

CHAPTER-IV: TAXES ON VEHICLES

4.1 Tax administration

Transport Department is one of the major revenue collecting Departments of the State. Share of taxes on motor vehicles ranged between 4.75 to 5.08 *per cent* on the total tax revenue of the State during 2005-06 to 2009-10. “Motor vehicle taxes” are levied and collected in the State under the provisions of the *Chhattisgarh Motoryan Karadhan Adhiniyam*, 1991(Act) as amended from time to time and rules made thereunder. Besides trade tax, licence fees, other fees such as 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 and the State Governments. In case of non-payment of tax in time, penalty and interest at the prescribed rates are also leviable.

Motor vehicle taxes in respect of non-transport vehicles are realised in lumpsum as lifetime tax, whereas tax and additional tax from transport vehicles are realised quarterly/monthly at the rates specified in the Act.

4.2 Organisational setup

The Department is under the administrative control of the Transport Commissioner (TC), who is assisted by one Additional TC, one Joint TC, one Assistant TC and one Deputy Director, Finance (DDF) at headquarter. Besides, there are three Regional Transport Officers (RTO), three Additional Regional Transport Officers (ARTO) and 10 District Transport Officers (DTO) under the administrative control of TC. In addition to this, 15 check posts and two sub check posts with nine flying squads are under the supervisory control of RTOs/ARTOs/DTOs concerned.

4.3 Trend of revenue

Budget is prepared as per the Chhattisgarh Budgetary Manual. The Transport Commissioner after obtaining the receipt from the units, consolidate the budget estimates and finally sends to the Finance Department for approval. After scrutinising, Finance Department approves the budget.

The position of the target and achievement of motor vehicle taxes for the period from 2005-06 to 2009-10 are furnished below:

(₹ in crore)				
Year	Target as per budget	Actual (as per Finance Accounts)	Variations shortfall (-)/ surplus (+)	Percentage of variation (Col. 2 to 3)
2005-06	203.20	205.97	(+) 2.77	(+) 1.36
2006-07	250.00	253.05	(+) 3.05	(+) 1.22
2007-08	297.00	276.94	(-) 20.06	(-) 6.75
2008-09	315.50	313.78	(-) 1.72	(-) 0.55
2009-10	351.47	351.88	(+) 0.41	(+) 0.12

It may be seen from the table that the shortfall in the target was 6.75 *per cent* in 2007-08 and less than one *per cent* in 2008-09.

During the exit conference, the Department replied that due to higher targets fixed by the Finance Department, the achievement could not be ensured during the year 2007-08 and 2008-09.

4.4 Arrears of revenue

The following table depicts the position of arrears of revenue during the period 2005-06 to 2009-10.

(₹ in crore)

Year	Opening balance of arrears	Demand raised during the year	Amount collected during the year	Closing balance of arrears	Percentage Increase in arrears
2005-06	1.77	206.42	204.72	3.47	96.05
2006-07	3.47	253.73	253.05	4.15	19.60
2007-08	4.15	276.77	277.00	3.92	(-) 5.54
2008-09	3.92	313.89	313.80	4.01	2.30
2009-10	4.01	356.41	351.85	8.57	113.72

It may be seen from the above that the arrears of revenue as on 31st March 2010 amounted to ₹ 8.57 crore of which ₹ 1.77 crore were outstanding for more than five years. In 2009-10, there was huge accumulation of arrears with a sharp increase of 114 *per cent*. The Department stated that the reason for increase in the arrears of revenue was due to shortage of field staff.

The Government may issue necessary instructions for realisation of the arrears in a time bound manner.

4.5 Cost of collection

The gross collection in respect of Motor Vehicle Tax, expenditure incurred on their collection and the percentage of such expenditure to gross collection during the years 2007-08, 2008-09 and 2009-10 along with the relevant all India average percentage of expenditure on collection to gross collection of the preceding years is as indicated in the table below:

(₹ in crore)

Head of revenue	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average percentage for expenditure on collection in the preceding year
Taxes on vehicle	2007-08	276.94	5.30	1.91	2.47
	2008-09	313.78	13.12	4.18	2.58
	2009-10	351.00	10.00	2.85	2.93

It may be seen from the table that though the percentage of cost of collection in the State is marginally lower than the all India percentage except the year 2008-09, the same is increasing.

4.6 Impact of audit

4.6.1 : Position of IRs : During the last five years, audit through its Audit Reports had pointed out non-realisation of vehicle tax and penalty, non-levy of vehicle tax and loss of revenue amounting to ₹ 34.79 crore in 4311 cases. Of these, the Department/Government had accepted audit observations in 2661 cases involving ₹ 20.01 crore. The details are shown in the following table:

(₹ in crore)

Year of Audit Report	No. of units audited	Amount objected		Amount accepted		Amount recovered	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
2004-05	4	-	2.63	-	2.63	-	-
2005-06	6	852	2.99	852	2.99	142	0.37
2006-07	2	15	3.10	12	2.89	-	-
2007-08	7	1686	14.18	1051	7.61	-	-
2008-09	8	1758	11.89	746	3.89	-	-
Total		4311	34.79	2661	20.01	142	0.37

The above table indicates that during the last five years very less recovery was effected by the Department. The Department had also not taken any initiative for clearance of the cases pointed out by audit.

