

CHAPTER-IV
TAXES ON VEHICLES

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4.1 Tax administration

The levy and collection of taxes on vehicles in the State is governed by the provisions of Motor Vehicles (MV) Act, 1988, Central Motor Vehicles (CMV) Rules, 1989, Bihar Motor Vehicle Taxation (BMVT) Act, 1994 and BMVT Rules, 1994. It is administered by the Principal Secretary, Transport Department at the Government level and by the State Transport Commissioner (STC) at the apex level of the Department. In performance of his duties, the STC is assisted by two Joint State Transport Commissioners at the headquarters. The State is divided into nine¹ Regional Transport Authorities (RTAs) and 38 District Transport offices. They are assisted by the Motor Vehicle Inspectors (MVIs) in discharging their duties. The main function of the RTAs is to issue road permits to the vehicles and the responsibility of registration of motor vehicles, levy and collection of fees and taxes, grant of driving licences are assigned to the District Transport Officers (DTOs) in the State.

4.2 Results of audit

In the course of audit of records of 35 units (DTOs: 30, RTAs: 3, STC: 1 and PSU: 1), out of 49 auditable units (DTOs: 38, RTAs: 9, STC: 1 and PSU: 1), relating to taxes on vehicles during the year 2014-15, we found non/short levy, non/short realisation of revenue and other irregularities involving ₹ 96.82 crore in 292 cases which fall under the following categories as detailed in **Table 4.1**.

Table- 4.1

(₹ in crore)			
Sl. No.	Categories	No. of cases	Amount
1.	Non-realisation of motor vehicles taxes from transport vehicles	24	3.50
2.	Non-realisation of one time tax	69	7.75
3.	Non-realisation of one time tax due to pending registration number of taxi/cab	22	2.49
4.	Short/non-realisation of trade certificates fees	26	4.20
5.	Delivery of motor vehicles without temporary registration and non-levy of fine	15	1.83
6.	Short realisation of one time tax and non-levy of penalty on belated payment of one time tax from light goods vehicles	26	1.28
7.	Non-realisation of principal and interest	1	67.76
8.	Other cases	109	8.01
Total		292	96.82

During the period April 2014 to October 2015, the Department accepted non/short levy, non/short realisation of tax and other deficiencies of ₹ 1.39 crore in 10 cases, of which 4 cases involving ₹ 36.87 lakh were pointed out during the course of the year and the rest in earlier years.

¹ Bhagalpur, Darbhanga, Gaya, Katihar, Madhubani, Muzaffarpur, Patna, Purnea and Vaishali.

A few illustrative cases involving tax effect of ₹ 17.45 crore are mentioned in the following paragraphs.

4.3 Non-compliance of the provisions of the Acts/Rules

The provisions of the Bihar Motor Vehicles Taxation (BMVT) Act, 1994, Motor Vehicles (MV) Act, 1988 and Rules made thereunder require levy and payment of:

- *taxes on motor vehicles/additional tax by the vehicle owners at the appropriate rates;*
- *tax/additional tax in advance and within the prescribed period and*
- *penalty up to twice the tax, if the tax is not paid within 90 days.*

Non-compliance of the provisions of the Acts/Rules in some cases as mentioned in paragraphs 4.4 to 4.9 resulted in non/short levy, non/short realisation of tax etc. of ₹ 17.45 crore.

4.4 Non-realisation of motor vehicle taxes

Absence of a mechanism for periodic review of the taxation registers/tax clearance table of VAHAN database by the DTOs resulted in non-realisation of motor vehicle taxes of ₹ 3.19 crore in 21 District Transport offices.

