

CHAPTER-IV: TAXES ON VEHICLES

4.1 Results of audit

Test check of the records in the offices of the Commissioner of Transport, regional transport and assistant regional transport offices in the State during the year 2008-09 disclosed underassessments and other deficiencies amounting to Rs. 256.90 crore in 136 cases which broadly fall under the following categories.

(Rupees in crore)

Sr. no.	Category	No. of cases	Amount
1.	Computerisation of issue of driving licence and registration of vehicles (An IT review)	1	0.37
2.	Non/short levy of motor vehicles tax	42	6.72
3.	Other irregularities	93	249.81
Total		136	256.90

During the year 2008-09, the department accepted under assessment of Rs. 1.71 crore in 27 cases and recovered Rs. 29.47 lakh in 24 cases including cases pertaining to the earlier years.

An IT review of **Computerisation of issue of driving licence and registration of vehicles** and a few illustrative audit observations involving Rs. 6.29 crore are mentioned in the succeeding paragraphs.

4.2 Computerisation of issue of driving licence and registration of vehicles

Highlights

- The Government of India, in order to have a national registry of registered vehicles and licences issued, had asked all State governments to implement the *Vahan* and *Sarathi* software developed by National Informatics Centre in 2001. The Gujarat Motor Vehicles Department implemented these systems in only one of the 27 regional transport office/assistant regional transport office though eight years have lapsed. The *Vahan* system implemented in regional transport office, Ahmedabad covered only non-commercial vehicles. The *Sarathi* system covered only issue of learner licence and did not cover issue of permanent licence.

(Paragraph 4.2.6.1)

- Data analysis of the *Vahan* system implemented in regional transport office, Ahmedabad revealed inadequate input and process controls resulting in short levy of tax amounting to Rs. 36.79 lakh.

(Paragraph 4.2.6.3)

- The system has been implemented only in seven regional transport office/assistant regional transport offices out of the 27 regional transport office/assistant regional transport offices/inspector offices.

(Paragraph 4.2.7.2)

- The system of smart card based vehicle registration was not complete and did not have provision for entry and calculation of motor vehicles tax, monitoring tax collection, issue of national or state permits, offences registered, stolen vehicles, wanted vehicles *etc.* The present system of vehicles registration has data of just five *per cent* of the total registered vehicles.

(Paragraph 4.2.7.3)

- Hand held terminals purchased for Rs. 61.43 lakh were not used. A server costing Rs. 1.94 crore purchased in December 2001 for creation of a central data repository was not installed. A database of all the registered vehicles and driving licences issued had not been created.

(Paragraph 4.2.7.4)

4.2.1 Introduction

The Bombay Motor Vehicles Tax Act, 1958 (BMVT Act) and the Bombay Motor Vehicles Tax Rules, 1959 (BMVT Rules), as applicable to Gujarat regulates the levy and collection of taxes on motor vehicles in Gujarat. Besides this, the Motor Vehicles Act, 1988 (MV Act) and the rules made by the Central and the State Governments govern the levy of licence fees, registration fees, permit fees *etc.*, collectively called the Motor Vehicle Tax (MVT). BMVT Act authorises the Gujarat Motor Vehicle Department

(GMVD) to recover unpaid tax dues as arrears of land revenue under Bombay Land Revenue Code, 1879.

The Government of India, in order to have a national registry of registered vehicles and driving licences issued to provide valuable data for the centre and state security agencies asked all the State governments in the year 2001 to implement the *Vahan* and *Sarathi* software systems developed by the National Informatics Center. The GMVD started the *Vahan* system for vehicles registration on pilot basis only in March 2008. The *Sarathi* system for driving licence was implemented in November 2006.

Before this, the GMVD had introduced a locally developed software for issue of smart card based driving licence from May 1999 and smart card based vehicles' registration from December 2001. The smart card based vehicles' registration is operational in seven regional transport offices/assistant regional transport offices and smart card based driving licence in 24 regional transport offices/assistant regional transport offices out of the total 27 regional transport offices/assistant regional transport offices/Inspector's offices.