4.6.2 : Position of Audit Reports : In the Audit Report 2004-05 to 2008-09, the cases of non/short levy of tax, penalty were indicated involving ₹ 17.05 crore. The Department accepted observations of ₹ 5.32 crore of which ₹ 0.51 crore had been recovered till March 2010 as shown in the following table.

(₹ in crore)

Year of Audit Report	Total money value	Amount accepted	Recovery made up to March 2010
2004-05	3.5	0.30	0.39
2005-06	2.11	-	-
2006-07	1.27	1.27	-
2007-08	6.69	3.58	-
2008-09	3.48	0.17	0.12
Total	17.05	5.32	0.51

The above table indicates that the recovery of ₹ 0.51 crore had been recovered in the year 2004-05 and 2008-09. The Department had not taken any initiative to recover the objected amount in the year 2005-06 to 2007-08.

4.7 Results of audit

Test check of the records of the Transport Department conducted during the year 2009-10 indicated non-realisation of vehicle tax and penalty, non-levy of vehicle tax and loss of revenue amounting to ₹ 6.85 crore in 345 cases, which can broadly be classified under the following categories:

(₹ in crore)			
Sl. No.	Category	Number of cases	Amount
1.	Levy and collection of Taxes on Motor Vehicles - (A review)	1	5.96
2.	Non/short realisation of vehicle tax	185	0.72
3.	Other irregularities	159	0.17
Total		345	6.85

During the year 2009-10, the Department accepted non-levy of taxes on vehicles, loss of revenue and other deficiencies amounting ₹ 0.89 crore in 344 cases. The Department recovered ₹ 4.61 lakh in 49 cases pointed out by audit in earlier years.

The performance review on “**Levy and collection of Taxes on Motor Vehicles**” involving financial effect of ₹ 5.96 crore highlighting important audit findings are mentioned in the succeeding paragraphs.

4.8 Levy and collection of taxes on Motor Vehicles

Highlights

- The arrears of revenue as on 31st March 2010 amounted to ₹ 8.57 crore of which ₹ 1.77 crore were outstanding for more than five years. In 2009-10, there was huge accumulation of arrears with a sharp increase of 114 *per cent*.

(Paragraph 4.4)

- The Transport Department did not have any Departmental manual. In the absence of manual, various checks and balances to be exercised by the various functionaries of the Department for registration of vehicles, levy of taxes, etc. could not be ensured

(Paragraph 4.8.4)

- Improper maintenance of cash book and inadequacy in the internal control system led to fraud, misappropriation and embezzlement of Government revenue besides manipulation of challans.

(Paragraph 4.8.5 & 4.8.6)

- Non-fixation of rate of tax for sleeper buses led to non-levy of tax.

(Paragraph 4.8.8)

- Non-maintenance of records and lack of monitoring mechanism led to delay in encashment of bank drafts of ₹ 36.15 lakh.

(Paragraph 4.8.9)

- Failure on the part of the Department to take action against the defaulting vehicle owners resulted in non-levy of tax of ₹ 5.04 crore. Besides penalty for delay in payment of tax was also leviable.

(Paragraph 4.8.11)

- Non-verification of fitness of the vehicles which are due, led to non-recovery of fitness fee apart from endangering the lives of the passengers.

(Paragraph 4.8.12)

- Collection of taxes without taking into account the actual distance resulted in short levy of vehicle tax of ₹ 15.73 lakh. Besides penalty was also leviable as per provisions.

(Paragraph 4.8.14)

- Irregular Exemption of ₹ 5.73 lakh of vehicle tax on purchase of tractor/trolley for agriculture purpose.

(Paragraph 4.8.16)

4.8.1 Audit objectives

The review is conducted with a view to ascertain, whether

- the taxes, additional taxes, fees and penalties assessed and collected are in conformity with the provisions of the Act/Rules;
- an adequate and effective system exists for ensuring timely collection of taxes and remittance of the same into the treasuries/banks;
- an internal control system exists and is working efficiently to ensure timely assessment and realisation of taxes and fees; and
- the computerised applications such as *VAHAN* and *SARATHI* working in the Department are adequate, complete, and accurate and are also delivering the desired output.

4.8.2 Audit scope and methodology

The review was conducted between March 2010 and July 2010 covering 11 out of 16 RTOs/ARTOs/DTOs, five out of 17 check posts and five out of nine flying squads¹. The coverage of the above units constituted 50 *per cent* of the total units (42). These units are selected on the basis of their high and low revenue collection and through simple random sampling method. The audit methodology included scrutiny of cases of levy of taxes and fees of the selected units during the year 2005-06 to 2009-10. Besides, cases detected in local audit during the period and not included in the previous years audit reports are also included in the review.

4.8.3 Acknowledgement

Indian Audit and Accounts Department acknowledges the co-operation of the Transport Department in providing necessary information and records for audit. The audit methodology and scope of audit scrutiny was discussed with the Principal Secretary cum Transport Commissioner, Chhattisgarh in an entry conference held on 3 March 2010. The review was forwarded to the State Government on 13 August 2010. The exit conference was held on 14 October 2010 with the Principal Secretary cum Transport Commissioner, Chhattisgarh to discuss the major audit findings.

