

CHAPTER-III: Taxes on Motor Vehicles

3.1 Results of audit

Test check of the records in the offices of the Transport Department conducted during the year 2005-06 revealed short realisation of taxes, fees and penalty amounting to Rs.35.35 crore in 8,122 cases which broadly fall under the following categories:

Sl. No.	Category	Number of cases	Amount (Rs in crore)
1.	Non/short payment of tax, surcharge, penalty, interest and compounding fee	6,070	32.80
2.	Non/short determination/computation of Special Road Tax	86	0.37
3.	Other irregularities	1,966	2.18
Total		8,122	35.35

During the year 2005-06, the Department accepted short determination of road tax, special road tax etc. in 6,561 cases involving Rs.19.75 crore of which 3,482 cases involving Rs.7.91 crore were pointed out in audit during 2005-06 and rest in earlier years. Further, the Department recovered Rs.23.58 lakh in 481 cases of which 135 cases involving Rs.11.38 lakh were pointed out in audit during the year 2005-06 and the rest in earlier years.

After issue of draft paragraph, the department recovered Rs. 10.96 lakh pertaining to a single observation during the year 2005-06.

A few illustrative cases involving Rs.18.96 crore highlighting important audit findings are given in the succeeding paragraphs:

3.2 Levy and collection of motor vehicles tax

Motor vehicles tax (MVT) is levied on all motor vehicles under the Rajasthan Motor Vehicles Taxation Act, 1951 (RMVT Act) and Rules made thereunder at the rates as may be notified from time to time by the State Government.

3.2.1 Introductory

Under RMVT Act and Rules made thereunder, MVT shall be payable in advance on all motor vehicles used or kept for use in the state at the rates as may be prescribed by the State Government from time to time. The rate of tax is based on the cost of chassis/vehicles. In addition to MVT, special road tax (SRT) on all transport vehicles at the rates as may be prescribed by the state Government was also payable in advance. Besides, penalty at the prescribed rates is also leviable on delayed payment of tax.

3.2.2 Scope of audit

Test check of records of levy and collection of tax for the period between April 2001 and March 2005 was conducted in 31 out of a total of 41 transport offices between May 2005 and February 2006. Some of the major findings are mentioned below:

3.2.3.1 Non/short realisation of motor vehicles tax and special road tax in respect of goods vehicles

The scrutiny of the tax ledgers, registration records etc. in respect of goods vehicles maintained by the taxation officers in 17 transport offices¹ revealed that MVT and SRT for the period between April 2002 and March 2005 in respect of 1,335 goods vehicles was either not paid or paid short by the owners of these vehicles. There was nothing on records either in the tax ledgers or the registration records to indicate that vehicles were either off the road or were transferred to other states or had deposited the tax at any other place. The taxation officers did not initiate any action to recover the tax due. This resulted in non/short realisation of MVT and SRT amounting to Rs.2.26 crore.

After this was pointed out, the department stated between November 2005 and March 2006 that Rs.3.34 lakh in respect of 31 vehicles had been recovered in Jhalawar and Alwar and demand notices were being issued in respect of 114 vehicles in Tonk. Action taken on remaining vehicles has not been received (July 2006).

3.2.3.2 Non/short realisation of MVT in respect of dumpers/tippers

Under RMVT Act, State Government issued a notification on 31 March 1997 prescribing the rates of tax payable in respect of dumpers/tippers. Section 6 of RMVT Act provides for levy of penalty for late payment of tax at the rates as

¹ RTOs: Ajmer, Alwar, Bikaner, Chittorgarh, Dausa and Udaipur.
DTOs: Baran, Bharatpur, Dungarpur, Hanumangarh, (Goods) Jaipur, Jhalawar, Jhunjhunu, Kotputli, Sriganganagar, Sirohi and Tonk.

may be prescribed from time to time by the State Government subject to a maximum of 200 *per cent* of tax due.

Scrutiny of the tax ledgers and registration records in three transport offices², revealed that MVT for the period between April 2002 and March 2005 in respect of 124 dumpers/tippers was either not paid or paid short by the owners of these vehicles. The taxation officer did not initiate any action to recover the tax due. This resulted in non/short realisation of MVT amounting to Rs.19.49 lakh.

Further in Sirohi it was noticed that MVT was computed incorrectly in respect of 28 dumpers of two firms for the period between April 2001 and March 2004 due to application of incorrect rates of tax which resulted in short realisation of tax of Rs.35.68 lakh. Penalty amounting to Rs.3.23 lakh was also chargeable.

