. The power of recovery of arrears as arrears of land revenue was delegated by the State Government to all Regional Transport Authorities (RTOs), Additional Regional Transport Authorities (ARTOs) with effect from 9 December 1969.

4.2.2 Position of arrears

With a view to assess the position of arrears in the Department, the Rules provide for the maintenance of demand and recovery register. The Commissioner Transport (TC) also prescribed submission of monthly, quarterly and yearly returns in order to watch the progress of recovery of arrears of tax.

Test check of records in TC office in 2004 revealed that though monthly returns were being sent by the units, these were not compiled in the TC office; as such, the year wise position of arrears pending collection was not available. After this was pointed out, the Department stated that information was being collected and on its receipt would be furnished to audit.

The yearwise position of outstanding arrears collected from Audit Reports as on 31 March 2004 was as under:

(Rupees in crore)

Sl. No.	Year	Motor vehicle tax revenue collected during the year	Arrear of motor vehicle tax at the end of the year (private owners)
1.	1999-2000	402.01	20.80
2.	2000-2001	405.90	11.09
3.	2001-2002	393.33	18.39
4.	2002-2003	428.64	18.34
5.	2003-2004	454.92	20.35

• **Correctness of the arrears**

Test check of records of the five RTOs¹, five ARTOs² and DTO Sidhi and Tikamgarh revealed that there was wide variation in the figures of arrears furnished to TC by the units and actual arrears available with the units.

(Rupees in lakh)

Sl. No.	Name of Units	Figure of arrears as per TC record	Actual figure of arrears as per units audited	Difference	Percentage of variation
1.	Bhopal	42.06	176.70	134.64	320.11
2.	Chhatarpur	9.24	64.77	55.53	600.97
3.	Chhindwara	66.00	145.51	79.51	120.46
4.	Gwalior	660.91	770.65	109.74	16.60
5.	Hoshangabad	06.40	42.26	35.86	560.31
6.	Khandwa	26.47	30.72	4.25	16.06
7.	Morena	149.84	258.50	108.66	72.51
8.	Sagar	78.13	106.50	28.37	36.31
9.	Seoni	3.22	125.98	122.76	3812.42
10.	Shahdol	15.48	132.11	116.63	753.42
11.	Sidhi	165.31	180.31	15.00	9.07
12.	Tikamgarh	12.10	73.84	61.74	510.25
		1,235.16	2,107.85	872.69	

¹ Bhopal, Gwalior, Hoshangabad, Morena and Sagar

² Chhatarpur, Chhindwara, Khandwa, Shahdol and Sidhi

This indicates that report of position of arrears was not reliable and needed reconciliation. A close monitoring for watching correctness of arrears was required to be done at the apex level.

- **Age wise analysis of arrears of units test checked**

Private owners

(Rupees in crore)

S. No.	Period	Amount
1.	More than 10 years	1.69
2.	5 to 10 years	3.96
3.	3 to 5 years	4.60
4.	1 to 3 years	11.34
	Total	21.59 crore³

- **Madhya Pradesh State Road Transport Corporation**

(Rupees in crore)

S. No.	Period	Amount
1.	More than 15 years old	239.41
2.	10 to 15 years old	244.53
3.	5 to 10 years old	1,182.91
4.	3 to 5 years old	245.47
5.	1 to 3 years old	719.48
	Total	2,631.80

Four DTO's⁴ were separated from RTO Bhopal from July 1999. These DTOs were empowered as assessing authority of their respective districts. Arrears of tax, penalty and interest Rs.58.22 lakh pertaining to these districts was shown as transferred by RTO Bhopal in January 2001 to respective districts. This amount was deducted from the arrears of statement of RTO Bhopal. However, cross verification of arrears dues in the respective districts revealed that no such amount was accounted for. This resulted in non accounting of arrears of Rs.58.22 lakh.

After this was pointed out in audit in September 2004, RTO Bhopal stated that audit would be intimated after examination of the cases. Further progress had not been received (December 2005).