4.2.2 Organisational set up

The State Commissioner of Transport heads the GMVD. The Commissioner of Transport is under the administrative control of the Secretary, Ports and Transport Department, Government of Gujarat. The Commissioner is assisted by a Joint Director and a total staff of 129 gazetted and 1,140 non-gazetted officials. There are 25 regional transport offices/assistant regional transport offices and two Inspector offices for as many districts in Gujarat, except Dang.

4.2.3 Audit objectives

The review was conducted with a view to assess:

- the extent to which the objectives of the computerisation project had been achieved;
- whether the information technology controls were adequate to ensure integrity, reliability and confidentiality of the data maintained in the transport department;
- whether adequate system and data security policies have been framed and implemented for accessibility, retrieval and security of the data; and
- whether adequate system continuity and disaster recovery plan have been framed and implemented.

4.2.4 Audit scope and methodology

Audit analysed the records in the office of the Commissioner of Transport, Gandhinagar and field offices for the period from May 1999 (when the computerisation project was started) to March 2009. Data analysis was done using IDEA software on data obtained from Commissioner of Transport, Gandhinagar and application controls were also analysed. In case of registration through *Vahan*, entire data of 1.14 lakh vehicles, which was entered during the period March 2008 to March 2009 was analysed.

4.2.5 Acknowledgement

Indian Audit and Accounts Department acknowledges the co-operation of the Commissioner of Transport office in providing the necessary information and records for audit. An entry conference was held in March 2009 in which the scope and methodology of audit was explained to the department/Government. The Commissioner of Transport, Joint Director, Regional Transport Officer, Ahmedabad and Director, National Informatics Centre attended the meeting. Audit findings of the review were reported to the Government in October 2009. The exit conference could not be held due to the pre-occupation of the departmental officers. Replies of the Government and the department have not been received (November 2009).

Audit findings

4.2.6 Vahan and Sarathi System

4.2.6.1 Delay in implementation

The Government of India, in order to have a national database of registered vehicles and driving licences to provide valuable data for the centre and state security agencies, asked all the State Governments in 2001 to implement the *Vahan* and *Sarathi* software designed by the National Informatics Centre (NIC). The main objective was to have a uniform format and standardised software for issue of registration certificates by the transport departments of all the States and to have a national registry of registered motor vehicles and driving licences. It was planned to implement the system fully in all the States during the Tenth Plan (2002-07). The final target date was extended up to 31 March 2008. As on July 2009, out of 35 States and Union territories, 26 have already implemented the system.

The GMVD introduced the *Sarathi* system in November 2006 and *Vahan* system in March 2008 initially at the regional transport office, Ahmedabad. The system has not yet been implemented in the rest of the regional transport offices and assistant regional transport offices. The Government of India had repeatedly asked the GMVD to expedite the implementation. However, all the modules of the system are yet to be implemented by the GMVD except two modules though eight years have lapsed.

The *Vahan* system covers the module on the registration of non-commercial vehicles only. Similarly, the *Sarathi* system covers the module for issue of learning driving licences only.

The data from the present smart card based vehicle registration system (SCVR) and smart card based driving licence system (SCDL) have not been exported to *Sarathi* and *Vahan* system due to non-resolution of the problems reported by the third party service provider.

The Government needs to take effective steps for earliest implementation of both the system in all the regional transport offices for a national registry of registered motor vehicles and driving licences in the interest of national security.

4.2.6.2 Inadequate application controls in Vahan system

In data processing systems, adequate input, processing and output controls need to be designed to ensure data integrity and reliability. Analysis of the data of 1.14 lakh vehicles entered in *Vahan* system in regional transport office, Ahmedabad from March 2008 to March 2009 revealed inadequacies in applications control of the system as mentioned below.

