

CHAPTER-V: TAXES ON VEHICLES

5.1 Results of Audit

In 2014-15, we test checked the records of 12 out of 22 units of the Transport Department and found short realisation of trade tax, non-realisation of tax and penalty and other irregularities etc. amounting to ₹ 30.62 crore in 1,683 cases, which fall under the following categories in the **Table 5.1** below:

Table 5.1

(₹ in crore)

Sl. No.	Category	Number of cases	Amount
1.	Long Paragraph on “ Non/short realisation of tax from the owners of passenger and goods vehicles ”	1	21.40
2.	Short realisation of trade tax	302	3.30
3.	Non-realisation of tax and penalty	1,283	5.89
4.	Other irregularities	97	0.03
Total		1,683	30.62

During the course of the year, the Department accepted short realisation of trade tax, non-realisation of tax and penalty and other irregularities etc. of ₹ 5.76 crore in 1,285 cases but no recovery was made.

A Long Paragraph on “**Non/Short realisation of tax from the owners of passenger and goods vehicles**” involving money value of ₹ 21.40 crore is discussed in the succeeding paragraph.

5.2 Long Paragraph on “Non/short realisation of tax from the owners of passenger and goods vehicles”

Highlights

The RTOs/ARTOs/DTOs did not maintain/update Demand and Recovery Register of tax and Register of Certificate of Registration.

(Paragraph 5.2.9)

There was short realisation of tax of ₹ 2.25 crore for the period July 2011 to March 2015 from the owners of 133 passenger vehicles out of 2,583 registered passenger vehicles due to non-determination of seating capacity on the basis of wheel base, non-consideration of sleeper (berth) into two seats, allowance of concessional rate of tax to other than educational institution buses etc.

(Paragraph 5.2.10)

Tax and penalty of ₹ 19.05 crore due for the period between April 2010 to February 2015 from 5,677 vehicle owners out of 1,61,380 registered vehicles pertaining to selected transport offices was neither paid by the owners nor demanded by the Department.

(Paragraph 5.2.11)

5.2.1 Introduction

The Transport Department contributes around five *per cent* of the total tax revenue of the State and is responsible for administering and regulating registration of vehicles, levy and collection of taxes and fees, grant of permits, issue of certificate of fitness, levy of penalties, etc. under the provisions of Motor Vehicles Act 1988, Central Motor Vehicles Rules 1989, Chhattisgarh *Motoryan Karadhan Adhiniyam* 1991 and Chhattisgarh *Motoryan Karadhan Niyam* 1994. Tax is realised in lumpsum at the time of registration of non-transporting vehicles, whereas monthly and quarterly tax are realised in advance from passenger and goods vehicles/school buses respectively. Passenger vehicles are of two types namely public service vehicles and private service vehicles. Permits are issued for passenger vehicles based upon the authorised seating capacity, plying distance and the class of services. In case of goods vehicles, national and state permit are issued and taxes are levied on the basis of registered laden weight. The Department had implemented VAHAN (February 2011) for registration of vehicles and collection of taxes and SARATHI (December 2010) for issue of driving/conductor licences. As on March 2015, 34,86,839 vehicles¹ of various types are registered in the State.

¹ 45,283 passenger vehicles; 1,42,966 goods vehicles; 42,092 motorcab/tempo/auto-rickshaw; 30,18,008 two-wheeler/car/jeeps and 1,42,226 tractors, 944 school buses and 95,320 other vehicles

5.2.2 Organisational setup

The Transport Department functions under the overall charge of the Principal Secretary-cum-Transport Commissioner (TC) who is assisted by one Additional TC, one Joint TC, one Assistant TC and one Deputy Director, Finance (DDF) at Headquarters. Besides, there are four Regional Transport Officers (RTO), two Additional Regional Transport Officers (ARTO) and 16 District Transport Officers (DTO) under the administrative control of TC. In addition, 15 check posts and one sub-check post are under the supervisory control of RTOs/ARTOs/DTOs concerned.

Functions of the transport authorities in the Department are mentioned in **Table 5.2** below:

Table 5.2

Level	Function
Transport Commissioner	He is responsible for execution and implementation of policies, direction and administration, initiating proposals for change of tax rates etc. Besides, he is also the appellate authority for hearing of cases assessed by his subordinates.
RTO	He is responsible for issue of permits, licences, registration of vehicles and assessment and collection of Motor Vehicle Tax.
ARTO/DTO	Discharges duties of RTO except of issue of permits. Permits in respect of vehicles registered under ARTO/DTO are issued by the assigned RTO.

