

CHAPTER - IV
TAXES ON VEHICLES

4.1 Results of Audit

Test-check of records relating to taxes on vehicles during the year 2003-2004 revealed non-assessment/under-assessment of tax and losses of revenue amounting to Rs.25.83 crore in 28,301 cases which can broadly be categorised as under:

(Rupees in crore)

S. No.		Number of cases	Amount
1.	Non/short-levy of vehicle tax, penalty and composition fee on public service vehicles	1,733	10.68
2.	Non/short-levy of vehicle tax and penalty on goods vehicles	884	2.87
3.	Others	25,684	12.28
	Total	28,301	25.83

The Department accepted under-assessment/losses etc. in 28,297 cases involving Rs.25.80 crore, which were pointed out in audit during 2003-2004.

A few illustrative cases involving Rs.16.80 crore are given in the following paragraphs:

4.2 Working of National Permit Scheme and Taxes on All India Tourist Permit Vehicles

4.2.1 Introduction

National Permit Scheme was introduced in December 1975 by the Government of India under the provisions of the Motor Vehicles Act (MV Act), 1988 with a view to promote nationwide smooth operation of goods carriage by road to achieve the economic development of the country through long distance transportation by road. Under the scheme, States and Union Territories are authorised to grant national permits to the owners of public carriers for carriage of goods throughout the country or in such contiguous States not being less than four in number including home State. According to the provisions of the Central Motor Vehicles Rules, 1989 a tourist permit is granted to a tourist vehicle subject to fulfilment of specified conditions, with a view that service has to be maintained regularly to provide un-interrupted transport facility to the public.

The intending operators are required to pay the prescribed permit fee and authorisation fee to the home State in addition to the taxes levied for issue of National/Tourist permit. A composite tax is also, required to be paid by an operator in advance for each year at one time or in two equal six monthly instalments at the time of grant of authorisation to respective State/Union Territory in lieu of permission to operate their vehicles. Taxes and fees are to be correctly levied and realised on due date under National Permit Scheme and All India Tourist Permit, in accordance with the provisions of Acts/Rules and instructions issued by the Transport Commissioner. The records of Transport Department were test-checked.

4.2.2 Deposit of bank drafts in the Government Account

To guard against the non-accountal, delay in accounting/encashment and revalidation of bank drafts received from other States under National Permit Scheme, the Transport Commissioner (TC) issued (July 1992) instructions to the tax officer to ensure prompt deposit and credit of Bank drafts in the Government account and revalidate time barred bank drafts.

- Test-check of records of the office of T.C. revealed that 17,189 bank drafts valued at Rs.6.83 crore were deposited late either by the Tax Officer or were credited late by the banks and the delay ranged from one to 11 months between April 1998 and August 2000. As a result, the Government was deprived of interest of Rs.12.08 lakh calculated at the minimum saving bank rate of four per cent per annum.
- 3,374 bank drafts valued at Rs.84 lakh received from other States were returned to the concerned States for revalidation between November 1998 and March 2002, but the bank drafts returned were not received back. Failure of the Tax Officer in getting/crediting the bank drafts immediately after their receipts within the validity period, resulted in non-realisation of Government revenue of Rs.84 lakh.

After this was pointed out in audit in July 2003, the TC stated that reply would be furnished after examination of the cases. Further report on action taken had not been received (May 2005).

4.2.3 Non-conduct of periodical reconciliation with treasury records

As per provision in the Madhya Pradesh Financial Code and instructions issued by the Transport Commissioner (July 1992), bank drafts received from other States on account of National Permit Scheme were to be remitted into the bank accompanied by a challan with instructions to credit the amount into Government account. In order to ensure that the amount has actually been credited into Government accounts, a periodical reconciliation of credit with treasury records has to be carried out.

Test-check of records of the Transport Commissioner Office revealed in July 2003 that the Department had neither carried out periodical reconciliation of credit with treasury records nor taken follow up action to ensure that 8,422 bank drafts amounting to Rs.3.42 crore had been credited into Government accounts between 1998-99 and 2002-2003. As a result Government revenue of Rs.3.42 crore remained un-credited/un-realised for the period ranging from one to five years. The year wise position was as under:

<i>(Rupees in lakh)</i>			
S. No.	Year	No. of bank drafts not credited/not realised	Amount
1.	1998-1999	555	13.58
2.	1999-2000	5,518	215.46
3.	2000-2001	259	10.43
4.	2001-2002	46	1.51
5.	2002-2003	2,044	100.93
	Total	8,422	341.91

Non-observance of the codal provisions and instructions issued by the Transport Commissioner resulted in non-realisation of revenue of Rs.3.42 crore.