- In 1,033 cases, the engine numbers for different vehicles registered were the same. Further, in 255 cases, the engine number and the chassis number were same. The basic input control check for uniqueness of the engine and chassis number was not present in the system.
- In 139 cases, the registration date was prior to the purchase date indicating that there was no validation check on these date fields.
- In eight cases, the receipt number of the registration fee received was same for different chassis numbers.
- In 29 cases, the date of inspection of the vehicle had been entered as a day which was Sunday. In three cases, the inspection day mentioned was a national holiday *i.e.* 26 January 2009. Obviously, the input validation control on these date fields had not been enforced.
- In 20 cases, it was observed that there were duplicate insurance cover notes. In 14,195 records, the insurance cover note details were blank. Entry of a valid insurance cover note number was not made mandatory in the system.
- As per the Form 20 - Rule 47, every purchaser of vehicle had to submit his Permanent Account Number (PAN) at the time of registration of the vehicle, the details of which are periodically sent to the Income Tax office. It was, however, observed from the data that out of 1.14 lakh vehicle entries, in 1.07 lakh entries, PAN was blank. In 1,089 cases, the PAN was invalid.

4.2.6.3 Short levy of motor vehicles tax on imported vehicles

As per the notification dated April 2007 issued under the BMVT Act, six *per cent* of sales value is payable as tax on registration of indigenous four wheeled vehicles by individuals, local authorities, universities, educational and social welfare institutions and for others the rate is 12 *per cent*.

Audit analysis revealed that in eight cases, the rate of tax of indigenous vehicles was applied for imported vehicles, resulting in short recovery of tax of Rs. 36.79 lakh as mentioned in the table below.

(Rupees in lakh)					
Registration no. and date	Maker model	Amount on which tax to be levied	Rate of tax/ amount of tax calculated on sale amount	Rate of tax/ amount of tax to be levied on market value	Short levy of tax
GJ01HR1415/ 26.05.08	Mercedes Benz 350	79.00	-- 0.38	24% 18.96	18.58
Sale value was left blank and tax was calculated arbitrarily. The vehicle was registered by a private limited company and hence tax at 24 <i>per cent</i> was applicable.					

GJ01HQ9103/ 05.09.08	Audi A8 4.2 FSI Automatic	72.50	--	--	5.39
The sale value was taken as Rs. 27.56 lakh instead of the market value of Rs. 72.50 lakh.					
GJ01HS3409/ 20.03.09	AUDI A 4.2.0 TDI	25.42	6% 1.53	12% 3.05	1.52
GJ01HR6431/ 18.12.08	AUDI A 4.2.0 TDI	26.67	6% 1.60	12% 3.20	1.60
GJ01HR6753/ 24.12.08	AUDI A 4.2.0 TDI	31.30	12% 3.76	24% 7.52	3.76
GJ01HS3917/ 31.03.09	AUDI A6 3.2 FSI Quattro Tiptronic	31.85	6% 1.91	12% 3.82	1.91
GJ01HQ3587/ 28.05.08	BMW 525I PETROL	36.00	6% 2.16	12% 4.32	2.16
GJ01HR6408/ 18.12.08	BMW CKD 520 D EURO III	31.22	6% 1.87	12% 3.74	1.87
In cases of imported vehicles the rate applicable is 12 per cent for individuals, local authorities, universities, educational and social welfare institutions and 24 per cent for others.					
Total					48.82

Thus, the department short realised tax of Rs. 36.79 lakh by giving undue benefits to the owner of these vehicles.

4.2.6.4 Input and processing controls in Sarathi system

The *Sarathi* system implemented in the regional transport office, Ahmedabad covers the issue of learner's licence. Every applicant, after payment of the fee and submission of the requisite documents, is required to take a computer based examination in the regional transport office for evaluation of the knowledge of the traffic rules. The system poses up to 15 multiple choice questions. If the applicant answers at least 11 questions correctly, he is marked as passed by the system.

In the analysis of the data of 2.37 lakh learner licence entered in the *Sarathi* system in the regional transport office, Ahmedabad from November 2006 to March 2009, the following lapses were observed in the input and processing controls.

