

Chapter III: Taxes on Vehicles

3.1. Results of Audit

Test-check of records of the Motor Vehicles Department conducted in audit during the year 2002-2003, revealed under-assessments and non-recovery of taxes/penalty/ interest amounting to Rs.10.02 crore in 1293 cases, which broadly fall under the following categories:

(In crore of rupees)

Sr.No.	Category	Number of cases	Amount
1	Evasion of tax	2	0.51
2	Non levy /short levy of penalty and interest	1,288	3.42
3	Other irregularities	2	0.04
4	Review- Collection of taxes and fees relating thereto	1	6.05
	Total	1,293	10.02

During the year 2002-2003, the Department accepted audit observations involving Rs.0.01 crore in 2 cases. The Department recovered Rs.13.53 crore in 83 cases relating to audit findings of earlier years.

The results of review '**Registration of Motor Vehicles, Collection of Fees and Taxes**' and one case involving Rs.6.09 crore are given in the following paragraphs.

3.2. Registration of Motor Vehicles, Collection of Fees and Taxes

Highlights

Special Road Tax including penalty of Rs.53.49 lakh was neither demanded nor paid by the private transport companies. Further, fourteen private transport companies, Chandigarh Transport Undertaking and a depot of UP State Transport Corporation paid Special Road Tax short to the tune of Rs.80.47 lakh including penalty.

(Paragraph 3.2.7)

Special Road Tax of Rs.94.77 lakh was neither demanded nor paid by the owners of tourist buses/mini buses.

(Paragraph 3.2.9 & 3.2.10)

Non-levy of interest on delayed payment of Special Road Tax/Token tax made by five depots of State Transport Corporation and five depots of Punjab Roadways resulted in loss of Rs.2 crore.

(Paragraph 3.2.12)

Token tax of Rs.95.88 lakh was not recovered from owners of stage carriages, goods carriages, mini buses and buses of educational institutions.

(Paragraph 3.2.13)

3.2.1. Introduction

Motor vehicles taxes are levied and collected in the State under the provisions of the Punjab Motor Vehicles Taxation Act (PMVT), 1924 as amended from time to time and Rules made thereunder. Besides, licence fees, registration fees, fitness fees and permit fees etc. are levied under the provisions of the Motor Vehicles Act, 1988 and Rules made thereunder by the Central Government and the State Government. In case of non-payment of tax in time, penalty and interest at the rates prescribed are also leviable.

3.2.2. Organisational set up

The overall charge of the Transport Department vests with the State Transport Commissioner (STC). There are 17 districts each headed by a District Transport Officer (DTO) who ensures due observance of rules and maintains

the records of receipts of taxes and fees. Besides, there are three Regional Transport Authorities (RTA) at Ferozepur, Jalandhar and Patiala for regulating the use of transport vehicles in the State in conformity with Motor Vehicles Act, 1988 and collection of special road tax and fees in respect of buses of other States.

3.2.3. Audit Objectives

Detailed analysis of the records of the office of the State Transport Commissioner, Punjab, Regional Transport Authority, Jalandhar and Patiala and 9* District Transport Offices for the period 1999-2000 to 2001-2002 was conducted between July 2002 and February 2003 to

- seek assurance of compliance with Act and rules;
- check deviations from rules resulting in revenue loss;
- ascertain whether control mechanism is adequate.

3.2.4. Trend of Revenue.

Budget estimates and actual realisation of taxes and fees during the period 1999-2000 to 2001-2002 were as under:-

(In crore of rupees)				
Year	Budget Estimates	Actuals	Excess (+) Shortfall (-)	Percent of Col 4 to 2
1	2	3	4	5
1999-2000	350	321.37	(-) 28.63	8.18
2000-2001	350	338.31	(-) 11.69	3.34
2001-2002	390	318.44	(-) 71.56	18.34

The shortfall during 2001-2002 was due to decrease in the rate of special road tax and non-payment of special road tax by Pepsu Road Transport Corporation.