After this was pointed out in audit, the Department stated in July 2003 that reply would be furnished after examination of the cases. Further progress had not been received (May 2005).

4.2.4 Non-levy/short-levy of vehicle tax and penalty on public service vehicles plying on All India Tourist Permits.

According to the Madhya Pradesh *Motoryan Karadhan Adhiniyam*, (MPMKA), 1991, a tax shall be levied on every motor vehicle used or kept for use as a contract carriage¹ in the State at the rate specified. If the tax due was not paid within the specified time, the owner shall be liable to pay a penalty at the prescribed rates.

- Test-check of records of four RTOs², ARTOs, Guna and Seoni and DTO, Balaghat revealed that vehicle tax of Rs.78.55 lakh and penalty of Rs.1.45 crore in respect of 24 contract carriages plying on All India Tourist Permits for the period between April 1998 and March 2003 was neither paid by the vehicle owners nor

¹ "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 the use of such vehicle as a whole for the carriage of passengers mentioned therein and entered into by a person with a holder of permit in relation to such vehicle or any person authorised by him in this behalf on a fixed or an agreed rate or sum.

² RTO-Bhopal, Indore, Jabalpur and Sagar

demanded/recovered by the Taxation Authorities. This resulted in non-levy of vehicle tax of Rs.78.55 lakh. In addition, penalty of Rs.1.45 crore was also leviable.

After this was pointed out in audit between May 2003 and April 2004, the Regional Transport Officer, Sagar stated that demand notices have been issued. Reply from other Transport Officers had not been received (May 2005).

- Test-check of records of the RTO Bhopal, Indore and DTO, Shivpuri revealed between October 2003 and April 2004 that vehicle tax for the period from May 1999 to March 2003 in respect of six contract carriages plying on All India Tourist Permit was levied at lesser rate. This resulted in short-realisation of tax of Rs.7.20 lakh. Besides, a penalty of Rs.13.03 lakh for short-payment of tax though leviable was not levied.

After this was pointed out in audit between October 2003 and April 2004, the RTOs Bhopal, Indore and DTO, Shivpuri stated that action would be taken after examination of the cases. Further progress of action taken had not been received (May 2005).

4.2.5 Non-levy/non-realisation of composition fee

The Central Motor Vehicles Rules, 1989 requires every holder of an All India Tourist Permit to submit a quarterly return, indicating the name and residential particulars of self/hirer as well as driver and registration mark of vehicle, along with the particulars of starting and destination points, with the journey time at both ends. Failure to submit the same, renders the permit liable for cancellation/ suspension or compoundable for levy of composition fee at the rate of Rs.500/1,000 per quarter.

Test-check of records of All India Tourist Permits maintained in the office of the Transport Commissioner in July 2003 revealed that holders of 215 All India Tourist Permits had failed to furnish 1,904 quarterly returns for the period between April 1998 and March 2003. Neither any action to cancel or suspend the permits was taken nor composition fee of Rs.12.44 lakh was levied on the defaulting permit holders by the Department.

After this was pointed out in audit in July 2003, the Department stated that recovery would be made from the defaulting vehicle owners. Further progress of recovery had not been received (May 2005).

4.2.6 Loss of revenue due to assignment of sleepers in deluxe buses

According to the provisions of the MPMKA, 1991 and *Niyam*, 1991 thereunder, a tax shall be levied on every deluxe bus with reference to seats assigned to it. Rule 128 (10) of the Central Motor Vehicles Rules, 1989 specify the arrangement of seating capacity, lay out, wheel base etc. in respect of deluxe buses. There is no provision for assignment of sleepers in deluxe buses in the rules.

Test-check of records of RTOs, Bhopal and Indore revealed that seven deluxe buses of 205"/210" wheel base were assigned 20 sleeper + 8 to 10 seats instead of 35 seats as compared to other buses of 205" wheel base and hence, Government suffered a loss of revenue of Rs.7.91 lakh during the period May 2001 to March 2003.

After this was pointed out in audit between November 2003 and March 2004, the RTO, Bhopal stated in November 2003 that action for recovery would be taken after examination of the cases, where as RTO, Indore stated that the sleepers were assigned

as per directions issued by the higher authority. The reply is not tenable, as there is no provision for assignment of sleeper in deluxe bus in the rules.

The matter was reported to the Government between August 2003 and April 2004; their reply had not been received (May 2005).