- In 158 cases, the number of questions answered was more than the number of question posed by the system.
- In nine cases, the number of questions answered was less than 11 but still the candidate was declared 'pass'.
- In the time taken field, it was observed that in six cases it was before 6:00 hours and in 40 cases it was beyond 18:00 hours. Out of these 40 cases, in 16 cases the examination time was at midnight after 23:00 hrs (11:00 pm) and in 19 cases, the examination date was Sunday.
- For answering each question, a maximum of 48 seconds was allowed and the test had to be completed in 12 minutes. In 17 cases, it was observed that the applicants had taken 13 to 15 minutes, but they were declared 'pass'.

The above raises grave doubts about the manner in which licences were being granted.

4.2.6.5 Lack of training of personnel

The *Vahan* and *Sarathi* software system's front desk operation is to be directly handled by the regional transport office personnel. The system is also to be implemented and maintained by the regional transport office staff with the support of the National Informatics Centre. Both the systems have been implemented (*Vahan*: March 2008; *Sarathi*: October 2006) at the regional transport office, Ahmedabad. But training has not been provided to the regional transport office staff in operation of these systems. As a result, the department is still dependent on the third party outsourcing agency.

Considering the importance of the driving licence, being a nationwide valid document of identity, in the interest of national security it is recommended that the training of staff may be undertaken on priority basis. This will also reduce dependency on the third party outsourcing agency and it will be in the interest of the overall safety of general public.

4.2.7 Smart card based vehicle registration and driving licence

Earlier to the *Vahan* and *Sarathi* system, the GMVD had introduced locally developed software for smart card based driving licence from May 1999 and smart card based vehicles' registration from December 2001.

The main objectives were establishing a central registry for management information system, ensuring the efficiency and transparency in the departmental activities and checking the use of forged and fake documents in respect of the motor vehicles. The implementation and operation of the smart card based driving licence system was outsourced to M/s Smart Chip Limited in May 1999. The smart card based vehicles registration system was outsourced to M/s Shonkh Technologies International Ltd., in December 2001.

4.2.7.1 Inadequate system design in SCVR and SCDL

Evasion of revenue can be checked by incorporating tax collection module in the software. In smart card system introduced for driving licence and registration of vehicles, the system had a provision for preparing a smart card for the licence issued or vehicle registered only. The system did not have any provision to process tax/fee/penalty collection *etc.*, and these were performed manually. Also, the system design of smart card based vehicle registration did not have any provision for monitoring of tax collection, issue of national or state permits, offences registered, stolen vehicles, wanted vehicles *etc.*

4.2.7.2 Partial introduction of the smart card system

The system of smart card based vehicle registration has been introduced in the year 2001 and implemented in only seven out of 27 regional transport office/assistant regional transport office/Inspector offices though more than eight years have lapsed. As per Article 6(iii) of the contract entered into with the third party service provider (M/s Shonkh Technologies), the service provider had to enter the data of registered vehicles prior to 2001 and also the data of registered vehicles for which smart card was not issued to make the

database complete. However, data of 14.49 lakh vehicles has been entered in the database by the third party service provider against the total 109.99 lakh registered vehicles. Further, the data entry done by the vendor was not being authenticated and validated by the departmental personnel.

Similarly, the smart card based driving licence system was introduced in 24 out of the 27 regional transport offices/assistant regional transport offices/Inspector offices since 1999. The system remained unimplemented in three assistant regional transport office/Inspector offices. In case of the regional transport office, Mehsana, the system of smart card based vehicle registration was stopped in December 2006. In case of the regional transport office, Mehsana, Joint Director (transport), Gandhinagar stated (July 2009) that adequate applications were not received for smart card based vehicle registration.

In Assistant Regional Transport Office, Dahod, it was noticed that the system was operated for less than a year (1999-2000). The office issued 400 smart card licence and thereafter the system stopped due to lack of infrastructure facility.