3.2.5. Shortfall of revenue due to non-fulfilment of commitment

The Government had increased the rates of Special Road Tax (SRT) from 4.65 paisa to 6.70 paisa per seat per km. per day for stage carriages with effect from July 1998. In accordance with an agreement reached between Government of India, Ministry of Finance and Government of Punjab on 9th April 1999, rates of SRT and other taxes was to be enhanced in order to raise additional resources to the tune of Rs.65 crore during the year 1999-2000. However, the State Government reduced the rate of SRT from 6.70 paisa to 5.75 paisa with effect from December 2000 and again to 5.18 paisa in January 2002 which resulted in shortfall of revenue of Rs.13.44 crore in 2000-2001 and Rs.42.99 crore in 2001-2002.

* Bathinda, Faridkot, Fatehgarh Sahib, Gurdaspur, Moga, Mansa, Nawanshehar, Muktsar and Patiala.

3.2.6. Special Road Tax

As per the PMVT Act, 1924, there shall be levied and paid to the Government a special road tax (SRT) on transport vehicles at the prescribed rates in advance every month latest by 15th of the month as specified by the Government on the distance permitted to be covered within the specified period. Whenever a transport vehicle registered in a State, other than the State of Punjab, enters the State of Punjab, SRT shall become leviable on such entry. Timely realisation of taxes is watched through tax collection registers required to be maintained in each district office where the vehicle is registered. Failure to pay the tax within prescribed period attracts simple interest at the prescribed rate and also penalty not exceeding Rs.5000 but not less than Rs.1000. The Act further provides that where tax has not been paid, the Department may issue notices calling upon the defaulters to pay tax and in case the default still continues, the Department may impound, seize and detain such vehicles till the tax due is paid.

3.2.7. Non-payment/Short levy of Special Road Tax

During test check of records of RTA Patiala and five DTOs*, it was noticed that SRT amounting to Rs.52.05 lakh was not paid by the owners of 14 private transport companies (PTC) and Delhi Transport Corporation during 2000-2001 and 2001-2002. The Department neither demanded SRT nor took action to impound the buses. This resulted in non-payment of SRT amounting to Rs.53.49 lakh including minimum penalty.

Further, test check of records of 9 DTOs** and two RTAs at Jalandhar and Patiala, revealed that 14 PTCs, Chandigarh Transport Undertaking (CTU) and U.P. State Transport Corporation paid SRT amounting to Rs.58.59 lakh against amount of Rs.137.55 lakh payable on the basis of entire mileage permitted to be covered during the years 2000-2001 and 2001-2002.

Failure on the part of the Department to raise the demand by issuing notices to the defaulters resulted in short levy of SRT amounting to Rs.80.47 lakh including minimum penalty of Rs.1.51 lakh.

On this being pointed out, the Department stated that notices for recovery had been issued/were being issued.

3.2.8. Short realisation of Special Road Tax due to incorrect calculation

According to Punjab Government notification issued in November 2000, SRT at the rate of 5.75 paise per kilometre per day was to be paid for 365 days in a year in advance on the entire distance permitted to be covered, by the stage carriages registered in other States but plying in Punjab.

* Amritsar, Hoshiarpur, Ludhiana, Mansa and Ropar.

** Amritsar, Fatehgarh Sahib, Hoshiarpur, Jalandhar, Ludhiana, Mansa, Moga, Patiala and Ropar.

During test check of records of RTAs Jalandhar and Ferozepur, it was noticed that SRT by stage carriages registered in the States of Himachal Pradesh and Rajasthan was short paid to the tune of Rs.41.63 lakh including minimum penalty.

On this being pointed out, RTA, Jalandhar intimated in May 2003 that a sum of Rs.7.63 lakh had been recovered in respect of stage carriages registered in Himachal Pradesh. RTA, Ferozepur, stated that matter was being taken up with the State concerned.

3.2.9. *Non-realisation of Special Road Tax from tourist buses.*

As per the PMVT Act, SRT shall be levied on tourist buses at the rates prescribed by the Government from time to time, which is to be collected in advance on monthly/quarterly/yearly basis. The permits in case of tourist buses are issued by the State Transport Commissioner who is also responsible for collecting the tax.

Test check of records of STC Punjab, revealed that, in respect of 12 tourist buses SRT amounting to Rs.31.14 lakh was not paid during the year 2001-2002 by the owners of buses. The Department neither demanded the SRT amounting to Rs.32.58 lakh including minimum penalty nor did they impound the buses.

On this being pointed out in audit, it was stated that the steps to recover the tax were being taken.