4.3 Non-levy/recovery of vehicle tax and penalty on vehicles

Under the MPMKA, 1991 read with *Niyam*, 1991 made thereunder, a tax shall be levied on every motor vehicle used or kept for use in the state at the rate specified. If the owner fails to pay the tax due, he shall in addition to the 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. The rate of penalty has been revised on percentage basis vide Government notification dated February 2003.

- Test-check of records of 18 Transport Offices between August 2002 and February 2004 revealed that neither vehicle tax and penalty was paid by the owners of 1,334 vehicles nor was it demanded by the Taxation Authority between April 1999 and March 2003. This resulted in non-realisation of revenue of Rs.3.68 crore together with penalty of Rs.5.31 crore as detailed below -

(Rupees in crore)

Sl. No.	Name of offices	Number/category of vehicle	Period	Tax	Penalty	Total
1.	5 Regional Transport Offices ³ (RTO's) 6 Additional Regional Transport offices ⁴ (ARTO's) 6 District Transport offices ⁵ (DTO's)	334 Reserve or Spare stage carriages	April 1999 to March 2003	1.63	2.25	3.88
2.	5 RTO's ³ 5 ARTO's ⁶ 6 DTO's ⁵	146 Public Service Vehicles plying on Permit	April 1999 to March 2003	1.05	1.40	2.45
3.	5 RTO's ³ 7 ARTO's ⁷ 6 DTO's ⁵	711 Goods Carriages	April 1999 to March 2003	0.92	1.52	2.44
4.	3 RTO's ⁸ 4 ARTO's ⁹ 2 DTO's ¹⁰	143 Omni buses ¹¹	April 1999 to March 2003	0.08	0.14	0.22
	18 Units	1334		3.68	5.31	8.99

³ Bhopal, Morena, Rewa, Sagar and Ujjain

⁴ Chhatarpur, Guna, Khandwa, Khargone, Mandsaur and Shahdol

⁵ Balaghat, Datia, Mandla, Rajgarh, Shajapur and Shivpuri

⁶ Guna, Khandwa, Khargone, Mandsaur and Shahdol

⁷ Chhatarpur, Guna, Katni, Khandwa, Khargone, Mandsaur and Shahdol

⁸ Bhopal, Morena and Rewa

⁹ Chhatarpur, Guna, Khargone and Shahdol

¹⁰ Mandla and Shajapur

¹¹ Omni bus means any motor vehicle constructed or adapted to carry more than six persons excluding the driver

After this was pointed out in audit, the Department stated between August 2002 and February 2004 that action for recovery would be taken after examination of records. Further reply had not been received (May 2005).

The matter was reported to the Government between December 2002 and April 2004; their reply had not been received (May 2005).

- Test-check of records of four RTOs¹² and five ARTOs¹³ revealed between August 2002 and January 2004 that vehicle tax in respect of 73 public service vehicles/private service vehicles during the period between April 1999 and March 2003 was paid late by one to 30 months. Neither penalty at the prescribed rates for late payment was levied nor recovered by the Taxation Authorities. Failure of the Taxation Authorities resulted in non-levy and recovery of penalty of Rs.12.00 lakh.

After this was pointed out in audit between August 2002 and January 2004, the Department stated that action for recovery would be taken after examination of the cases. Further progress of action taken had not been received (May 2005).

The matter was reported to the Government between December 2002 and February 2004; their reply had not been received (May 2005).

4.4 Short-recovery of vehicle tax and penalty

According to MPMKA and *Niyam* 1991, tax on every public service vehicle shall be levied at the rates specified in the First Schedule. The rate of tax on contract carriage is higher as compared to private service vehicles.

4.4.1 Test-check of records of the RTO, Morena, ARTO, Khandwa and Shahdol revealed between July and September 2003 that the owners of 22 public service vehicles paid the tax at lesser rates between April 1999 and March 2003. This resulted in short-realisation of revenue of Rs.4.01 lakh. Taxation Authority also failed to detect short-recovery of tax. Consequently, penalty of Rs.7.27 lakh though leviable was not levied.

4.4.2 Test-check of records of RTO, Rewa revealed in April 2003 that 27 contract carriage permits were issued to four public service vehicles during the period between February 2001 and March 2003, but the tax was paid at the lower rate applicable to the private service vehicles. Thus, failure of the Taxation Authority resulted in short-levy of vehicle tax of Rs.7.46 lakh and penalty of Rs.9.87 lakh.

After this was pointed out in audit between April and September 2003, the Department stated between April and September 2003 that action for recovery would be taken after examination of the cases. Further progress of action taken was awaited (May 2005).

