

## CHAPTER IV: TAXES ON VEHICLES

### 4.1 Results of audit

Test check of the records relating to taxes on vehicles during the year 2007-08 revealed non-assessment of tax and loss of revenue amounting to Rs. 49.18 crore in 7,125 cases which can 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	2,352	13.61
2.	Non/short levy of vehicle tax and penalty on goods vehicles	2,662	6.33
3.	Other irregularities	2,111	29.24
<b>Total</b>		<b>7,125</b>	<b>49.18</b>

The department accepted under assessment/loss in 7,125 cases involving Rs. 49.18 crore which were pointed out in audit during 2007-08. An amount of Rupees eight lakh had been recovered in 42 cases.

A few illustrative cases involving Rs. 21.18 crore highlighting important audit findings are mentioned in the following paragraphs.

#### 4.2 Non-realisation of vehicle tax and penalty on vehicles

According to the provisions of Madhya Pradesh *Motoryan Karadhan Adhiniyam*, 1991 (*Adhiniyam*), 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 owner of the vehicle defaults in payment of tax, he/she shall be liable to pay penalty at the rate of one third of the unpaid amount of tax for the default of each month upto February 2003 and thereafter two *per cent* per month upto three months and four *per cent* thereafter but not exceeding twice the unpaid amount of tax upto September 2004. Thereafter, rate of penalty was four *per cent* per month. In case of non-payment, the taxation authority is required to issue a demand notice and recover the dues as arrears of land revenue.

Test check of the records of 24 transport offices between January 2006 and January 2008 revealed that vehicle tax amounting to Rs. 12.08 crore in respect of 4,228 vehicles for the period between April 2001 and March 2007 was neither paid by the vehicle owners nor was any action taken by the taxation authorities to realise the tax. Besides, a penalty of Rs. 7.14 crore though leviable was not levied. This resulted in non-realisation of revenue of Rs. 19.23 crore as mentioned below:

(Rupees in crore)

Sl. No.	No. of offices	Category of vehicles No. of vehicles	Period involved	Tax not paid	Penalty leviable	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1.	23 <sup>1</sup>	Public service vehicles kept as reserve <u>stage carriage</u> 809	6/01 to 3/07	4.26	2.58	6.84
2.	24 <sup>2</sup>	<u>Goods vehicle</u> 2,575	4/01 to 3/07	3.99	2.54	6.53
3.	19 <sup>3</sup>	Public service vehicles plying on regular <u>stage carriage permits</u> 402	5/03 to 3/07	2.93	1.53	4.46

<sup>1</sup> Regional Transport Office (RTO), Bhopal, Gwalior, Hoshangabad, Indore, Jabalpur, Morena, Rewa, Sagar and Ujjain, Additional RTO (ARTO), Guna, Katni, Khandwa, Khargone, Satna, Seoni and Shahdol and District Transport Office (DTO), Jhabua, Mandla, Narsinghpur, Rajgarh, Ratlam, Shajapur and Vidisha

<sup>2</sup> RTO, Bhopal, Gwalior, Hoshangabad, Indore, Jabalpur, Morena, Rewa, Sagar and Ujjain, ARTO, Guna, Katni, Khandwa, Khargone, Satna, Seoni and Shahdol and DTO, Dewas, Jhabua, Mandla, Narsinghpur, Rajgarh, Ratlam, Shajapur and Vidisha

<sup>3</sup> RTO, Bhopal, Gwalior, Indore, Jabalpur, Morena, Rewa, Sagar and Ujjain, ARTO, Guna, Katni, Khandwa, Khargone, Satna, Seoni and Shahdol and DTO, Mandla, Rajgarh, Shajapur and Vidisha.