After this was pointed out, the department stated between January 2006 and March 2006 that Rs.1.92 lakh in respect of 15 vehicles had been recovered in Jhalawar and demand notices have been issued in respect of 28 vehicles in Sirohi. Intimation of remaining vehicles has not been received (July 2006).

3.2.3.3 Non/short realisation of MVT in respect of non transport vehicles

Notification dated 31 March 1997, as amended from time to time, prescribed the rates of tax payable in respect of non transport vehicles viz. construction equipment like excavators, loaders, cranes, rigs etc.

Scrutiny of tax ledgers, registration records etc. revealed that in six transport offices³, MVT chargeable for the period between April 2002 and March 2005 in respect of 207 non transport vehicles was either not paid or paid short by the owners of these vehicles. The taxation officer did not initiate any action to recover the tax due. This resulted in non/short realisation of MVT amounting to Rs.34.93 lakh.

After this was pointed out, the department stated between November 2005 and March 2006 that Rs.1.79 lakh in respect of 11 vehicles had been recovered in Alwar and Bhilwara and demand notices were being issued in respect of 73 vehicles in Bhilwara. Action taken on remaining vehicles has not been received (July 2006).

Scrutiny of the records in Chittorgarh revealed that 10 non transport vehicles comprising of loader, crane, fork lift etc. purchased by a firm during earlier years between 1967 and 1996 were registered in March 2005. These vehicles were plying within the premises of the firm. The taxation officer however incorrectly computed the tax of these vehicles in March 2005 with effect from April 1997 instead of from the date of their purchase, resulting in non levy of tax of Rs.3 lakh upto March 1997. Further review of computation of tax for

² DTOs: (Goods) Jaipur, Jaisalmer and Jhalawar.

³ RTOs: Alwar, Kota and Udaipur.
DTOs: Bharatpur, Bhilwara and (NT) Jaipur.

the period from April 1997 to March 2005 revealed that tax amounting to Rs.4.21 lakh was short levied in respect of 3 vehicles. Besides penalty of Rs.12.75 lakh was also leviable for non/short payment of tax. The omission resulted in overall non/short payment of tax and penalty amounting to Rs.19.96 lakh.

After this was pointed out, the taxation officer intimated in June 2005 that Rs.11.37 lakh (tax Rs.4.22 lakh and penalty Rs.7.15 lakh) had been recovered. It was intimated by the department in June 2006 that firm has filed a writ against the demand notices issued by the department and Hon'ble High Court has directed to implement tax assessment order after permission of the Court.

3.2.4 Loss of revenue due to non recovery of fee from agents/canvassers

Under the Motor Vehicles Act, 1988 read with RMV Rules, 1990, no person, whether he is an owner of public service vehicle or not, shall engage himself directly or indirectly as an agent or canvasser in the sale of tickets for travel by public service vehicle or in soliciting customers for such vehicle or as an agent in the business of collecting, forwarding or distributing goods carried by goods carriages unless he has obtained a licence from such authority and subject to such conditions as prescribed by State Government. The State Government prescribed an application fee of Rs.5,000 and annual licence fee of Rs.1,000 for grant of licence. Apart from such fee, every forwarding, distributing and collecting agent or canvasser was required to deposit a minimum security of Rs.5,000 with the licencing authority.

Mention was made in the Paragraph 3.10 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1993 (Revenue Receipts) Government of Rajasthan regarding non recovery of fee and security from agents/canvassers. The Public Accounts Committee (PAC) in their Report (February 1998) recommended departmental survey and recovery of dues thereof. In the action taken notes, Government intimated that survey is being conducted. But there was nothing on record to reveal that any action was initiated to conduct survey and issue licences to agents.

Cross examination of records of Central Excise Department with nine transport offices⁴ revealed that 1,799 transport/travel agents were paying service tax but were neither registered with the transport department nor had obtained any licence. In addition as per information obtained from transport department, directory/yellow pages published by BSNL, private publishers and transport union revealed that 1,746 goods/travel agents were functioning at various places in the state. These agents had neither applied for licences nor had department made any efforts for their registration.

Thus, failure of the department resulted in loss of revenue of Rs.2.13 crore due to non recovery of fee from 3,545 agents/canvassers and non deposit of security amounting to Rs.1.77 crore for the year 2005-06.

⁴ RTOs: Alwar, Bikaner, Chittorgarh, Jaipur, Jodhpur, Kota, Pali, Sikar and Udaipur.