The Department gave their response and assured to further examine the audit observations and recommendations. The replies of the Department have been appropriately incorporated in the respective paragraphs.

¹ Ambikapur, Bilaspur, Dhamtari, Durg, Jagdalpur, Jashpur, Korba, Mahasamund, Raigarh, Raipur and Rajnandgaon.

Audit findings

The review revealed a number of system and compliance deficiencies which are discussed in the subsequent paragraphs.

System deficiencies

4.8.4 Non-preparation of Departmental manual

The Transport Department did not have any Departmental manual setting out the functions and responsibilities of the staff of all categories in accordance with instruction issued by the Government/Department. In the absence of manual, various checks and balances to be exercised by the various functionaries of the Department for registration of vehicles, levy of taxes, etc. could not be ensured and this facilitated manipulation of figures, submission of fake challans, misappropriation and embezzlement of Government money.

While agreeing with the observation of audit, the Department assured during exit conference (October 2010) that manual will be prepared as recommended by audit.

4.8.5 Fraud committed by manipulating challans

As per the provision of the Act, motor vehicle taxes are to be paid by the vehicle owners through challans deposited in treasury/banks. After payment, a copy of challan is to be submitted to the RTO/ARTO/DTO in support of payment of the tax and registration of vehicles are to be done on receipt of the copy of the challan.

4.8.5.1 During scrutiny of the records of the ARTO, Ambikapur for the period 4/2008 to 3/2010 we found that some vehicle owners manipulated the figure in the challans after payment and these manipulated challans were accepted by the ARTO, Ambikapur without verification with the bank scroll/treasury records. These cases were subsequently detected by the ARTO and cases were lodged with the police against the vehicle owners.

Similar manipulations were also noticed by audit in 34 cases (Appendix 4.1) and no action was initiated by the ARTO Ambikapur. In these cases the vehicle owner paid motor vehicle tax amounting ₹ 14,657 as against the actual amount of ₹ 5.93 lakh and through manipulation, the payments were shown as ₹ 5.93 lakh.

Thus, non-verification of the challans with reference to the bank scroll/ Consolidated Treasury Receipts (CTR) led to short receipt of tax of ₹ 5.78 lakh.

4.8.5.2 During test check of challans for payment of motor vehicle tax in ARTO, Durg, we observed that as per the challans, motor vehicle tax of ₹ 2475 was deposited on 28 April 2010 for vehicle No.CG-07/C-9491. On

verification of the receipt scroll of State Bank of India by audit, we noticed that the above amount was shown as deposited on the same date for another vehicle No.CG-07/C-1968. In further scrutiny we also found the similar discrepancies in the following cases:

Sl. No.	Challan number	Vehicle number	Amount (in ₹)
1.	187/22.03.10	CG-04/JA-4592	20,253
2.	26/06.03.10	CG-07/C-4955	3,750
3.	108/08.03.10	CG-07/C-2237	5,325

We further observed from the records of the Flying Squad that out of the above, ₹ 20,253 and ₹ 3,750 were actually deposited on 21 May 2010 with the Flying Squad.

It reveals from the above that fake challans were accepted by the ARTO, Durg without verifying the correctness of the payment and this resulted in loss of ₹ 31,803.

While agreeing with observations of audit, the Department assured in the exit conference (October 2010) that stringent action would be taken in all the cases and further stated that necessary instructions in this regard have been issued to all concerned to avoid such occurrences in future.

4.8.6 Misappropriation of Government revenue

As per Rule 53 (1) of the Chhattisgarh Treasury code and rule 3 and 4 of the Finance code, Government money should be remitted into treasury as soon as it is received.

During test check of the records of the selected units, we found the following misappropriation of Government revenue.

4.8.6.1 In DTO, Korba we noticed that tax amounting to ₹ 37,000 received on 2 July 2009 vide receipt No. 22 (₹ 17,000) and

No. 23 (₹ 20,000) of the receipt book No. 168786 were not deposited in the Government account till the date of audit. It was further noticed that no Cash Book was also found maintained since April, 2008. Thus, non remittance of Government money resulted in misappropriation of ₹ 37,000.

After we pointed out the case, the DTO, Korba replied that the showcause notice was issued to the concerned officials and amount has since been deposited by them.

4.8.6.2 Further, during test check of records of DTO, Korba we found that the receipts amounting ₹ 23.13 lakh received between February, 2009 to October, 2009 are remitted into Government accounts on 9 March 2010 i.e. after delay ranging between five to 386 days (*Appendix 4.2*).

After these cases were pointed out, the DTO, Korba, replied that remittances will be made in time in future.

The reply is an assurance for the future but the Department should fix responsibility against these officials for temporary misappropriation of Cash. Further, the above case of misappropriation was made possible mainly because of non-maintenance of cash book and non-accountal of the Government receipts.

While agreeing with the audit observation, the Department assured in the exit conference (October 2010) that stringent action would be taken in all these cases and further stated that necessary instruction in this regard would be issued to all concerned to avoid such occurrence in future.