4.2.7.3 Incomplete database of licences issued and vehicles registered

Though the smart card based driving licence system and smart card based vehicle registration system was introduced in May 1999 and December 2001, the Government of Gujarat did not make the use of smart cards compulsory by issue of Government resolution exercising the powers conferred under the Motor Vehicles Act. Since availing of smart cards for licence and registration of vehicles was not made compulsory, the database did not have the data of all the licences issued and vehicles registered. This also defeated the very purpose of having a complete database of all the licences issued and vehicles registered. Under the smart card based vehicles registration system, only 5.50 lakh smart cards have been issued which covers only five *per cent* of the total 109.99 lakh vehicles that were registered till 2008-09.

4.2.7.4 Non-utilisation of hand held terminals

As per the computerisation project of smart card based driving licence system and smart card based vehicle registration system, driving licences and registration certificates were to be issued on smart cards. A smart card is a pocket sized plastic card embedded with a computer chip. A special hand held terminal (HHT) instrument is required for reading the information stored in the computer chip and generating challans. The purpose of networking of the HHTs was to daily update the data related to driving offences at the regional transport office's local server. The purpose of creation of the hot list was to prevent re-issue of a driving licence in cases where they had been impounded by the Transport Department. Audit observed that 192 HHTs purchased in March 2000 valued at Rs. 61.43 lakh for reading the smart cards were not distributed to the enforcement personnel and were lying unutilised in the regional transport offices. Failure to utilise the HHTs and update the smart cards regularly had rendered the smart cards as mere plastic cards defeating the objectives of the smart card based computerisation project. Also, due to non-utilisation of the HHTs, objectives of the computerisation project such as

networking of these terminals with the local server of regional transport office and creation of the hot list were not achieved. Further, as against 1k memory of present smart card, the proposed new smart card will have 4k memory.

A central database server was proposed to be set up (September 2001) in Ahmedabad for storing the data of smart cards of licence issued from all regional transport office/assistant regional transport offices in Gujarat. For this purpose, computer server costing Rs. 1.94 crore was purchased in December 2001. However, the server has not been installed and is still lying idle (July 2009).

4.2.7.5 Lack of network infrastructure

For the system to be fully functional, networks for inter connectivity between the Commissioner of Transport and regional transport offices was required; but this networking has not been done. Audit also observed that the permission could not be obtained from the Science & Technology Department for wide area network for inter-connectivity with the Commissioner of Transport and regional transport offices. Further, 11 check posts alone were inter-connected by *Bharat Sanchar Nigam* Limited lease line. However, intra-network connectivity between the Commissioner of Transport and regional transport offices was not implemented (November 2009).

4.2.7.6 Inadequate preparedness for facing adverse circumstances

It was observed in audit that the department did not have a formal business continuity and disaster recovery plan for continuation of the departmental activities in the event of a disaster. In all the field offices audited, backup of the data was not being taken on an external media so that it could be stored in an offsite fire safe location and could be readily available when needed. Since there is no central database, in the event of data loss, field offices would have nothing to restore the data. It was also observed that the backup/standby servers were not installed in the field offices so as to immediately resume the work in case of server failure due to fault or crash as evident from the following examples.

In case of regional transport office, Vadodara, a fire took place in January 2007. The computerised system had stopped and the regional transport office, Vadodara had reverted to the manual system. The computer system was reintroduced after a lapse of two years in that office. Thus, it is essential that the computer hardware, software and data are kept under strict fire safety measures. In the regional transport offices/assistant regional transport offices, fire safety measures were found inadequate as fire extinguishers, fire alarm and smoke detection systems were not in place in any of the offices audited.

4.2.7.7 Lack of proper documentation and system development controls

Before developing any computer system, user requirement specifications (URS) and software requirement specifications (SRS), which give the complete description of the system to be developed, should be approved by the management so that the vendor understands the need of the organisation. Also, documentation such as URS, SRS, detail design, data flow diagram, data dictionary, relationship between tables *etc.*, is crucial for continuity of the

computerisation project. It is all the more necessary in the GMVD since the work of processing and issue of smart cards for driving licence and registration of vehicles has been outsourced. Subsequent vendor, who is awarded the contract, needs to have proper documentation to understand the existing application and effective discharge of the functions. Audit noticed that the proper written and authenticated documentation for these systems were not available.