3.2.10. *Non- realisation of Special Road Tax and penalty on mini buses*

Under the provisions of the PMVT Act, for mini buses having seating capacity of not more than thirty passengers (excluding driver and conductor), plying on hire and used for transporting passengers, SRT is leviable on lump-sum basis per annum and is collected on quarterly basis.

During the course of audit of records of 13* DTOs it was noticed that SRT for the years from 1999-2000 to 2001-2002 amounting to Rs.52.30 lakh was not paid by 677 mini bus operators. The Department neither demanded the tax nor took any action to impound the buses. This resulted in non-realisation of SRT of Rs.62.19 lakh including minimum penalty of Rs.9.89 lakh.

On this being pointed out in audit, it was stated that notices would be issued.

3.2.11. *Non-payment of Special Road Tax on buses by educational institutions*

State Government in March 1997 levied SRT on the buses operated by educational institutions recognised by the State Government.

* Amritsar, Bathinda, Ferozepur, Faridkot, Fatehgarh Sahib, Gurdaspur, Hoshiarpur, Ludhiana, Muktsar, Mansa, Nawanshehar, Patiala and Ropar.

During the course of audit of records of 5* DTOs, it was noticed that 74 educational institutions having 83 buses did not pay SRT amounting to Rs.10.55 lakh including minimum penalty during the period from 1999-2000 to 2001-2002. The Department did not raise any demand against these educational institutions.

On this being pointed out in audit, it was stated that action was being taken to recover the tax from the defaulters.

3.2.12. Non-levy of interest

Under the PMVT Act, if the owner of a vehicle fails to pay the SRT within the prescribed period he is liable to pay simple interest at the rate of one and half percent per month or part of the month till the default continues.

During audit of records of 9 DTOs **, it was noticed that in the case of five *** depots of Pepsu Road Transport Corporation (PRTC), five **** depots of Punjab Roadways and one PTC, SRT amounting to Rs.5.78 crore pertaining to the period 1994-95 to 2001-2002 was paid late and the delay ranged between 1 to 77 months, but interest amounting to Rs.2 crore on delayed payments of tax was not levied.

On this being pointed out in audit, it was stated that notices were being issued. Final reply has not been received.

3.2.13. Non-recovery of Token Tax

As per provisions of the PMVT Act, token tax is leviable on stage carriages, mini buses, buses of educational institutions and goods carriages at prescribed rates and are recoverable in advance in equal quarterly instalments. Failure to pay tax by due dates attracts interest and penalty at prescribed rates. Where tax due in respect of any vehicle has not been paid, the Department may issue notices, impound, seize and detain such vehicles until the tax due paid.

During the course of audit of records of 12^{\$} DTOs and STC, it was noticed, that token tax in respect of 73 buses/mini buses and goods carriage vehicles had not been paid during the years 1999-2000 to 2001-2002 resulting in non-recovery of token tax amounting to Rs.95.88 lakh including minimum penalty.

On this being pointed out in audit, it was stated that the notices were being issued.

* Amritsar, Fatehgarh Sahib, Hoshiarpur Ludhiana and Patiala.

** Amritsar, Faridkot, Ferozepur, Jalandhar, Kapurthala, Ludhiana, Moga Muktsar and Patiala.

*** P.R.T.C Chandigarh, Faridkot, Kapurthala, Patiala-I & II.

**** Punjab Roadways Jalandhar-II, Ludhiana, Moga, Muktsar and Tarn Taran.

\$ Amritsar, Bathinda, Fatehgarh Sahib, Ferozepur, Faridkot, Gurdaspur, Hoshiarpur, Ludhiana, Mansa, Muktsar, Nawanshehar and Patiala.

3.2.14. Non recovery of application and permit fees

As per provisions contained in Motor Vehicles Act, 1988, read with the PMVT Act, the permits granted to the owners of the stage carriages are required to be got renewed after the expiry of every five years on payment of the application fees/permit fees.

During the course of audit of records of RTAs Patiala and Jalandhar, it was noticed that 393 numbers of permits pertaining to stage carriages of PRTC and Punjab Roadways due for renewal between April 1999 to March 2002 were not got renewed after the expiry date resulting in non realisation of application/permit fees amounting to Rs.13.79 lakh.