Considering the number of cases of fraud, embezzlement, manipulation, etc. observed by audit from test check, the Department may take immediate action to avoid occurrence of such cases in future by strengthening the internal control mechanism, maintenance of Cash Books and internal audit.

4.8.7 Delay in remittance to Government Account

As per Rule 3 and 4 of Chhattisgarh Finance Code, the Government money so collected by the Government officials should be remitted immediately to Government Account.

We found in test check of Cash Book of the ARTO, Durg, that the tax amounting ₹ 5,683 (₹ 1113 on 28 July 2009; ₹ 430 on 29 July 2009 and ₹ 4,140 on 6 August 2009) collected between July 2009 and August 2009 are though entered in the Cash Book on the same date, but

are not remitted into treasury till the date of audit. This resulted in not remittance of Government money of ₹ 5,683 even after lapse of nearly one year.

While agreeing with the observation of audit, the Department assured in the exit conference (October 2010) that the stringent action would be taken in all cases.

4.8.8 Tax rates not decided/notified for sleeper bus

The Government of Chhattisgarh, vide Gazette notification amended Rule 170 of the Act (October 2008) and inserted sub-rule 170-A for special provision for sleeper coach and semi sleeper coach, Rule 170-B for deluxe sleeper coach and Rule 170-C for deluxe sleeper coach. However, the rates at which the taxes are to be collected were not notified. As a result, the tax as applicable to deluxe buses were being collected for sleeper coach buses also.

During scrutiny of the records of TC, Raipur, we noticed that the Department had moved a proposal (September 2007) for making necessary amendment in the Act to introduce sleeper coach buses. Though amendment incorporating the sleeper coach was made in October 2008, the rates at which the taxes to be collected were not notified. From the estimates prepared by the Department, it was seen that around 60-65 sleeper coach buses were plying within and outside the State and had the amendment been made, additional tax of ₹ 3.50 lakh would

have been collected every month by applying the rates applicable to deluxe buses. Thus, non-fixation of rate of tax on sleeper coach buses resulted in non-levy of tax of ₹ 1.05 crore at the rate of ₹ 3.50 lakh per month. The Government may notify the rates at which taxes are to be collected on sleeper coach buses without any further delay.

During the exit conference (October 2010), the Department agreed that no separate tax rates have been decided but assured that tax rates would be decided and communicated to audit.

The Government may consider fixing the rates and notifying for sleeper coach buses as early as possible to prevent further loss of revenue.

4.8.9 Delay in encashment of bank drafts

As per Rule 53(1) of the Chhattisgarh Treasury code and Rule 3 and 4 of the Finance Code, Government money should be remitted into treasury as soon as it is received.

We found in the test check of the records of the TC, Raipur that 2,989 numbers of bank drafts amounting ₹ 1.47 crore were received towards National permit fees from other States since 2006. Since these drafts were not encashed within the validity time, these drafts became time barred and were

sent to the respective States for revalidation. Out of these, only 1,993 bank drafts for ₹ 97 lakh were received duly revalidated. Remaining 996 bank drafts for ₹ 50 lakh were not received from the respective States after revalidation. The Department could not take any initiative for obtaining the revalidated bank drafts due to non-maintenance of any control registers. The Department had issued permits in all the cases. However, no internal inspection/peer review of demand drafts and cash book was conducted by internal audit in TC's offices.

After we pointed out the case, the TC, Raipur stated that appropriate action would be taken to maintain the records.

During the exit conference, the Department stated that 277 bank drafts of ₹ 13.85 lakh have been received after revalidation and reconciliation for the remaining drafts is being done.

Thus non maintenance of records and lack of monitoring mechanism led to delay in receipt and encashment of Bank drafts after revalidation.

Compliance deficiencies

4.8.10 Non-submission of Form-19 by traders/dealers

As per rule 43 of the Central Motor Vehicles Rules, 1989, form-19 containing the details of vehicles sent to the RTO for registration is required to be maintained by the dealers and are to be submitted to the transport authorities.

During the test check of records of the selected transport authorities, we found that none of the dealers had submitted the Form-19 register. As a result, it was not possible for the transport authority to ascertain the exact number of vehicles sent for registration and also the actual amount of tax to be collected from the

dealers. Department should monitor receipt of form-19 by Traders/dealers.

During the exit conference (October 2010), the Department stated that instruction would be issued to all RTOs/ARTOs/DTOs for ensuring submission of Form 19 by dealers and physical verification of the vehicles at dealer's premises.

It is recommended that the Government may invariably insist for Form-19 from the dealer to avoid loss of revenue.

4.8.11 Non-realisation of taxes from the owners of goods and passenger vehicles

According to Section 3 and 5 of the Act, tax shall be levied on the owner of every goods and passenger vehicles used or kept for use in the State at the rate prescribed in the first Schedule of the Act. In case of non payment of the tax due, the owner shall, in addition to the payment of tax due, be liable to pay penalty at the rate of one twelfth of the unpaid amount of tax for the default of each month or part thereof but not exceeding the unpaid amount of tax as laid down under Section 13(1) of the Act. Where any owner fails to pay tax, the taxation authority is required to issue a demand notice and take action to recover the amount of penalty in addition to tax as arrears of land revenue.