(1)	(2)	(3)	(4)	(5)	(6)	(7)
4.	09 <sup>4</sup>	<u>Maxicab</u> 414	4/05 to 3/07	0.65	0.37	1.02
5	03 <sup>5</sup>	PSVs plying on all India <u>tourist permits</u> 09	3/05 to 3/07	0.13	0.07	0.20
6	04 <sup>6</sup>	Private service <u>vehicles</u> 19	4/04 to 3/07	0.12	0.06	0.18
	<b>Total</b>	<b>4,228</b>		<b>12.08</b>	<b>7.15</b>	<b>19.23</b>

After the cases were pointed out, the concerned taxation authorities (TA) stated between January 2006 and August 2008 that an amount of Rs. 36 lakh has been recovered in 166 cases and in the remaining cases either demand notices have been issued or these are being issued to the defaulting vehicle owners.

The matter was reported to the Transport Commissioner (TC) and the Government between March 2006 and April 2008; their reply has not been received (December 2008).

### **4.3 Failure of the department to recover the balance amount of life time tax and penalty on maxicab plying on all India tourist permits**

According to the *Adhiniyam*, tax shall be levied on every maxicab used or kept for use in the state and plying on all India tourist permit at the rate of Rs. 150 per seat per month or lump sum tax at the rate of 10 *per cent* of the cost of a new vehicle recoverable in two equal installments in a year. The *Adhiniyam* further provides that if the life time tax had not been paid, the owner shall, in addition to payment of tax due, be liable to pay a penalty at the rate of one tenth of the life time tax for the default of each year or part thereof but not exceeding the life time tax.

Test check of the records of three offices<sup>7</sup> between July 2006 and September 2007 revealed that 137 newly registered maxicabs which were granted all India tourist permit between September 2002 and March 2005, paid one instalment of five *per cent* of the cost of new vehicle as a lump sum tax. The second instalment of tax due between March 2003 and March 2006 was neither paid by the owners of the vehicles nor was it demanded by the taxation authorities. This resulted in short realisation of life time tax of Rs. 28.66 lakh. Besides, a penalty of Rs. 26.26 lakh leviable but was not levied.

<sup>4</sup> RTO, Bhopal, Gwalior, Morena, Rewa and Ujjain, ARTO, Khandwa, Khargone and Seoni and DTO, Rajgarh

<sup>5</sup> RTO, Indore and Jabalpur and DTO, Rajgarh

<sup>6</sup> RTO, Gwalior, Indore and Morena and DTO, Shajapur

<sup>7</sup> RTO, Indore and Ujjain and ARTO, Shahdol

After the cases were pointed out, the RTO, Indore, Ujjain and ARTO, Shahdol stated between July 2006 and January 2008 that action of recovery would be made after scrutiny of the cases.

The matter was reported to the TC and the Government (between July 2006 and March 2008). The TC replied that an amount of Rs. 64,000 has been recovered in two cases by RTO, Indore. In remaining cases their reply has not been received (December 2008).

#### **4.4 Short realisation of vehicle tax and non-levy of penalty on public service vehicles due to deposit of tax at lower rates**

According to section 3 (1) of the *Adhiniyam*, tax shall be levied on every public service vehicle used or kept for use in the state at the rates specified in the first schedule. The tax is calculated on the basis of the seating capacity of the vehicle and distance of the route allowed. However, the tax will be levied at the lower rate prescribed for reserve vehicles only in case of deposit of permit allowed by the taxation authority with the declaration of non-use of permit by the owner of vehicle.

Test check of the records of 12 offices<sup>8</sup> between July 2006 and January 2008 revealed that though vehicle tax of 89 public service vehicles for the period between October 2003 and March 2007 was short deposited by the operators due to application of lower rate of tax, yet the department failed to detect the application of incorrect rate of tax. This resulted in short realisation of vehicle tax of Rs. 19.86 lakh. Besides, penalty of Rs. 13.33 lakh was also leviable on unpaid amount of tax but was not levied.

After the cases were pointed out, four TAs<sup>9</sup> stated between June 2007 and August 2008 that demand notices have been issued and ARTO, Seoni and DTO, Rajgarh stated that demand notices are being issued to the defaulting vehicle owners while six TAs<sup>10</sup> stated that necessary action would be taken after scrutiny of the cases.