3.2.5 Non realisation of motor vehicles tax of passenger vehicles kept without non temporary permits

Under RMVT Act and Rules made thereunder, MVT in respect of passenger vehicle other than covered by a non temporary permit shall be payable at the rates prescribed by State Government from time to time.

Test check of tax ledgers and permit registers in five transport offices⁵ revealed that MVT was not paid by owners of 187 passenger vehicles for the period between April 2002 and March 2005 during which their vehicles remained without non temporary permits. The taxation officer did not initiate any action to realise the tax due. This resulted in non realisation of MVT amounting to Rs.92.96 lakh.

3.2.6 Irregular grant of exemption in tax

Under RMVT Act and Rules made thereunder the owners of vehicles are not liable to pay tax during the period of surrender of registration certificate (RC) provided that period of such surrender shall be within one to two months unless extended by the concerned taxation officer. The Rules *ibid* further provide, that, in case, vehicle owner does not apply for extension at the expiry of two months of initial acceptance of surrender, tax shall be payable at normal rates thereafter.

Test check of RC surrender registers, tax computation records etc. in four transport offices⁶ revealed that the taxation officer allowed exemption of tax beyond the period of two months without application of extension during surrender period by the owners of 35 vehicles for various periods between September 2001 and March 2005. This resulted in irregular grant of exemption, which led to non realisation of tax amounting to Rs.10.05 lakh.

3.2.7 Non realisation of tax from traders

By issue of a notification in March 2000 under RMVT Act, State Government prescribed a tax on manufacturers/dealers/financers/body builders etc. having possession of motor vehicles in a financial year under the authorisation of trade certificate granted under the motor vehicles rules. In the case of two wheeled vehicles, annual tax is payable at the rate of Rs.2,000 for every 100 vehicles or part thereof. Similarly, in case of four wheeled vehicles, annual tax is payable at the rate of Rs.4,000 for every 50 vehicles or part thereof. In case of vehicles transferred or sold otherwise than sold by a dealer, the rate of tax shall be one fourth of the rates prescribed above.

In eight transport offices⁷ it was noticed that 171 dealers/financers etc. having trade certificate, did not deposit the prescribed tax of Rs.14.04 lakh in respect

⁵ RTOs: Alwar, Bikaner, Kota, Sikar and DTO Bharatpur.

⁶ RTOs: Jaipur and Udaipur; DTOs: Bhilwara and Jhunjhunu.

⁷ RTOs: Sikar and Udaipur;

DTOs: Churu, Dholpur, (Goods) Jaipur, (NT) Jaipur, Karauli and Sriganganagar.

of vehicles sold/financed by them during the period between April 2001 and March 2005.

After this was pointed out between July 2005 and November 2005, the department stated in October 2005 and December 2005 that Rs.0.26 lakh have been recovered in two cases of Jaipur (NT) and four cases of Karauli.

The above audit findings were pointed out to the department and Government in May 2006; their replies have not been received (July 2006).

3.3 Non recovery of special road tax from Rajasthan State Road Transport Corporation

Under RMVT Act and Rules made thereunder, the cost for computation of tax shall be as prescribed by the transport commissioner on 1 April of every year. State Government in February 2004 decided that reimbursement of expenditure on free/concessional services provided by the Rajasthan State Road Transport Corporation (RSRTC) shall not be paid in cash and the same shall be adjusted against the amount of SRT chargeable from the RSRTC for the last two months of the financial year provided RSRTC deposited SRT in full and regularly for first 10 months of the financial year.

In Regional Transport Office, Jaipur, it was noticed in February 2006 that RSRTC did not deposit SRT for two months (February and March 2005) in view of anticipated adjustment thereto towards reimbursement of expenditure on free/concessional services provided by it. It was, however, further noticed that RSRTC had paid SRT less by Rs.1.72 crore during 10 months upto January 2005 as it was calculated on the basis of purchase price of chassis instead of the chassis cost as fixed by the transport commissioner. Subsequently, department raised a demand of Rs.1.72 crore for SRT thus paid short. In view of this, adjustment of tax for two months of February and March 2005 was inadmissible but no demand amounting to Rs.10.23 crore thereto was raised.

The matter was pointed out to department and reported to Government (March 2006); their replies have not been received (July 2006).