During the test check of records of the 11 selected transport offices, we found that though the owners of 507 passenger vehicles, 1,073 goods vehicles, nine loaders and dozer machines, 269 Maxi-cabs and 17 tractor trolleys did not pay the road tax of ₹ 5.04 crore since April 2007 and no action was initiated by the RTOs/ARTOs/DTOs to issue demand notices for recovery of the tax from the defaulting vehicle owners. This resulted in non-realisation of tax amounting ₹ 5.04 crore. Besides, penalty for delay in payment of tax was also leviable.

After we pointed out the cases, all the RTOs/ARTOs/DTOs replied that action would be taken to recover the amount and intimated to audit.

While accepting the audit observation, the Department stated in the exit conference (October 2010) that action would be taken to recover the amount.

Demand notices mechanism should be improved for recovery of road taxes from defaulting vehicle owners.

4.8.12 Non-receipt of fitness fees from vehicle owners

Under Section 56 of the Motor Vehicle Act 1988, a transport vehicle shall not be deemed to be validly registered for the purpose of registration, unless it carries a certificate of fitness in such a form containing such particulars and information as may be prescribed by the Central Government. Central Motor Vehicles Rules, 1989 and subsequent notification dated 28 March 2001 enhanced the rates of fee for grant and renewal of certificate of fitness, driving/learners licence and registration of various types of motor vehicles from 28 March 2001. As per the provisions of the above Act, the certificate of fitness issued at the time of registration of a new transport vehicle is valid for two years and it is to be renewed every year thereafter. In case of non-renewal of the certificate of fitness, fine of ₹ 1,000 is recoverable from the vehicle owner under Section 190 of the Motor Vehicle Act, 1988.

During the test check of records of ARTO, Rajnandgaon; DTO, Jashpur and Korba we found that from 2005-06 to 2009-10, fitness certificates were due for issue in respect of 62,630 vehicles. As against this, the certificates were issued in case of 31,996 vehicles and the balance 30,634 vehicles could be running without any fitness certificate. The Department neither initiated any action for cancelling the registration certificates of these vehicles whose fitness certificates had become overdue nor levied any fine from the defaulting vehicle owners as per the provisions of the Act. Besides endangering the lives of the passengers, this also results in loss of revenue.

During the exit conference, the Department stated that Fitness fee is subject to application of owner. However appropriate order will be issued to cancel the registration of vehicles which are plying without valid fitness certificate and penalty would be enhanced considerably in future.

Government should take immediate steps to verify the fitness for all the vehicles which are due, to avoid loss of revenue and in interest of public safety.

4.8.13 Non-realisation of licence fee and penalty

In exercise of the power conferred by Sub-section (i) of Section 75 of Motor Vehicle Act, 1988, the Central Government introduced the scheme for regulating the business of renting of motor cabs. As per the scheme, no person shall engage himself in the business of renting a motor cab under this scheme without licence. For this, licence fee of ₹ 5,000 is payable for five years by the owner to the transport authority. In case of non-payment of the tax due, the owner shall, in addition to the payment of tax due, be liable to pay penalty at the rate of one twelfth of the unpaid amount of tax for the default of each month or part thereof, but not exceeding the unpaid amount of tax as laid down under Section 13 (I) of the Act. Where any owner fails to pay tax, penalty or both, the taxation authority is required to issue a demand notice and action to recover the amount as arrears of land revenue.

During the test check of records of two² RTOs we found that as per records of Service Tax Department, 303 Motor cab operators (134 Bilaspur and 169 Raipur) were registered under Service Tax and paying service tax as per norms. However, none of the motor cab operators had applied for licences and neither had the RTOs initiated any action for levy of licence fee which were due since 1999-2000. This resulted in non-realisation of licence fee of ₹ 23 lakh besides penalty was also leviable.

After we pointed out the cases, RTO, Bilaspur replied that the cases are being forwarded to the State Transport Authority. Whereas RTO, Raipur replied that the matter will be examined and intimated to Audit.

While agreeing to the audit observation, the Department stated (October 2010 and February 2011) that the action would be taken against the defaulters under intimation to audit and further

stated that till date, nobody has applied for grant of licence.

² Bilaspur and Raipur.

4.8.14 Short levy of vehicle tax

According to Section 3 of the Act, tax shall be levied on the owner of every passenger vehicle used or kept for use in the state at the rate prescribed in the Sl. No.-4 of first schedule of the Act. In case of non-payment of the tax, the owner shall in addition to the payment of tax, be liable to pay penalty at the rate of one twelfth of the unpaid amount of tax for the default of each month or part thereof but not exceeding the unpaid amount of tax as laid down under Section 3 (1) of the Act. Where any owner fails to pay tax, penalty or both, the taxation authority is required to issue demand notice and take action to recover the amount as arrears of land revenue.