The matter was reported to the TC and the Government between July 2006 and April 2008; their reply has not been received (December 2008).

#### **4.5 Short realisation of vehicle tax and non-levy of penalty on contract carriages**

According to section 2 (7) of Motor Vehicle Act, “contract carriage” means a motor vehicle which carries a passenger or passengers for hire or reward and is engaged under a contract, whether expressed or implied for use of such vehicle as a whole for the carriage of passengers on fixed or agreed rate, whereas “education institution bus” means an omnibus which is owned by a college, school or other educational institution and used solely for the purpose of transporting students or staff of the educational institution in connection with any of its activities as defined in the said Act.

---

<sup>8</sup> RTO, Bhopal, Indore, Jabalpur, Morena, Sagar and Ujjain, ARTO, Khandwa, Satna and Seoni and DTO, Rajgarh, Shajapur and Vidisha

<sup>9</sup> RTO, Jabalpur, Morena and Sagar, ARTO, Satna

<sup>10</sup> RTO, Bhopal, Indore, Ujjain, ARTO, Khandwa and DTO, Shajapur, Vidisha

The vehicle tax is leviable at the rates specified in the first schedule of the *Adhiniyam*. The rate of tax in respect of contract carriage is higher than an institution bus.

Test check of the records of three offices<sup>11</sup> between June 2007 and August 2007 revealed that 29 temporary permits were issued to 14 operators during the period between July 2005 and March 2007 and the vehicles were used as contract carriage, though these vehicles were neither kept under lease agreement nor registered in the name of principal of the institution, but the tax was deposited by the operators at the rate applicable to private/educational institution buses. This resulted in short realisation of tax of Rs. 24.32 lakh and non-levy of penalty of Rs. 6.46 lakh.

After the cases were pointed out, RTO, Bhopal stated in July 2007 that show cause notices have been issued to the owners. RTO, Morena and ARTO, Satna stated between August 2007 and March 2008 that action would be taken after scrutiny of the cases.

The matter was reported to the TC and the Government between August 2007 and March 2008; their reply has not been received (December 2008).

#### **4.6 Non-levy of vehicle tax and penalty on motor vehicles of other states plying on countersigned permits under reciprocal transport agreement**

According to the provisions of the *Adhiniyam*, any motor vehicle of other state is permitted to ply in the state of Madhya Pradesh on countersigned permits under reciprocal transport agreement on payment of tax at the rate of 85 per cent of the rates specified in the first schedule to the *Adhiniyam*, 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 shall serve a demand notice and recover the dues as arrears of land revenue.

Test check of the records of TC, Gwalior in May 2007 revealed that 68 goods carriages of Uttar Pradesh plying in Madhya Pradesh under reciprocal transport agreement during the period between April 2005 and March 2007 did not pay tax. There was nothing on record to indicate that the permits were cancelled. However, no action was taken to raise the demand by the taxation authority resulting in non levy of tax of Rs. 12.83 lakh. Besides, a penalty of Rs. 6.35 lakh was also leviable.

After the cases were pointed out, the TC stated in May 2007 that information would be produced after scrutiny of the cases.

The matter was reported to the Government between August 2007 and March 2008; their reply has not been received (December 2008).

#### **4.7 Loss of vehicle tax**

According to the provisions of the *Adhiniyam*, tax shall be levied on public service vehicles plying on all India tourist permits granted under section 88 (9) of Motor Vehicles Act, 1988 at the rate specified in the first schedule to the

---

<sup>11</sup> RTO, Bhopal, Morena and ARTO, Satna

*Adhinyam*. Further, where a permit is allowed to be deposited by the taxation authority, for the period during which the vehicle is not in use, tax is leviable at a lower rate.

The TC issued directions dated August 2000, June 2002 and April 2004 that a permit may be surrendered for more than one month only after the prior permission of the TC and the taxation authority shall, after satisfying itself that the reasons stated for non-use of permit are genuine and as per requirements of the rules/instructions issued by the TC, allow the vehicle owners to deposit the permit. However, the taxation authority is required to assess the tax after ascertaining the details of expenditure incurred on diesel, insurance premium etc. paid by the vehicle owners.