We scrutinised the taxation registers and the VAHAN database of 30 District Transport offices² for the period 2013-14 and found (between May 2014 and January 2015) in 21 District Transport offices³ that out of 3,961 transport vehicles test-checked (total number of registered transport vehicles: 99,245), the owners of 981 vehicles did not pay tax of ₹ 1.07 crore pertaining to the period between April 2011 and September 2014 within the due dates. This was violation of the provisions of Section 5 and 9 of the Bihar Motor Vehicles Taxation (BMVT) Act, 1994, which stipulates that motor vehicles tax is to be paid to the taxing officer in whose jurisdiction the vehicle is registered. The concerned DTOs neither seized the defaulting vehicles nor issued notices of demand for realisation of the dues from the defaulting vehicle owners as required under Section 22 of the BMVT Act. In none of the cases, change of addresses of the owners or surrender of documents for securing exemption from payment of tax was found on record. Further, penalty of ₹ 2.12 crore was also leviable under Rule 4 (2) of the BMVT Rules, 1994, which requires that in case of non-payment of tax, the taxing officer may impose penalty ranging between 25 and 200 *per cent* of the tax due. Thus, there was non-realisation of tax of ₹ 1.07 crore and penalty of ₹ 2.12 crore. This shows weak monitoring mechanism by higher authorities, though we have pointed this out repeatedly in the previous years.

² Aurangabad, Begusarai, Bhagalpur, Bhojpur (Ara), Buxar, Darbhanga, East Champaran, Gaya, Gopalganj, Katihar, Kaimur, Kishanganj, Lakhisarai, Madhepura, Madhubani, Munger, Muzaffarpur, Nalanda, Nawada, Patna, Purnea, Rohtas, Saharsa, Samastipur, Saran, Sitamarhi, Siwan, Supaul, Vaishali (Hajipur) and West Champaran.

³ Aurangabad, Begusarai, Bhagalpur, Bhojpur (Ara), Darbhanga, Gopalganj, Kaimur (Bhabhua), Katihar, Kishanganj, Lakhisarai, Madhepura, Madhubani, Munger, Muzaffarpur, Patna, Purnea, Rohtas, Saharsa, Samastipur, Siwan and Supaul.

The matter was reported to the Government/Department between September 2014 and March 2015; we are yet to receive their reply (October 2015).

4.5 Short realisation of Trade Certificate Fees

The registering authorities did not ensure realisation of trade certificate fees in respect of all motor vehicles in the possession of the dealers which resulted in short realisation of Trade Certificate Fees of ₹ 3.85 crore.

We scrutinised the trade tax registers, files and *VAHAN* database of 30 District Transport offices for the period 2013-14 and found (between May 2014 and January 2015) in 23 District Transport offices⁴ that 507 trade certificates were granted to test-checked 82 dealers of vehicles (out of 281 dealers) during the period between January 2011 and August 2014, though, these dealers had received 5,18,911 vehicles during the period as evident from the declarations filed by the dealers in Form B2 and registration table of the *VAHAN* database.

Though the information regarding number of vehicles in their possession was available to the Registering Authorities, they did not initiate action to raise demand for trade certificate fees against the defaulter dealers for the remaining 5,18,404 vehicles under their possession as required under Section 39 of the Motor Vehicle (MV) Act, 1988 read with Rule 33 of the Central Motor Vehicles (CMV) Rules, 1989 which provide that no person shall drive any motor vehicle in any public place unless the vehicle is registered and a motor vehicle in the possession of a dealer shall be exempted from the necessity of registration subject to the condition that he obtains a trade certificate from the Registering Authority. Hence, due to this omission there was short realisation of trade certificate fee of ₹ 3.85 crore.

The matter was reported to the Government/Department between September 2014 and March 2015; we are yet to receive their reply (October 2015).

4.6 One time tax

4.6.1 Non/short realisation of One Time Tax

Non/short levy of one time tax by the DTOs resulted in non/short realisation of one time tax of ₹ 6.26 crore.

We scrutinised the Tax Clearance Table of the *VAHAN* database of 30 District Transport offices for the period 2013-14 and found between May 2014 and January 2015 that the taxing officers of 19 District Transport offices⁵ did not realise one time tax (OTT) of ₹ 6.26 crore from the owners of 1,620 vehicles (tractor, trailer, taxi/cab, three-wheelers, light goods vehicles), out of 27,010 test-checked vehicles (total number of registered vehicles:1,62,248), which were registered between March 2010 and September 2014, as shown in **Table-4.2** below:

⁴ Aurangabad, Begusarai, Bhagalpur, Bhojpur (Ara), Darbhanga, Gopalganj, Kaimur (Bhabhua), Katihar, Kishanganj, Lakhisarai, Madhepura, Madhubani, Munger, Muzaffarpur, Nalanda (Biharsarif), Patna, Purnea, Rohtas (Sasaram), Samastipur, Sitamarhi, Siwan, Vaishali (Hajipur) and West Champaran (Bettiah).