A formal system to test and accept the modules developed by the vendor before they were implemented in the field offices had not been put in place. A formal change management policy or formal procedure for making changes to the software was not framed. Log of changes made to the application software has also not been maintained.

4.2.8 Conclusion

The GMVD has not implemented *Vahan* and *Sarathi* system as asked for by the Government of India even after a lapse of eight years. It has not made any plan to implement the same in the near future. Even the locally developed softwares have neither been fully implemented nor have served their purposes fully. There are many loop holes in the present systems. Non-preparation of business continuity and disaster recovery plan have exposed the system to risk of complete loss of data in the event of a natural calamity or system failure.

4.2.9 Summary of recommendations

The Government may consider implementing the following recommendations to rectify the deficiencies and improve the system.

- Taking immediate measures to fully implement *Vahan* and *Sarathi* systems developed by National Informatics Centre;
- taking urgent steps to set up a central server and maintain centralised data bank of registered vehicles and driving licence. Steps should also be taken for utilisation of hand held terminals; and
- framing and implementing business continuity plans, train departmental staff to reduce dependency of outside agencies for its front desk operations.

4.3 Other Audit observations

Scrutiny of the records of various regional transport offices revealed several cases of non-compliance of the provisions of the Bombay Motor Vehicles Tax Act, 1958, the Motor Vehicles Act, 1988, the Central Motor Vehicles Rules, 1989, etc., and the Government notifications and other rules as mentioned in the succeeding paragraphs in this chapter. These cases are illustrative and are based on a test check carried out in audit. Such omissions on the part of the departmental officers are pointed out in audit each year; however, not only do the irregularities persist, these also remain undetected till an audit is conducted in the next year. Persistence of irregularities despite being repeatedly pointed out by audit is indicative of systemic flaws in the internal control procedures and internal audit systems of the department leading to continued short fall in state revenues. There is need for the Government to improve the internal control procedures and system.

4.4 Non-compliance of the provisions of Acts/Rules

Section 3 of the Bombay Motor Vehicle Tax Act, 1958 (BMVT Act) as applicable to Gujarat empowers the State Government to levy and collect tax, not exceeding the maximum rates specified in schedules. The Motor Vehicles Act, 1988 (MV Act) prohibits plying vehicles on roads without valid fitness certificate. The Central Motor Vehicles Rules, 1989 (CMV Rules) provides that every transport vehicle has to obtain a certificate of fitness annually by payment of prescribed fees after completion of two years of registration. The CMV Rules also provides that motor vehicles shall not be loaded in such a manner that the load or any part of the load extends beyond prescribed limits.

The taxation authorities failed to observe some of the above provisions resulting in non/short levy/realisation of tax as discussed in paragraphs 4.4.1 to 4.4.4.

4.4.1 Non/short realisation of motor vehicles tax on transport vehicles

As per the BMVT Act (as adopted), contract carriage and goods carriage vehicles shall pay assessed tax on monthly and half yearly basis respectively except for the period the vehicles are not in use. In case of default in payment of the tax, interest at the rate of two *per cent* per month; and penalty at the rate of two *per cent* per month subject to maximum of 25 *per cent* of tax, is leviable till the date of the payment. The BMVT Act empowers the taxation authority to detain and to keep in custody the vehicles of the owners who defaulted in payment of the Government dues till unpaid tax is paid. The BMVT Act also authorises the department to recover tax dues as arrears of land revenue.

During test check of the records of 14 taxation authorities⁶⁸ (between September 2006 and July 2008), it was noticed that operators of 317 omnibuses, who kept their vehicles for use exclusively as contract carriage and 338 vehicles used for transport of goods had neither paid tax nor filed non-use

⁶⁸ Anand, Amreli, Bharuch, Bhavnagar, Bhuj, Godhra, Jamnagar, Mehsana, Narmada, Palanpur, Porbandar, Rajkot, Vadodara and Valsad.

declarations for various periods between 2004-05 and 2007-08. The departmental officials failed to issue demand notices and initiate recovery proceedings as prescribed in the Act. This resulted in non-realisation of motor vehicles tax of Rs. 5.11 crore including interest of Rs. 55.08 lakh and penalty of Rs. 51.49 lakh.