³ This includes arrears of Rs.51.41 lakh in respect of ARTO Satna.

⁴ Rajgarh, Raisen, Sehore and Vidisha

4.2.3 *Improper maintenance of initial records*

Under the provisions of the *Adhiniyam*, every taxation authority shall maintain a demand and recovery register of taxes in the prescribed form showing details of payment made by vehicle owners and position of arrears pending collection.

Test check of the four RTOs⁵ and four ARTOs⁶ revealed that the registers were not properly filled in. The position of arrears of previous years and that at the end of the quarter/year was not worked out by the taxation authorities.

Further test check of records of five RTOs⁷, four ARTOs⁸ and DTO Tikamgarh revealed that the taxation authorities had not maintained the register at all. In absence of this, Department was not in a position to exercise effective watch over the recovery of outstanding arrears from defaulters.

4.2.4 *Internal audit*

An internal audit wing had been constituted in 1992 under the control of the TC to ensure compliance with the rules and departmental instructions which help in prevention and detection of fraud and other irregularities.

Test check of records of TC office revealed in August 2004, that no internal audit was conducted during the year 2000-2001, 2001-2002 and 2003-2004 while during 1999-2000 and 2000-01 percentage of units test checked was negligible.

After this was pointed out in audit in August 2004, the TC stated that audit could not be conducted due to shortage of staff.

4.2.5 *Failure of the Department to recover arrears of tax*

- According to the provisions of the *Adhiniyam*, where the owner fails to file a declaration of payment of tax required under sub section 8 (1) or (2), the taxation authority may on the basis of information available with it and after giving an opportunity of being heard, by an order in writing determine the amount of tax payable by such owner and intimate the same to him in such form and within such time as may be prescribed.

Test check of records of five RTOs⁹, five ARTOs¹⁰ and four DTOs¹¹ revealed that an amount of Rs.14.86 crore was outstanding against private vehicle owners for the period between April 1999 to March 2004. There was nothing on records to show when first notice for payment of the dues was issued to the defaulters. Besides the penalty and interest payable by the defaulters was not worked out by the Department. The Department had not taken any action to recover the dues as arrears of land revenue.

⁵ Bhopal, Gwalior, Morena and Sagar

⁶ Chhattarpur, Chhindwara, Seoni and Shahdol

⁷ Bhopal, Gwalior, Hoshangabad, Morena and Sagar

⁸ Chhindwara, Satna, Seoni and Shahdol

⁹ Bhopal, Gwalior, Hoshangabad, Morena and Sagar

¹⁰ Chhattarpur, Dhar, Khandwa, Satna and Shahdol

¹¹ Bhind, Shivpuri, Sidhi and Tikamgarh

After this was pointed out in audit between June 2004 and August 2005, the concerned RTOs/ARTOs and DTOs stated that action for recovery of arrears would be taken after examination of the cases. Further progress of action taken had not been received (December 2005).

- According to the provisions of *Adhiniyam* and Rules made thereunder, where any owner fails to pay the tax or penalty or both, the taxation authority shall serve on such owner a notice of demand for the sum payable to the State Government. In case of failure to pay the sum contained in the notice within seven days of the service of notice, the taxation authority may proceed to recover the amount as arrears of land revenue.

Test check of records of four RTOs¹², four ARTOs¹³ and five DTOs¹⁴ between June 2004 and August 2005 revealed that though demand notices were issued between April 1999 and March 2004 to 1,739 owners for recovery of arrears of tax and penalty amounting to Rs.6.53 crore for the period falling between April 1999 and March 2004, the same was not paid by the owners of the vehicle. Thereafter, no action for issue of RRC was taken by the Department. Failure on the part of the taxation authorities resulted in non recovery of tax including penalty of Rs.6.53 crore.

After this was pointed out in audit between June 2004 and August 2005, the RTO's/ARTO's and DTOs stated that action for recovery would be taken after examination of the cases, whereas ARTO Seoni stated in one case that as per information furnished by the Tahsildar Seoni there was no immovable property in the name of defaulter. The reply of the department is not tenable as a letter of Tahsildar mentioned that there was a *pucca* double storey shop in the name of the defaulter. Further progress of recovery had not been received (December 2005).