⁵ Begusarai, Bhagalpur, Bhojpur (Ara), Gopalganj, Katihar, Kaimur, Kishanganj, Madhepura, Munger, Muzaffarpur, Nalanda, Purnea, Rohtas, Saharsa, Samastipur, Siwan, Supaul, Vaishali (Hajipur) and West Champaran (Bettiah).

Table- 4.2

Type of vehicle/number of defaulter vehicle	Number of offices involved	Non/short realisation of OTT (₹ in lakh)	Audit observation
Tractor (commercial) 628	8 DTOs ⁶	275.31	Short realised (₹ 151.82 lakh) from 248 vehicles due to tax charged on pre-revised rate, 206 vehicles not paid OTT (₹ 103.94 lakh) and 174 vehicles paid OTT short (₹ 19.55 lakh).
Trailer 101	5 DTOs ⁷	30.30	101 vehicles not paid OTT (₹ 30.30 lakh).
Taxi-cab 412	11 DTOs ⁸	201.53	Short realised (₹ 137.86 lakh) from 332 vehicles due to tax charged on pre-revised rate and 80 vehicles not paid OTT (₹ 63.67 lakh).
Three-wheeler 417	9 DTOs ⁹	93.59	249 vehicles not paid OTT (₹ 78.84 lakh) and 168 vehicles paid OTT short (₹ 14.75 lakh).
Light Goods Vehicles 62	3 DTOs ¹⁰	25.63	61 vehicles not paid OTT (₹ 25.37 lakh) and in one vehicle, tax realised short due to tax charged on pre-revised rate (₹ 26,000).
TOTAL		626.36	

The matter was reported to the Government/Department between May 2014 and March 2015; we are yet to receive their reply (October 2015).

4.6.2 Non/short realisation of penalty on One Time Tax

The DTOs did not realise penalty on belated payment of One Time Tax which resulted in non/short realisation of penalty of ₹ 81.56 lakh.

We scrutinised the Tax Clearance Table of the VAHAN database of 30 District Transport offices for the period 2013-14 and found between June and December 2014 that the taxing officers of seven District Transport offices¹¹ did not realise penalty of ₹ 81.56 lakh for delayed payment of OTT from the owners of 2,626 vehicles (tractor, trailer, three-wheelers and light goods vehicles), out of 17,584 test-checked vehicles (total number of registered vehicles: 95,557), which were registered between April 2010 and August 2014, as shown in **Table-4.3** below:

⁶ Begusarai, Bhojpur (Ara), Gopalganj, Katihar, Muzaffarpur, Samastipur, Vaishali (Hajipur) and West Champaran (Bettiah).

⁷ Katihar, Madepura, Purnea, Supaul and West Champaran (Bettiah).

⁸ Bhagalpur, Bhojpur, Kaimur, Kishanganj, Munger, Nalanda, Purnea, Samsastipur, Siwan, Supaul and West Champaran (Bettiah).

⁹ Begusarai, Gopalganj, Katihar, Muzaffarpur, Rohtas, Saharsa, Samastipur, Supaul and West Champaran (Bettiah).

¹⁰ Begusarai, Gopalganj and Samastipur.

¹¹ Gopalganj, Katihar, Madhepura, Purnea, Sitamarhi, Supaul and West Champaran (Bettiah).