4.8.14.1 During the test check of the records of eight³ RTOs/ARTOs/DTOs we found that the vehicle tax amounting ₹ 52.20 lakh was levied on lumpsum basis from 17 passenger vehicle owners without taking into account the actual distance. The actual tax payable by the vehicle owners on the basis of the actual distance was ₹ 65.32 lakh (*Appendix 4.3*). This resulted in short levy of vehicle tax of ₹ 13.12 lakh. Besides penalty was leviable as per provision.

After we pointed out the cases, the RTOs/ARTOs/DTOs replied that demand notices will be issued to the vehicle owners and short levy of tax and penalty will be recovered from them under intimation to Audit.

While agreeing to the audit observation, the Department assured in the exit conference (October 2010) that appropriate action would be taken after verification.

4.8.14.2 We found in the test check of the records of TC, Raipur that in

The inter-state permit holder is liable to pay vehicle tax for the part of distance falling within the jurisdiction of the State and the notification for the distance has been issued by the Government.

seven cases permits were issued for route from Ambikapur to Ranchi. As per the notification dated 18th April 2008, of the Government of Chhattisgarh, the distance from Ambikapur to Ranchi is 337 kilometers and the distance between Ambikapur to

Chhattisgarh border is 219 kilometers. As against this, the Department levied the tax taking the distance from Ambikapur to Chhattisgarh boarder as 160 kilometers. This resulted in short levy of tax of ₹ 1.11 lakh (*Appendix 4.4*).

4.8.14.3 Similarly the distance from Jagdalpur to Boriguma (temporary permit no. 35 December 2009) the distance was taken as 21 kilometer as against the actual distance of 60 kilometer as per the Government notification dated 31 October 2008. This resulted in short realisation of tax of ₹ 1.50 lakh.

³ Ambikapur, Bilaspur, Dhamtari, Durg, Jagdalpur, Mahasamund, Raipur and Rajnandgaon.

After we pointed out the case, the TC, Raipur stated that the information regarding distance of these routes will be obtained from the Executive Engineer, Public Work Department concerned and intimated to Audit.

While accepting the audit observation, the Department stated in the exit conference (October 2010) that necessary correction would be made in the said notification.

4.8.15 Non-levy of tax on vehicles kept unused for more than two months

Under Section 12 of the Act, permit issued under the Section 88(9) or Section 72 and 74 of the Motor Vehicle Act 1988, shall be submitted to the transport authority in the following cases:

- i. Repairs to machine
- ii. Heavy rains or off roads due to any reasons
- iii. As per orders of the court/ Authority
- iv. Holi festival
- v. The vehicle acquired by the Government for law and order or general election.

As per Rule 100 of the *Chhattisgarh Motoryan Karadhan Niyam*, 1994, the period covers only two months for the above reason and thereafter the permit will be cancelled. On submission of the permit, the vehicle owner will be exempted from payment of tax for a maximum period of two months.

During the scrutiny of records, we found the following:

4.8.15.1 In RTO, Raipur, though 16 vehicles were kept unused for period ranging between six to 36 months, the permits of these vehicles were neither cancelled nor vehicle tax levied by the Transport Authority.

4.8.15.2 Similarly, permit was issued by RTA, Jagdalpur to vehicle No.CG-04/ZA-531 for Jagdalpur to Raipur route. The vehicle was kept unused for five months (August 2006 to December 2006) due to defect in the machine. However, temporary permit No.TP/338/06 was issued to vehicle by RTA, Jagdalpur for Jagdalpur to Bailadila route and the permit was also valid from 1st August 2006 to 31st December 2006.

Thus the issue of temporary permit by RTA, Jagdalpur to the vehicle without verifying the earlier permit was irregular. Tax of ₹ 2.23 lakh and penalty of ₹ 2.23 lakh leviable on the vehicle were not levied.

4.8.15.3 During the test check of records of RTO, Raipur we found that the permit of the vehicle No. CG-04/E-0249 was kept unused for four months (from June 2007 to September 2007) as the vehicle was to be sold. After the sale, this vehicle was on road on new permit from July 2007. The submission of the permit by the vehicle owner on the ground of selling the vehicle was not covered under the Act and therefore the vehicle tax of ₹ 1.34 lakh and penalty of ₹ 1.34 lakh were leviable for the same period.

After we pointed out the case, the RTO, Raipur replied that the case will be examined and communicated to audit.

During the exit conference, the Department stated that there is no provision of taking tax in the Taxation Act of Chhattisgarh. However, the Department assured that appropriate action will be taken in the cases pointed out in audit.

The reply of the Department is not acceptable as there is clear cut provision in the Act to cancel the permit of the vehicles which are kept unused for more than two months and recover taxes as per Rules.

It is recommended that the Government may strictly follow the provisions of the Act for ensuring that the vehicles are not kept unused for long periods in interest of revenue.

4.8.16 Irregular Exemption of vehicle tax on purchase of tractor/trolley for agriculture purpose

As per Government of Madhya Pradesh, Bhopal letter No.F-22/160/88/Eight dated 29 January 1991(adopted by Chhattisgarh Government), the Government granted exemption in vehicle tax on the tractor/trolley purchased for agriculture purpose in the following items:

1. Exemption for registration fees for tractor/trolley purchased for agriculture purposes;
2. Exemption on fees for temporary/permanent permit issued for licences and renewal of the permanent permits as per their application for purchase of tractor/trolley;
3. Exemption from vehicle tax under the provision of the Act; and
4. Exemption from Goods tax under the provision of the Act.