4.2.6 Failure in taking follow up action in cases where dues are irrecoverable

Under section 15(1)(2) of the *Adhiniyam* and the Rules made thereunder, a notice is to be issued to the defaulter to deposit the dues within seven days from the date of service of notice, failing which property of the defaulter is to be attached.

Test check of records of ARTO, in Seoni February 2005 revealed that in 37 cases, recovery of tax of Rs.71.82 lakh for the period April 1999 to March 2004 could not be made, as the details of property of the defaulters were not available with the Department. In the absence of these details, no action could be taken by the Department for recovery of the amount as arrears of land revenue. This resulted in non recovery of arrear of Rs.71.82 lakh.

After this was pointed out in audit in February 2005, the ARTO Seoni stated that all the channels for recovery have been exhausted. The reply of the Department was not tenable as neither any effort was made to obtain details of property from Revenue Department nor was the fact brought to the notice of TC.

¹² Bhopal, Hoshangabad, Indore and Sagar

¹³ Chhatarpur, Chhindwara, Seoni and Shahdol

¹⁴ Jhabua, Narsinghpur, Raisen, Ratlam and Tikamgarh

4.2.7 Delay in reassessment of tax inspite of court orders

Test check of record of the ARTO, Shahdol revealed that tax for six public service vehicles for the period between June 1997 and September 2001 was assessed and notice of demand for Rs.30.60 lakh was issued in the month of February 2003. The owner filed petition in the court of law in August 2003 against the assessment order passed by the taxation authority. The Honourable High Court Jabalpur (14.11.2003) afforded an opportunity of hearing to the petitioner after depositing a sum of Rs.3 lakh within a period of eight weeks with direction to assessing authority for finalising the assessment as expeditiously as possible. Despite the deposit of Rs.3 lakh within the prescribed period, the case was not finalised by assessing authority till September 2004. Delay on the part of the taxation authority in reassessing the tax, resulted in non-recovery of tax of Rs.27.60 lakh.

After this was pointed out in audit, the TC stated (August 2005) that action is being taken for reassessing the case. Further progress had not been received. (December 2005)

4.2.8 Recommendations

The following recommendations are made to improve and strengthen recovery efforts:

- the Department should evolve an effective mechanism for regular monitoring and follow up of recovery action in each pending case.
- the Department should insist on the owners furnishing full details of their residential address of business and properties both movable and immovable, at the time of application for registration of vehicles which should thereafter be properly recorded by the Department and regularly updated for reference in the event of default;
- the Department needs to take urgent action to improve the maintenance of records which had proved to be a major hindrance in the initiation and pursuance of effective recovery action.

The matter was reported to the Government between December 2003 and April 2005; their reply had not been received (December 2005).

4.3 Non recovery of vehicle tax and penalty on vehicles

According to the provisions of the *Adhiniyam*, and Rules made thereunder, a tax shall be levied on every motor vehicle used or kept for use in the State at the rate specified in the first schedule of the *Adhiniyam*. If the tax due has not been paid, the owner shall in addition to the payment of tax due be liable to pay a penalty at the rate of one third of the unpaid amount of tax for the default of each month or part thereof but not exceeding twice the unpaid amount of tax upto February 2003 and thereafter on percentage basis. Where the owner fails to pay the tax or penalty or both, the taxation authority shall serve a demand notice and recover the dues as arrears of land revenue.

Test check of records of seven RTOs, six ARTOs and five DTOs revealed that vehicle tax amounting to Rs.3.23 crore in respect of 1,262 vehicles plying between July 1999 and March 2004 was neither paid by the vehicle owners nor was levied by the taxation authorities. This resulted in non levy of tax of Rs.3.23 crore. Besides, penalty of Rs.2.57 crore though leviable was not levied. This resulted in short realisation of Government revenue of Rs.5.80 crore as shown in the table.