3.4 Non recovery of special road tax and penalty

Under RMVT Act and Rules made thereunder, vehicles are not liable to pay tax for the period their RC is accepted as surrendered by the department. However, where a motor vehicle is found plying after the surrender of RC, the tax on such vehicle shall be payable for entire period of surrender alongwith a penalty equal to five times of the amount of tax.

Cross verification of records relating to RC surrender in the RTO Jaipur with monthly depot returns/records maintained by RSRTC revealed in February 2006 that 27 stage carriages of RSRTC plied during the period of surrender of RC in the year 2004-05. Thus, SRT of Rs.7.91 lakh and penalty of Rs.39.55 lakh though leviable, was not levied resulting in short realisation thereto.

The matter was pointed out to the department (March 2006) and reported to Government (March 2006); their replies have not been received (July 2006).

3.5 Non/short realisation of special road tax in respect of stage carriages

Under RMVT Act and Rules made thereunder, SRT in respect of stage carriages is payable at the rates as prescribed by the State Government monthly, in advance, on or before seventh day of the month and the owner is also required to submit declaration to this effect within first 14 days of the month. If the tax has not been correctly paid or the owner has not submitted declaration, the taxation officer shall proceed to compute and recover the amount of tax due.

In nine RTOs/DTOs⁸, it was noticed between May 2005 and February 2006 that SRT for the period between December 2002 and March 2005 was either not paid or paid short by the owners of 199 stage carriages. The taxation officer did not initiate any action to recover the tax due. The omission resulted in non/short realisation of SRT amounting to Rs.67.99 lakh.

After this was pointed out between June 2005 and March 2006, the department stated between September 2005 and June 2006 that Rs.9.36 lakh in respect of 31 vehicles has been recovered in Alwar, Bhilwara, Nagaur and Jaipur. Intimation of remaining vehicles has not been received (July 2006).

The matter was reported to Government between October 2005 and March 2006; their reply has not been received (July 2006).

3.6 Non/short realisation of motor vehicles tax and special road tax in respect of contract carriages having seating capacity upto 22

Under RMVT Act and Rules made thereunder, MVT and SRT in respect of contract carriages having seating capacity upto 22 in all is payable at the rates as prescribed by the State Government quarterly, in advance, on or before 10th day of the beginning of the quarter to which tax relates.

⁸ RTOs: Ajmer, Alwar, Bikaner and Jodhpur.

DTOs: Bhilwara, Churu, (SC) Jaipur, Jhunjhunu and Jodhpur.

In 13 RTOs/DTOs⁹, it was noticed between May 2005 and February 2006 that MVT and SRT for the period between April 2002 and March 2005 were either not paid or paid short by the owners of 470 contract carriages. The taxation officer did not initiate any action to recover the tax due. This resulted in non/short realisation of MVT and SRT amounting to Rs.54.42 lakh.

After this was pointed out between June 2005 and March 2006, the Department stated between September 2005 and June 2006 that Rs.5.98 lakh in respect of 57 vehicles has been recovered in Alwar, Sikar, Bharatpur, (CC) Jaipur, Udaipur and Jalore. Intimation of remaining vehicles has not been received (July 2006).

The matter was reported to Government between August 2005 and April 2006; their reply has not been received (July 2006).

3.7 Non/short realisation of special road tax in respect of contract carriages with more than 22 seats

Under RMVT Act and Rules made thereunder, SRT in respect of contract carriages having seating capacity of more than 22 is payable at the rate as prescribed by the State Government monthly, in advance, on or before seventh day of the month for which tax relates.

In three RTOs/DTO¹⁰, it was noticed between August 2005 and October 2005 that SRT for the period between August 2003 and March 2005 was either not paid or paid short by owners of 35 contract carriages. The taxation officer did not initiate any action to recover the tax due. This resulted in non/short realisation of SRT amounting to Rs.33.66 lakh.

After this was pointed out between September 2005 and December 2005, the department stated between January 2006 and April 2006 that efforts are being made to recover the amount of tax due in case of Jaipur and Rs.11.15 lakh in respect of 12 vehicles had been recovered in Jodhpur. Report on action taken on remaining vehicles has not been received (July 2006).

The matter was reported to Government between October 2005 and January 2006; their reply has not been received (July 2006).

⁹ RTOs: Ajmer, Alwar, Bikaner, Kota, Sikar and Udaipur.

DTOs: Baran, Bharatpur, (CC) Jaipur, Jalore, Jhunjhunu, Sriganganagar and Tonk.

¹⁰ RTOs: Jodhpur and Udaipur; DTO (CC) Jaipur.