Test check of the records of Regional Transport Office, Gwalior in September 2007 revealed that 19 sleeper coaches/deluxe buses covered by all India tourist permits and eight other sleeper coaches/deluxe buses which did not obtain any permit, were kept as reserve for the period ranging between 3 to 12 months. Cross verification with the records of flying squad of RTO, Indore (October 2007) and RTO, Gwalior (September 2007), revealed that 12 out of these 27 vehicles, were detected as plying in contravention of the provisions of Section 86 of the Motor Vehicles Act, on different routes during the period these were kept as reserve. As a result, the Government was deprived of the revenue of Rs. 14.27 lakh. In respect of the remaining 15 vehicles, no action was taken by the taxation authority as per their departmental instructions, to justify their genuineness and to verify unauthorised operation of these vehicles kept as reserve for prolonged periods.

After the cases were pointed out, RTO, Gwalior stated (September 2007) that permits were deposited as per the rule and the powers are vested in the taxation authority under the *Adhinyam* and the proceedings are quasi judicial. The reply is not acceptable as genuineness of reasons for non use of permit as required under the rules and orders were not assessed by the taxation authorities as these vehicles were found plying unauthorisedly. The detection of 12 such vehicles plying unauthorisedly by the flying squads of RTO, Indore and Gwalior also contradicts the departmental reply.

The matter was reported to TC and the Government between October 2007 and February 2008; their reply has not been received (December 2008).

#### **4.8 Non-levy of vehicle tax and penalty on private vehicles used as contract carriages**

Under the *Adhinyam*, tax shall be levied on every motor vehicle plying for hire or reward and used for transport of passengers within the state as contract carriage, at the rate specified in the first schedule of the *Adhinyam*.

Cross verification of information in respect of vehicles kept on hire collected from the office of the Chief Engineer, MP MKVV Co. Ltd., Gwalior region with the records of four transport offices<sup>12</sup> in March 2008 revealed that 36 vehicles (car: 4; jeep: 32) registered as private vehicles with seating capacity of 3 to 11 seats plied as contract carriage under Madhya Pradesh *Madhya Kshetra Vidhyut Vitran* Company Ltd. Gwalior region for the period

---

<sup>12</sup> RTO, Gwalior and Morena, ARTO, Guna and DTO, Shivpuri

between March 2004 and March 2008. This resulted in non-levy of vehicle tax of Rs. 4.97 lakh. Besides, penalty of Rs. 5.63 lakh was also leviable on the unpaid amount of tax.

After the cases were pointed out, the taxation authorities Morena and Guna stated between April and August 2008 that demand has been raised and RTO Gwalior and DTO Shivpuri stated (March 2008) that action would be taken after scrutiny of the cases.

The matter was reported to the TC and the Government in April 2008; their reply has not been received (December 2008).

#### **4.9 Failure to levy penalty on belated payment of vehicle tax**

According to the provisions under section 13 of the *Adhiniyam*, if the tax due in respect of any motor vehicle is not paid as specified in section 5, the owner shall, in addition to the payment of tax due, be liable to pay penalty at the rate of four percent per month on the unpaid amount of tax. Rule 10(1) of MP *Motoryan Karadhan Niyam*, further specifies that the penalty shall be paid by the owner of the vehicle along with the amount of tax.

Test check of the records of seven offices<sup>13</sup> (between July 2006 and January 2008) revealed that vehicle tax in respect of 208 public service vehicles for the period between May 2003 and March 2007 was paid by the owners after delay ranging from one to 33 months. Neither the penalty was paid by the owners along with tax nor was it demanded by the taxation authorities. This resulted in non-levy of penalty of Rs. 9.40 lakh.