Table- 4.3

Type of vehicles	Number of defaulter Vehicles	Name of offices involved	Non/short realisation of penalty on OTT (₹ in lakh)
Tractor (commercial)	1,093	DTOs Katihar, Purnea, Sitamarhi and West Champaran (Bettiah)	22.02
Trailer	276	DTOs Katihar, Purnea, Supaul and West Champaran (Bettiah)	11.17
Three-wheeler	967	DTOs Purnea, Supaul and West Champaran (Bettiah)	27.07
Light Goods Vehicles	290	DTOs Gopalganj, Madhepura, Purnea and West Champaran (Bettiah)	21.30
Total	2,626		81.56

The matter was reported to the Government/Department between May 2014 and March 2015; we are yet to receive their reply (October 2015).

4.6.3 Non-realisation of One Time Tax and penalty due to pending registration

The Registering Authorities did not monitor the pendency of the applications for registration of vehicles which resulted in non-realisation of OTT of ₹ 1.66 crore including penalty.

We test-checked the registration records of 23,682 transport vehicles in VAHAN database for the period 2013-14 in six District Transport offices¹² and found between May and December 2014 that owners of 482 vehicles (tractors: 200, Trailer: 105, Three-wheelers: 157, Taxi/cab: 10, Light Goods Vehicles: 10) applied for registration of their vehicles between April 2010 and March 2014. But certificate of registration to the owners of these vehicles were not issued and was still pending at the level of Registering Authorities in violation of the provision of Rule 47 of Central Motor Vehicles Rules, 1989 which stipulates that a certificate of registration pertains to transport vehicle shall be handed over to the owner within the period of thirty days from the receipt of an application. The registering authorities could not monitor the pendency of application for registration. Hence due to pending registration of 482 vehicles, OTT amounting to ₹ 1.66 crore including penalty was not collected as shown in **Table- 4.4:**

¹²

Bhagalpur, Munger, Purnea, Samastipur, Siwan and West Champaran (Bettiah).

Table – 4.4

Type of vehicles	Number of defaulter Vehicles	Name of the offices involved	Non-realisation of OTT and penalty (₹ in lakh)
Tractor (commercial)	200	DTOs Munger, Purnea, Samastipur, Siwan and West Champaran (Bettiah)	81.93
Trailer	105	DTOs Bhagalpur, Munger, Purnea and West Champaran (Bettiah)	31.50
Three-wheeler	157	DTOs Purnea and West Champaran (Bettiah)	44.01
Taxi/Cab	10	DTOs Munger and West Champaran (Bettiah)	5.18
Light Goods Vehicles	10	DTOs West Champaran (Bettiah)	3.30
Total	482		165.92

The matter was reported to the Government/Department between May 2014 and March 2015; we are yet to receive their reply (October 2015).

4.6.4 Short realisation of one time tax due to incorrect application of the provision of the Act

Due to grant of validity of registration for 10 years instead of 15 years to the vehicles resulted in short realisation of ₹ 18.48 lakh.

During Scrutiny of tax clearance table of the *VAHAN* database of six District Transport offices (Bhojpur, Katihar, Kishanganj, Madhepura, Saharsa and Supaul), we found between November 2014 and January 2015 that 567 newly registered three wheelers (out of 971 test-checked) were granted validity of registration for 10 years instead of 15 years during the period between April 2013 and March 2014 in contravention to the provisions of Section 3 (C) of the BF Act 2013 which stipulates that new three-wheeler be granted validity of registration for 15 years. The DTOs did not ensure compliance of provisions of the Act *ibid* which resulted in short realisation of the OTT of ₹ 18.48 lakh. The matter was reported to the Government/Department between October 2014 and March 2015; we are yet to receive their reply (October 2015).

4.7 Loss of revenue due to delivery of vehicles without temporary registration

Delivery of vehicles to the purchasers without allocating temporary registration mark resulted in loss of ₹ 1.06 crore.