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

¹² Bhopal, Morena, Rewa and Ujjain

¹³ Chhatarpur, Guna, Katni, Khandwa and Khargone

4.5 Non-recovery of vehicle tax and penalty on goods carriages of other state plying on countersigned permits

Under the provisions of the MPMKA and *Niyam*, 1991, a tax shall be levied on every goods carriage in respect of other States plying in the State of Madhya Pradesh on countersigned permits at the rate of 85 per cent of the rates specified. If the tax due has not been paid, the owner shall, in addition to tax due be liable to pay a penalty at the prescribed rates.

Test check of records of Transport Commissioner's office, Gwalior revealed in July 2003 that vehicle tax of Rs.5.22 lakh and penalty of Rs.7.78 lakh in respect of 53 goods carriages of Uttar Pradesh plying in Madhya Pradesh on countersigned permits for the period between April 2002 and March 2003 was neither paid by the vehicle owners nor was it levied/recovered by the Taxation Authority.

After this was pointed out in audit in July 2003, the Transport Commissioner stated in July 2003 that action for recovery would be taken after examination of the cases. Further progress of action taken had not been received (May 2005).

The matter was reported to the Government in September 2003 and April 2004; their reply had not been received (May 2005).

4.6 Non-recovery of vehicle tax and penalty on public service vehicles of Uttar Pradesh plying on corridor routes

The MV Act, specified that where both the starting and the terminal point of a route are situated within the same State, but part of such route lies in any other State and the length of such part does not exceed 16 kilometers, the permit shall be valid in the other state in respect of that part of the route which is in that other state notwithstanding that such permit has not been countersigned by the State Transport Authority, or the Regional Transport Authority of the other State. Routes having their starting point and terminal point in Uttar Pradesh but which had to pass through a small portion of the territory of the Madhya Pradesh were notified as corridor routes in the Reciprocal Transport Agreement entered between Uttar Pradesh and Madhya Pradesh. As per instructions issued in May 2002 by the Department, tax was to be levied and recovered on every public service vehicle of Uttar Pradesh plying on corridor routes in Madhya Pradesh at the rate specified in the First Schedule of the MPMKA, failing which the owner shall be liable to pay a penalty at the prescribed rates.

Test check of records of ARTO, Chhatarpur revealed in September 2003 that in respect of nine Public Service Vehicles of Uttar Pradesh plying on three corridor routes during the period between April 2001 and March 2003, neither the tax was paid by the vehicle owners nor was it demanded by the Taxation Authority. This resulted in non-levy/recovery of tax of Rs.3.04 lakh, besides, a penalty of Rs.5.67 lakh was also leviable but not levied.

After this was pointed out in audit, the ARTO stated in September 2003 that audit would be intimated after examination of the cases. Further progress of action taken had not been received (May 2005).

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

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

As per notification issued in February 2001 and incorporated in the Madhya Pradesh Motor Vehicles Rules, 1994 the registering authority shall allot the reserve registration numbers in any series in operation to any vehicle on payment of fees as prescribed in the aforesaid notification.

Test check of the records of District Transport Office, Datia revealed in February 2004 that the registration number reserved by the State Government were allotted by the Registering Authority to 71 vehicles between February and December 2001 without recovery of fees from the vehicle owners as specified in the rule. This resulted in loss of revenue amounting to Rs.8.65 lakh.

After this was pointed out in audit, the District Transport Officer, Datia stated that the demand notices would be issued to the vehicle owners after examination of the cases. Further progress of action taken had not been received (May 2005).

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

4.8 Loss of revenue due to irregular grant of permits to contract carriage

As per provisions of the MV 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 the use of such vehicle as a whole for the carriage of passengers on a fixed or an agreed rate, whereas "Private service vehicle" means a motor vehicle ordinarily used by or on behalf of the owner for the purpose of carrying persons for or in connection with his trade or business otherwise than for hire or reward at the rates specified in the First Schedule of the MPMKA. The rate of tax in respect of contract carriages is higher than private service vehicles.

Test check of records of Regional Transport Office, Rewa revealed in April 2003 that private service vehicle permits were granted erroneously by the Taxation Authority to four owner of public service vehicle instead of contract carriages permits during the periods between August 2001 and March 2003. This resulted in loss of revenue of vehicle tax of Rs.7.90 lakh.

After this was pointed out in audit, the RTO, Rewa stated in April 2003 that audit would be intimated after examination of the cases. Further progress of action taken had not been received (May 2005).

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