For the purpose of exemption, Government decided that the photocopy of *Krishak Rin Pustika* is to be produced along with the application for registration.

Test check of records of six⁴ RTOs/ ARTOs/ DTOs revealed that as against the above provisions, exemption from vehicle tax was granted in cases where no *Krishak Rin Pustika* was enclosed with the application. In some cases, *Krishak Rin Pustika* of other person was attached with the applications.

⁴ Bilaspur, Dhamtari, Jagdalpur, Mahasamund, Raigarh and Raipur.

The details of irregularities noticed are furnished below:

Name of unit (RTO/DTO)	Number of cases	Nature of irregularities	Loss of revenue (₹ in lakh)
Bilaspur, Dhamtari, Jagdalpur, Mahasamund, Raigarh and Raipur	167	The copy of the <i>Krishak Rin Pustika</i> was not found enclosed with the application	4.27
-do-	56	Copy of the <i>Krishak Rin Pustika</i> of other persons were enclosed	0.99
-do-	34	The name of the applicant was entered in the <i>Krishak Rin Pustika</i> deleting other name but not attested by the Revenue Authority	0.47

Without verifying the authenticity of the *Krishak Rin Pustika*, the transport authorities granted exemption and did not levy and realise the tax of ₹ 5.73 lakh.

After we pointed out the case, the Transport officers replied that these cases will be rescrutinised and appropriate action will be taken.

During exit conference, the Department stated that the circular issued pertains to Madhya Pradesh. However, the Department follows the norms of State Government issued in respect of certifying a person whether he is a farmer or not. The copy of the order would be given to audit.

The reply is not acceptable as the circular issued by the Madhya Pradesh Government has been adopted in Chhattisgarh. Further the copy of the Rule stated to have been issued by the Chhattisgarh Government has also not been furnished to audit. The fact remains that the RTOs have given the exemption from taxes without proper documents and the Governments reply does not address these facts.

4.8.17 Short levy of tax due to wrong assessment of seating capacity of passenger vehicles

According to the sub rule 3 of rule 158 of the Act, the seating capacity of a stage carriage of all makes and models, having following wheel base, shall not be less than the minimum capacity revealed against them:

Sl. No.	Wheel base (inches)	Seating capacity
1	166	46
2	205	50
3	210	55

During the test check of records of the TC, Raipur we found that the seating capacity of eight registered passenger vehicles was shown between 30 to 36 without driver and conductor, even though the wheel base of these vehicles were 166 inches. Since the seating capacities fixed by the Department in these cases were lower than the minimum capacity prescribed in the Act, this resulted in short levy of tax

of ₹ 3.35 lakh.

After we pointed the case, the TC replied that the cases will be scrutinised by the transport authorities for taking appropriate action under intimation to audit.

While agreeing with the audit observation, the Department stated in the exit conference (October 2010) that necessary amendment in the rules would be made.

In view of the recent additions of new vehicles with different wheelbases, the Department may consider revising the seating capacity of the passenger vehicles, and recover the correct taxes accordingly.

4.8.18 Non-recovery of tax and penalty before transfer of vehicle

According to Section 3 of the Act, tax shall be levied on the owner of every passenger vehicle used or kept for use in the State at the rate prescribed in the first Schedule of the Act. In case of non-payment, the owner shall, in addition to the payment of tax due, be liable to pay penalty at the rate of one twelfth of the unpaid amount of tax for the default of each month or part thereof but not exceeding the unpaid amount of tax as laid down under Section 13 (1) of the Act. Where any owner fails to pay tax, penalty or both, the taxation authority is required to issue demand notice and take action to recover the amount as arrears of land revenue.

We found in the test check of the records of DTO, Korba that owner of the Vehicle No.CG-12/9725 having seating capacity (32+1) did not pay tax of ₹ 81,920 at the rate of ₹ 5,120 per month for the period from March 2006 to June 2007 (16 months). The possession of the vehicle was taken by the financier without consent of the owner on 31 August 2007 and DTO, Korba transferred the ownership of the vehicle.

As per Rule, the vehicle cannot be transferred if the tax is not paid till the date of transfer of vehicle. Thus, the vehicle tax of ₹ 81,920 and penalty of ₹ 81,920 under Section 13 of the Act were recoverable from the owner of the vehicle.

After we pointed out the case, the DTO Korba replied that as per the order of TC, transfer of vehicle was not stopped but the name of the previous owner was not removed pending recovery of outstanding tax. The reply is misleading. The fact is the DTO transferred the vehicle without recovering the taxes due, which he was required to do as per the procedures laid down by the Department.

During the exit conference (October 2010), the Department stated that the matter will be scrutinised and intimated to audit.

4.8.19 Internal control

Internal controls are intended to provide reasonable assurance of proper enforcement of laws, rules and Departmental instructions. They help in prevention of frauds and other irregularities. Internal Audit enables the organisation to assure itself of the degree of compliance with prescribed systems.