We scrutinised the owner table of *VAHAN* database and Registration Registers of 30 District Transport offices for the period 2013-14 and found (between May 2014 and January 2015) in 13 District Transport offices¹³ that the holders of trade certificates delivered 1,15,574 vehicles (Light Motor Vehicles: 3,851 and two wheelers: 1,11,723) to the purchasers without allocating

¹³ Aurangabad, Bhagalpur, Bhojpur (Ara), Darbhanga, Kishanganj, Lakhisarai, Madhepura, Munger, Nawada, Purnea, Siwan, Vaishali (Hajipur) and West Champaran (Bettiah).

temporary/permanent registration mark during the period between January 2011 and April 2014. This was in contravention to the provision of Rule 42 of CMV Rules, 1989, which stipulates that no holder of a trade certificate shall deliver a motor vehicle to a purchaser without registration, whether temporary or permanent. The registering authorities (DTOs) permanently registered these vehicles which were delivered to the purchasers without temporary registration. This resulted in loss of revenue of ₹ 1.06 crore.

The matter was reported to the Government/Department between September 2014 and March 2015; we are yet to receive their reply (October 2015).

4.8 Short realisation of trade tax and penalty from the dealers of motor vehicles

The DTOs did not ensure correctness of payment of trade tax by the dealers of motor vehicles at the prescribed rate which resulted in short realisation of trade tax of ₹ 22.30 lakh.

We scrutinised the declaration furnished by the manufacturers/dealers in respect of motor vehicles under their possession and the registration registers of 30 District Transport offices for the period 2013-14 and found (between May and November 2014) in seven District Transport offices¹⁴ that in case of 16 dealers of motor vehicles, trade tax at the prescribed rate was deposited short in respect of 19,429 vehicles (two wheelers:16,946 and three/four wheelers:2,483) possessed by them between the period from April 2011 and May 2014. This was in contravention to the provisions of Section 6 of the BMVT Act, 1994 and the Rules framed thereunder, which stipulates that tax at an annual rate as prescribed shall be paid by a manufacturer or a dealer in respect of motor vehicles which are in his possession in course of his business as a manufacturer/dealer. The DTOs did not examine the correctness of payment of trade tax as per the declaration submitted by the dealers and also did not initiate action for realisation of tax and renewal of trade certificate as instructed by the State Transport Commissioner in September 2007. This resulted in short realisation of trade tax of ₹ 22.30 lakh including penalty.

The matter was reported to the Government/Department between October 2014 and February 2015; we are yet to receive their reply (October 2015).

4.9 Non-realisation of additional registration fee

Allotment of registration numbers out of sequence to the purchasers without realising additional registration fees for preferred registration number resulted in non-realisation of revenue of ₹ 20.60 lakh.

During scrutiny of the Dealer Point Registration Register and VAHAN database of four District Transport offices (Begusarai, Muzaffarpur, Samastipur and Vaishali), we observed between October and December 2014 that 21 dealers, to whom registration mark were issued during the period between November 2011 and August 2014 under dealer point registration, had allotted 412 (out of 66,512) registration numbers out of sequence to the

¹⁴ Bhagalpur, Darbhanga, Katihar, Lakhisarai, Madhubani, Nalanda (Biharsarif) and Sitamarhi.

purchasers for which additional registration fees for preferred registration number were not realised as per notification (June 2003) issued under the Bihar Motor Vehicles Taxation (BMVT) Rules, 1992 which stipulates that if an owner of a vehicle applied for a preferred registration number out of sequence, an additional registration fee of ₹ 5,000 shall be chargeable. The Department also instructed (July 2009) to issue registration number from the allotted block of registration number according to the dealer's sale invoice. The concerned DTOs did not initiate any action to realise the fee from the dealer for issue of the preferred registration numbers. This resulted in non-realisation of additional fee of ₹ 20.60 lakh.

The matter was reported to the Government/Department between February and March 2015; we are yet to receive their reply (October 2015).

4.10 Internal Audit

The Internal Audit wing of any department is a special vehicle of the internal control mechanism and is generally defined as the control of all controls to enable an organization to assure itself that the prescribed systems are functioning reasonably well. There is an internal audit wing called Finance (Audit), which works under the Finance Department and internal audit of the different offices of the Government is conducted on the basis of requisitions received from the Administrative Department. The Chief Controller of Accounts can also select units for internal audit on availability of audit team.

The Finance Department did not conduct internal audit of the Transport Department during 2014-15.