(Rupees in lakh)

Name/number of offices	Category of vehicle	Tax payable	Penalty leviable	Total short levy
RTOs (seven)* ARTO (six)# DTO (four)@	154 public service vehicles plying on stage permits	98.93	60.90	159.83
Remarks: After this was pointed, the taxation authorities recovered Rs.9.14 lakh. Action taken in remaining cases has not been received (December 2005)				
RTOs (seven)* ARTO (six)# DTO (five)&	338 reserved/spare vehicle	148.00	111.00	259.00
Remarks: After this was pointed, the taxation authorities recovered Rs.3.95 lakh. Action taken in remaining cases has not been received (December 2005)				
RTOs (seven)* ARTOs (six)# DTOs (five)&	702 goods vehicles	68.42	74.24	142.66
Remarks: After this was pointed, the taxation authorities recovered Rs.6.33 lakh. Action taken in remaining cases has not been received (December 2005)				
RTO (Jabalpur) ARTOs (Chhatarpur and Dhar) DTOs (Vidisha)	41 mini buses	3.49	5.13	8.62
Remarks: After this was pointed, the taxation authorities recovered Rs.0.81 lakh. Action taken in remaining cases has not been received (December 2005)				
RTOs (Gwalior, Jabalpur, Morena) ARTOs Dhar	27 Private Service vehicles	4.45	5.82	10.27
Remarks: After this was pointed, the taxation authorities recovered Rs.1.20 lakh. Action taken in remaining cases has not been received (December 2005)				
Total	1,262	323.29	257.09	580.38

* *Bhopal, Gwalior, Hoshangabad, Indore, Jabalpur, Morena and Sagar*

Chhatarpur, Chhindwara, Dhar, Satna, Seoni and Shahdol

@ *Betul, Sidhi, Tikamgarh and Vidisha*

& *Betul, Panna, Sidhi, Tikamgarh and Vidisha*

4.4 Non levy of vehicle tax and penalty on public service vehicles of other States plying on inter state routes

As per provisions of the *Adhiniyam* and *Niyam*, 1991 any motor vehicle of other State is permitted to ply in the State under reciprocal transport agreement on payment of tax to the designated authority at the rate prescribed, failing which the owner shall be liable to pay a penalty at the rate specified in the *Adhiniyam*. In case, the owner does not pay the tax or penalty or both, the taxation authority may proceed to recover the dues as arrears of land revenue.

Test check of records of RTO Morena and Addl. RTO Mandsaur revealed that vehicle tax of Rs.4.15 lakh and penalty of Rs.3.86 lakh in respect of 15 public service vehicles of Rajasthan State plying on inter State routes under reciprocal transport agreement during the period between April 2002 and March 2004 was neither paid by the vehicle owners nor was it recovered by the taxation authorities. This resulted in non levy of tax and penalty of Rs.8.01 lakh.

After this was pointed out, the Transport Commissioner stated in August 2005 that an amount of Rs.2.23 lakh has been recovered. In other cases action is being taken to recover the amount.

The matter was reported to the Government between March 2004 and January 2005; their reply had not been received (December 2005).

4.5 Loss of revenue due to allotment of reserve registration numbers to vehicles without levy of fee

As per Government of Madhya Pradesh notification of February 2001, the registering authority shall allot the reserve registration mark in any series in operation to any vehicle on receipt of application from the vehicle owners and on receipt of payment of fee prescribed.

Test check of records of ARTO, Dhar and DTO, Panna revealed that registration numbers reserved by the State Government were allotted by the registering authorities to 434 vehicles between 20 February 2001 and 31 March 2004 without recovery of prescribed fee from the vehicle owners. This resulted in loss of revenue amounting to Rs.47.12 lakh.

After this was pointed out, the Transport Commissioner stated in August 2005 that an amount of Rs.4.04 lakh has been recovered and in remaining cases action for recovery is being taken.

The matter was reported to the Government between August and November 2004; their reply had not been received (December 2005).