Internal Audit Wing (IAW) attached to the office of the TC is headed by the Deputy Director (Finance). As against the sanctioned strength of eight, only four staffs were working and internal audit was conducted in respect of 41 out of 80 auditable units. Further, no unit was audited during 2008-09 and 2009-10. The shortfall in the coverage was mainly due to non availability of adequate number of staff.

During the exit conference, the Department stated that IAW is now being conducted regularly and two units audited in this year 2010-11.

The Government may consider strengthening the IAW and prescribe a time frame for taking remedial measures on its observation.

4.8.20 Computerisation of transport Department

As per the direction of Government of India, Ministry of Road Transport and Highways (September, 2009) computerisation of driving licence and registration were to be completed by December, 2009 in all transport offices. Accordingly, the Department implemented *VAHAN* for registration, fitness and *SARATHI* for driving licence on pilot basis with effect from June, 2004 and September, 2008 respectively at RTO, Raipur.

Scrutiny of the records relating to computerisation maintained at TC, Raipur revealed the following points:

1. Though the software and other accessories were procured for all the offices, the installation of hardware and software was not done in RTO, Jagdalpur and DTO, Dantewada even after lapse of one and half years.

2. Though computer hardware and software were installed in the 14 offices and were working since the date of installation but neither these offices were interlinked nor linked with the office of the TC.
3. The computerisation works in almost all the test checked offices were managed with the help of outsourced staff due to non-availability of trained man power in these offices.

During the exit conference, the Department informed that installation work has since been completed in the remaining two offices, Jagdalpur and Dantewada.

Though the work of installation has been completed in the remaining two districts, the interlinking of these offices has not been completed so far.

4.8.21 Manipulation made in “VAHAN” software by Registering Authority for registration of private vehicle

As per rule 47 of the Central Motor Vehicles Rules 1989, certificate of insurance is required to be produced alongwith other documents at the time of registration of the vehicle. In the absence of certificate of insurance, the vehicle cannot be registered. In case of any delay in registration of the vehicle, the vehicle owner is liable to pay penalty and interest at the rate prescribed in the Act.

The above provision has also been incorporated in VAHAN software. However, the software has also provided for registering the vehicles without certificate of insurance through operating “Not Available” option available in the software which is valid only for Government vehicles for which certificate of insurance is not required.

Test check of the records of ARTO, Durg revealed that the transport authority registered 132 private vehicles through availing the “Not Available” option without insisting for certificate of insurance. During scrutiny of these cases, it was found that in all these cases, certificates of insurance were available. Further, the insurance dates in all these cases were prior to the date of purchase of the vehicles. It implies that these vehicles were purchased prior to the date of sale and the period ranged between 12 to 260 days. However, in order to avoid payment of penalty and interest on delayed registration, the date of insurance was not shown in all those cases and option of “Not Available” was resorted to. This resulted in non-levy of late fee, penalty and interest amounting to ₹ 98,945.

After we pointed out the cases, the transport authority replied that the matter will be referred to the higher authority to modify the programme.

During the exit conference, the Department stated that appropriate changes will be made in the software and such problem will not occur when dealer point registration is implemented. The Department further stated that the matter will be taken up with the NIC officials for rectifying the defects in the software.

The reply of the Department is not in consonance with the fact because there is no defect in the software. The manipulation done deliberately by the concerned officials to avoid the payment of penalty and interest on delayed registration.

4.8.22 Conclusion

Motor vehicle tax is a major source of revenue of the State Government. We noticed that there were huge arrears of revenue due to lack of effective steps for recovery. The Department failed to levy and collect trade tax, vehicle tax and other taxes due to lack of monitoring mechanism. The internal audit was weak as is evident by the shortfall in number of units required to be inspected, increasing trend of outstanding inspection reports, arrears of inspection by IAW, misappropriation and embezzlement of Government money, delay in remittance and manipulation of challans etc. improper maintenance of Cash Book. IAW is required to be strengthened for avoiding the cases of misappropriation, frauds etc. there were delay in notifying the rates for sleeper coach busses and issuance of fitness certificates, and in revising the seating capacity of the old and new passenger vehicles as per rules and issuance of demand notices to defaulting vehicle owners.

4.8.23 Summary of recommendations

Keeping in view the observations made above, the following recommendations are made for consideration by the Government to streamline the levy and collection of motor vehicle taxes. The Government may

- *issue instructions for realisation of arrears in a time bound manner;*
- *considering the number of cases of fraud, embezzlement, manipulation, etc. observed by audit from test check, take immediate action to avoid occurrence of such cases in future by strengthening the internal control mechanism, Cash Book maintenance and internal audit;*
- *fix the rates for sleeper coach buses and notify them as early as possible to prevent further loss of revenue;*
- *insist for Form-19 from the dealer to avoid loss of revenue;*
- *take immediate steps to issue fitness certificates for all the vehicles which are due, in interest of public safety;*
- *strictly follow the provisions of the Act for ensuring that the vehicles are not kept unused for long periods in interest of revenue;*
- *revise the seating capacity of the old and new passenger vehicle as per rules; and*
- *improve the demand notices mechanism for recovery of road taxes from defaulting vehicle owners.*