5.2.3 Audit objectives

The audit was conducted to ascertain whether

- the system of assessment, collection and remittance of tax to Government Account is in place and is working satisfactorily;
- rules and procedures prescribed in the Act/Rule for issue of permits/NOC/fitness are followed; and
- the Department has taken prompt initiatives for issue of demand notices, timely remittances of taxes and internal controls are working properly.

5.2.4 Audit criteria

The provisions of the following Acts/Rules and orders issued there under were used as audit criteria:

- Motor Vehicles (MV) Act, 1988;
- Central Motor Vehicle (CMV) Rules, 1989;
- Chhattisgarh *Motoryan Karadhan* (CGMK) *Adhiniyam*, 1991;
- Chhattisgarh *Motoryan Niyam*, 1994; and
- Executive orders issued under these Acts and Rules from time to time.

5.2.5 Scope of Audit and methodology

The Audit was conducted between May and July 2015 covering the period from 2010-11 to 2014-15. During the Audit, we test checked records of nine² out of 22 RTOs/ARTOs/DTOs in the State which were selected through Simple Random Sampling Without Replacement method. We also test checked records in the Transport Commissioner, i.e. State Transport Authority. In addition, audit observations noticed earlier during the compliance audit (DTO, Mahasamund and ARTO, Durg) were also updated and incorporated at appropriate places. The scope and methodology of audit was discussed with the Principal Secretary, Transport Department in an entry conference held on 15 June, 2015. The exit conference was held on 7 October 2015 wherein the audit findings, conclusions and recommendations were discussed. The replies received during the exit conference and at other points of time have appropriately been included in the relevant paragraphs.

5.2.6 Acknowledgement

Indian Audit and Accounts Department acknowledges the co-operation of the Transport Department for providing requisite information and records to audit without delay considering the short span of field audit.

5.2.7 Trend of receipts

The details of budget estimates (BEs), actual receipts (ARs) from Taxes on Vehicles during the years 2010-11 to 2014-15 are given in **Table 5.3** below:

Table 5.3

(₹ in crore)

Year	Budget estimates (BEs)	Actual Receipts (AR)			Variation between BEs and ARs excess (+)/ shortfall(-)	Percentage of variation	Percentage of variation of ARs over receipts of previous year
		Passenger and goods vehicles	Other vehicles	Total			
2010-11	410.00	15.04	412.48	427.52	17.52	4.27	---
2011-12	475.00	22.01	480.17	502.18	27.18	5.72	17.46
2012-13	605.71	28.00	563.75	591.75	(-) 13.96	(-) 2.30	17.84
2013-14	731.38	27.07	624.00	651.07	(-) 80.31	(-) 10.98	10.02
2014-15	800.00	39.05	664.43	703.48	(-) 96.52	(-) 12.07	8.05

(Source: Finance Accounts of the Government of Chhattisgarh)

It may be seen from the above table that the Department achieved the target as against BEs in 2010-11 and 2011-12, whereas it could not achieve the BEs during 2012-13 to 2014-15. During the years 2013-14 and 2014-15, variation between BEs and Actuals were more than 10 per cent. Thus, the Department had not followed uniform pattern while preparing the BEs. Further, growth rate of actual

² RTO, Ambikapur, Bilaspur and Raipur; ARTO, Durg and Rajnandgaon; DTO, Kanker, Korba, Mahasamund and Raigarh

receipts over previous year decreased from 17.84 per cent in 2012-13 to 8.05 per cent in 2014-15.

The Department stated (May 2015) that BEs could not be achieved because of reduction in rate of tax from September 2013.

5.2.8 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2015 amounted to ₹ 10.35 crore of which ₹ 3.52 crore were outstanding for more than five years. The following **Table 5.4** depicts the position of arrears of revenue during the period 2010-11 to 2014-15:

Table 5.4

(₹ in crore)

Year	Opening balance of the arrears	Demand raised during the year	Revenue realised during the year	Closing balance of the arrears
2010-11	3.52	5.05	5.09	3.48
2011-12	3.48	11.17	4.65	10.00
2012-13	10.00	3.67	7.49	6.18
2013-14	6.18	8.85	7.84	7.19
2014-15	7.19	20.06	16.90	10.35

(Source: Information furnished by the Department)

During the exit conference, the Government replied (October 2015) that Government was planning to take action for one time settlement of outstanding penalty and interest by 30 November 2015.

AUDIT FINDINGS

We scrutinised the records in nine transport offices and noticed that 35,719 passenger and 1,25,345 goods vehicles, 316 school buses and 5,795 motorcab/ jeeps were registered as on 31 March 2015. Out of that, audit checked records of 5,706 passenger vehicles, 7,387 goods vehicles, 207 school buses and 550 motorcab/ jeeps. We noticed cases of non/short realisation of tax in 5,853 vehicles, plying of 28 vehicles without fitness certificates, etc. which are discussed in subsequent paragraphs.