After the cases were brought to the notice of the department (between February 2007 and December 2008), the department accepted (between March 2007 and February 2009) the audit observations involving Rs. 1.68 crore in 431 cases and recovered Rs. 26.68 lakh in 161 cases. A report on the recovery of the balance amount and replies in the remaining cases had not been received (November 2009).

The matter was reported to the Government (May 2009); their reply has not been received (November 2009).

4.4.2 Non-renewal of fitness certificate led to compromising road safety, besides non-realisation of revenue

Rule 62 and 81 of CMV Rules provide that the owners of the transport vehicles shall produce their vehicles for inspection annually after completion of two years of registration and to pay the prescribed fees for inspection and renewal of the fitness certificate. Section 56 of the MV Act prohibits plying of vehicles on road without valid fitness certificate and also stipulates that vehicles without valid certificates of fitness shall not be deemed to be validly registered for the purpose of Section 39 of the Act. Further, Section 192 of the MV Act provides for levy of minimum fine of Rs. 2,000 for using vehicle without registration.

Test check of the records of the assistant regional transport office, Anand (May 2008) revealed that though the owners of 2,934 transport vehicles did not present their vehicles for inspection and renewal of fitness certificate, the assistant regional transport officer did not issue any notice to them. There was no structured mechanism to record and follow up the requirement of obtaining the fitness certificate. Non-inspection of the motor vehicles not only resulted in the vehicles plying without valid fitness certificate with serious implications on the road safety, but also non-realisation of revenue of Rs.7.92 lakh. Besides, minimum fine of Rs. 58.68 lakh was also leviable.

This was brought to the notice of the department (December 2008) and the Government (May 2009); their replies have not been received (November 2009).

4.4.3 Non/short levy of lump sum tax

As per the BMVT Act (as adopted), fixed rates of one time tax (lump sum tax) are leviable on all non-transport and transport vehicles of unladen weight upto 2,250 kgs and registered laden weight upto 3,000 kgs, respectively. Lump sum tax is leviable with reference to the cost of the vehicles.

During test check of the records of six taxation authorities⁶⁹ (between September 2007 and July 2008), it was noticed that in case of 170 vehicles, the

⁶⁹ Anand, Bharuch, Mehsana, Palanpur, Patan and Surendranagar.

departmental officials levied lesser amount of lump sum tax either due to incorrect determination of cost of the vehicles or incorrect application of rate. In one case, lump sum tax was not levied due to incorrect exemption from tax. This resulted in non/short levy of lump sum tax of Rs. 9.74 lakh including interest and penalty.

After the cases were brought to the notice of the department (between October and December 2008), the department accepted (December 2008 and February 2009) and recovered Rs. 95,734 in three cases. Replies in remaining cases have not been received (November 2009).

The matter was reported to the Government (May 2009); their reply has not been received (November 2009).

4.4.4 Short levy of compounding fees in respect of goods vehicles carrying over dimensional goods

The GMVD's instruction of 24 June 2003 prescribed the rates of compounding fees for compounding offences of vehicles carrying goods of over dimensional length/height/width *etc.* Different rates of compounding fees had been prescribed for over dimension of the consignment goods and the goods other than consignment goods. The word 'consignment' has neither been defined in the MV Act/Rules nor clarified in the above instructions. Ordinarily, consignment means 'the act of consigning or sending property to an agent or correspondent in another place by one conveyance or two/three conveyances'.

During test check of the records of taxation authority, Bhilad (January 2008), it was noticed that in 61 cases, the departmental officials levied compounding fees at lower rate applicable to other than consignment goods though the goods were consigned to an agent or correspondent in another place. Incorrect application of rates of compounding fees resulted in short levy of Rs. 5.06 lakh.

This was brought to the notice of the department (July 2008) and the Government (May 2009); their replies have not been received (November 2009).