After the cases were pointed out, five TAs<sup>14</sup> stated between July 2006 and August 2008 that either demand notices have been issued or these are to be issued to the defaulting vehicle owners while RTO, Ujjain and ARTO, Khandwa stated that action for recovery would be taken after scrutiny of the cases.

The matter was reported to the TC and the Government (between July 2006 and April 2008). The TC replied that an amount of Rs. 57,000 has been recovered in two cases by RTO, Sagar and ARTO, Chhattarpur. In remaining cases, reply has not been received (December 2008).

#### **4.10 Non/short recovery of vehicle tax and composition fee on public service vehicles plying without permit/in contravention of the conditions of permit**

Plying of vehicles without permit or in contravention of permit conditions is an offence under various provisions of the Motor Vehicles Act. However, the offence can be compounded on payment of composition fee as prescribed in the schedule issued under the provisions of the Motor Vehicles Act.

Test check of the records of Regional Transport Office, Indore and Jabalpur between July 2006 and December 2007 revealed that though 28 public service vehicles were caught plying without permits/documents/tax and overloaded

<sup>13</sup> RTO, Morena, Sagar and Ujjain, ARTO, Chhattarpur, Khandwa and Khargone and DTO, Rajgarh

<sup>14</sup> RTO, Morena, Sagar, ARTO, Chhattarpur, Khargone and DTO, Rajgarh

with passengers during the periods between April 2004 and March 2007 by the checking agency of the department, but the tax/composition fee were either not recovered or recovered short. The taxation authorities had not initiated any action to recover the outstanding dues. This resulted in non/short realisation of revenue of Rs. 8.76 lakh.

After the cases were pointed out, the RTO, Indore stated in October 2007 that recovery would be made from the defaulting vehicle owners, whereas RTO, Jabalpur stated in August 2008 that demand notices have been issued to the defaulting vehicle owners.

The matter was reported to the TC and the Government between July 2006 and March 2008; their reply has not been received (December 2008).

#### **4.11 Short realisation of composition fee on overloading of goods vehicles**

Plying of overloaded goods vehicles in excess of their registered laden weight (RLW) is an offence under the provisions of the Motor Vehicles Act. As per notification dated 20 June 2001 the offence was compoundable on payment of Rs. 600 upto 3 metric tonnes and Rs. 200 over 3 metric tonnes for each ton of excess weight. The rates were revised vide notification dated 23 August 2005.

Test check of the records of Check Post, Multai (District Transport Office, Betul) and Chirula (District Transport Office, Datia) between June and November 2006 revealed that 441 cases of overloading of goods were compounded on 441 goods vehicles during the period between August and September 2005, but composition fee was realised at the pre-revised rates resulting in short realisation of composition fee of Rs. 7.90 lakh.

After the cases were pointed out, DTO, Datia stated in November 2006 that recovery would be made from the defaulting vehicle owners while the taxation authority, Betul did not furnish any reply.

The matter was reported to the TC and the Government (between July 2006 and March 2008); their reply has not been received (December 2008).

#### **4.12 Non-realisation of vehicle tax and penalty on public service vehicles of other states plying on inter state routes**

According to the *Adhiniyam*, 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 specified in the first schedule to the *Adhiniyam*, failing which the owner shall be liable to pay a penalty at the rate specified in the *Adhiniyam*.

Test check of the records of taxation authorities, Datia and Sagar between October 2006 and August 2007 revealed that though 14 operators did not pay vehicle tax in respect of 16 public service vehicles allowed to ply on inter state routes under reciprocal transport agreement for the period between September 2003 and March 2007, no action was taken by the taxation authorities to recover the amount. This resulted in non-realisation of vehicle tax of Rs. 3.34 lakh and penalty of Rs. 2.25 lakh.



After the cases were pointed out, RTO, Sagar stated in August 2008 that demand notices have been issued to the defaulting vehicle owners while DTO, Datia stated in November 2006 that audit would be intimated after taking action for recovery.

The matter was reported to the TC and Government between November 2006 and February 2008; their reply has not been received (December 2008).