5.2.9 Non-maintenance/Non-updation of demand and recovery register of tax and register of certificate of registration

The Department did not maintain/update demand and recovery register of tax and register of certificate of registration.

During test check of the Demand and recovery register of tax/register of certificate of registration etc. in four offices³, we noticed between May and July 2015 that the Department did not maintain/update the Demand and Recovery Register of tax which is mandatory as per Section 22 of CGMK *Adhinyam* read with CGMK *Niyam*. Further, register of certificate of registration were not maintained properly. Entries such as plying distance, class of services, period for which the vehicles were off-road, overhang of the bus, width and length of the

³ RTO Ambikapur, ARTO Durg, DTO Raigarh and RTO Raipur

inside room, name and designation of the dealing staff and RTO/ARTO/DTO were not entered in register of certificate of registration, which are vital information for determining tax to be levied and ascribing accountability for any lapse. This was violation of provisions of Rule 51A of Chhattisgarh Motor Vehicles Rule, 1994.

During the exit conference, the Government replied (October 2015) that instructions had been issued to field offices to maintain required records as per provisions of the Act/Rules.

5.2.10 Short realisation of tax

There was short realisation of tax of ₹ 2.25 crore for the period July 2011 to March 2015 from the owners of 133 passenger vehicles out of 2,583 registered passenger vehicles due to non-determination of seating capacity on the basis of wheel base, non-consideration of sleeper into two seats, allowance of concessional rate of tax to other than educational institution buses etc.

According to Section 3 of the CGMK *Adhiniyam*, 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 the First Schedule of the *Adhiniyam*. 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 13(1) of the *Adhiniyam*. 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 like arrears of land revenue.

During test check of the Demand and recovery register of tax, register of certificate of registration, permit files and cgtransport.org portal in seven⁴ offices for the period between July 2011 and March 2015, we noticed (between May and July 2015) short realisation of tax from 133 passenger vehicles out of 2,583 registered passenger vehicles as mentioned below:

5.2.10.1 We noticed in ARTO, Durg that a owner of 18 buses paid taxes at concessional rate of ₹ 30 per seat per quarter during the period July 2011 to March 2015. These buses were used for transportation of students and staff of the educational institution.

As these buses were not owned by the educational institutions, concessional rate of tax was allowable only after ensuring that the buses were to be used solely for the purpose of transporting students and staff of educational institution. No documentary evidence to this effect was found on record. The ARTO could not furnish the same to audit despite being requested. As such, tax at the rate of ₹ 600 per seat per quarter was leviable under entry seven of Schedule-I of CGMK *Adhiniyam*. Thus, there was short realisation of tax of ₹ 61.37 lakh. Besides, penalty of ₹ 55.23 lakh was also leviable.

⁴ RTO, Ambikapurand Raipur; ARTO, Durg; DTO, Kanker, Korba, Mahasamund and Raigarh

During the exit conference, the Government replied (October 2015) that though the ownership of the buses was not with the educational institutions, these buses were solely engaged for the transportation of students and staff. Hence, concessional rate of tax was allowed. Reply of the Government is not convincing because no proof for sole engagement of buses for transportation of staff and students of educational institutions was produced to Audit.

5.2.10.2 We noticed in five⁵ offices that DTOs/RTO was collecting tax as per seating capacity mentioned in the registration certificate (RC) under ordinary service. This was in violation of notification of July 2012 which prescribes that seating capacity of an ordinary bus shall be determined on the basis of its wheelbase. Non-determination of seating capacity as per wheelbase in case of 90 vehicles led to short realisation of tax amounting to ₹ 11.36 lakh for the period between December 2012 and December 2013. Besides, penalty of ₹ 11.36 lakh was also leviable.

During the exit conference, the Government while accepting the observation replied (October 2015) that corrective measures would be taken to realise the tax as per the wheelbase of the vehicle.

5.2.10.3 We noticed in ARTO, Durg that a owner of 23 buses paid tax as per number of seats and sleepers mentioned in RC without reckoning sleeper as two seats. As per notification (January 2013), one berth (sleeper) is to be considered as two seats for the purpose of levying of tax. Non adherence to notification led to short realisation of tax of ₹ 39.54 lakh for the period between September 2013 and March 2014. Besides, penalty of ₹ 39.54 lakh was also leviable.

During the exit conference, the Government replied (October 2015) that reply from the concerned transport offices had been called for and appropriate action would be taken accordingly.