On this being pointed out in audit, it was stated that the matter was being taken up with the concerned authorities.

3.2.15. Loss of revenue due to non-countersigning of permits

As per provisions contained in Motor Vehicles Act, 1988, read with PMVT Act, in the absence of any agreement, permit to ply stage carriages granted in any one State shall not be valid in other State unless it is countersigned by the State Transport Authority of that State.

Test check of records of RTA, Patiala revealed that though the stage carriages of the Union Territory, Chandigarh, since its inception in November 1966 were plying throughout the State of Punjab, the permits of these buses were not got countersigned from the RTA. Since no agreement between Union Territory, Chandigarh and the State of Punjab existed, non-countersignature of permits resulted in loss of revenue of Rs.2.86 lakh from June 1996 onwards.

On this being pointed out in audit the STC stated in June 2003, that the matter was in progress with the Chandigarh Transport Undertaking for reciprocal agreement.

3.2.16. Short realisation of composite fees

Under the National Permit Scheme, vehicles registered in one State are authorised to ply in other States on payment of prescribed composite fee in lump-sum. The composite fee is initially received from the owner of the vehicle in the form of crossed bank draft by the State in which the vehicle is registered and is required to be transmitted to the State in which the vehicle is authorised to ply. The Government of Punjab vide notification of August, 1993 enhanced the rate of composite fee from Rs.1500 to Rs.5000 per annum with effect from September 1993.

During test check of records of the STC, it was noticed that 468 goods carriages registered in other States authorised to ply in Punjab State under the National Permit Scheme did not pay the composite fee at enhanced rates during the period 2001-2002. Failure on the part of the Department to take up

the matter with the States concerned resulted in short realisation of composite fee of Rs.11.12* lakh.

On this being pointed out in audit, STC stated that the matter was being taken up with States concerned.

3.2.17. Internal Audit

In State Transport Office Punjab, Chandigarh, Internal Audit Wing headed by Deputy Controller of Finance was set up in 1992. In each District Transport Office, there is one Section Officer who applies audit checks.

During the course of audit, it was noticed that the internal audit was not being conducted as no inspection report had been issued during the period 1999-2000 to 2001-2002.

3.2.18. Recommendations

In view of the non-payment of tax by the vehicle owners, the Government may consider:

- to take adequate steps for realisation of tax in time to avoid revenue loss to State exchequer.
- to strengthen enforcement wing to ensure timely realisation of revenue by adopting special modes of recovery e.g. impounding vehicles of the tax defaulters etc.
- to seek assurance to the application of correct rate of tax.

The matter was brought to the notice of the Department and referred to the Government in March 2003; their replies were not received (November 2003)

3.3. Forged treasury challans

Taxes leviable under the PMVT Act are paid by the owners of the vehicles into the treasury (through a scheduled bank) through treasury challans prepared in triplicate. One copy of the challan is returned by the bank to the depositor for submission to the licencing authority as proof of payment alongwith an application on the basis of which entries are made in the prescribed register, called Tax Register. Under the Punjab Financial Rules, the Department is required to maintain a Remittance Book (Daily Collection Register) on the basis of copies of challans received from the treasury. At the end of each month, figures noted in the Daily Collection Register (DCR) are required to be reconciled with the treasury records.

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Rajasthan 3.66 lakh, Haryana 2.96 lakh, Uttar Pradesh 0.63 lakh,
Madhya Pradesh 2.64 lakh, West Bengal 0.63 lakh, Daman Diu 0.60 lakh

Test Check of records of Sub-Divisional Officer (Civil) cum-Licencing Authority Batala and Pathankot, revealed that in respect of 404 number of treasury challans, an amount of Rs.4.63 lakh was shown deposited during the period October 1999 to May 2002. The reconciliation of these remittances was not made by the concerned officials. However, verification of remittances with treasury records made in audit revealed that against the amount of Rs.4.63 lakh stated to be deposited, a sum of Rs.0.14 lakh was actually deposited. This resulted in short/non deposit of Rs.4.49 lakh.

On this being pointed out in audit, the STC intimated in June 2003, that action against the officials concerned had been initiated.

The matter was brought to the notice of the Department and referred to the Government between September 2002 and January 2003; their replies were not received (November 2003).