5.2.10.4 We noticed in RTO, Raipur that a bus was registered with 18 seats and 17 sleepers. Report on physical verification of vehicle conducted (June 2013) by flying squad mentioned that bus was found to have 18 seats and 23 sleepers. However, while assessing the tax, the RTO did not take cognizance of the flying squad's report and issued demand notice for 18 seats and 13 sleepers. Thus, the action of the RTO to reduce the number of sleepers without any reasons led to short realisation of tax amounting to ₹ 1.09 lakh for the period between January 2013 and June 2014. Besides, penalty of ₹ 1.07 lakh was also leviable.

During the exit conference, the Government while accepting the observation replied (October 2015) that replies from the concerned transport offices had been sought.

5.2.10.5 We noticed in DTO, Kanker that a bus registered under deluxe service with 29 seats was plying from Raipur to Jagdalpur and return (608 km). It was replaced (November 2013) by another bus with 55 seats under deluxe service.

⁵ DTO Kanker, Korba, Mahsamund, Raigarh and RTO Raipur

However, the bus owner paid tax of ₹ 1.51 lakh applicable for ordinary service instead of ₹ 4.16 lakh for deluxe service for the period December 2013 to July 2014 and November 2014 to March 2015. This resulted in short realisation of tax of ₹ 2.66 lakh. Besides, penalty of ₹ 1.82 lakh was also leviable.

During the exit conference, the Government while accepting the observation replied (October 2015) that replies from the concerned transport offices had been sought.

5.2.11 Non-realisation of tax

Tax and penalty of ₹ 19.05 crore due for the period between April 2010 to February 2015 from 5,677 vehicle owners out of 1,61,380 registered vehicles pertaining to selected transport offices was neither paid by the owners nor demanded by the Department.

During test check of the Demand and recovery register of tax, cgtransport.org portal and VAHAN software in nine⁶ offices for the period April 2010 to February 2015, we noticed (between May and July 2015) that there was non-realisation of tax as on 31 March 2015 amounting to ₹ 9.93 crore, ₹ 95.13 lakh, ₹ 10.54 lakh and ₹ 8.39 lakh from 5,148 goods vehicles, 287 passenger vehicles, 133 school buses⁷ and in 109 motorcab/jeeps⁸ respectively. Further, no off road declaration was submitted by these vehicle owners. As such, motor vehicle tax was realisable from these vehicle owners.

The RTOs/ARTOs/DTOs concerned did not initiate any action to issue demand notices for recovery of tax from these owners as prescribed in Section 15 (1) of CGMK *Adhinyam*. This resulted in non-realisation of tax of ₹ 11.07 crore. Besides, penalty of ₹ 7.98 crore was also leviable under Section 13 (1) of the *Adhinyam ibid*.

During the exit conference, the Government replied (October 2015) that efforts were being made to settle outstanding dues and instructions had been issued to field offices for realising the tax on time.

5.2.12 Vehicles plying without certificate of fitness

Twenty eight transport vehicles were plying without certificate of fitness.

During scrutiny (between June and July 2015) of fitness records of 290 vehicles out of 27,490 vehicles registered in three⁹ DTOs for the period 2011-12 to 2014-15, we found that 11 passenger and 17 goods vehicles were plying without certificates of fitness upto March 2015. Certificates of fitness of these vehicles had expired between December 1983 and February 2015. This was violation of provisions of Section 56 of the MV Act which prescribes that a transport vehicle

⁶ RTO, Ambikapur, Bilaspur and Raipur; ARTO, Durg and Rajnandgaon; DTO, Kanker, Korba, Mahasamund and Raigarh

⁷ RTO Ambikapur, ARTO Durg and DTO Raigarh

⁸ DTO Kanker, DTO Korba, DTO Mahasamund and DTO Raigarh

⁹ DTOs Kanker, Korba and Raigarh

shall not be deemed to have a valid registration for the purposes of Section 39 unless it carries a certificate of fitness by an authorised testing station mentioned in sub-Section (2) to the effect that the vehicle complies for the time being with all the requirements of the Act.

However, the DTOs did not notice that validity period of fitness of these vehicles had already expired. Plying of the vehicles without certificate of fitness is a risk to public safety and property.

During the exit conference, the Government while accepting the observations replied (October 2015) that the comments from the concerned offices had been sought and suitable action on erring vehicle owners would be taken.

5.2.13 No objection certificate issued without collecting the arrears

The Department had issued No Objection Certificate (NOC) without realising the tax due from the vehicle owner.

During test check of NOC register of ARTO, Durg we noticed (June 2015) that the ARTO issued (March 2009) NOC to a bus for transfer to Madhya Pradesh. Further, we found in the cgtransport.org portal maintained by the Department that the owner of the bus paid (December 2003) tax of ₹ 8,000. It was observed from the Demand and Recovery Register of tax and the portal that no taxes were paid between January 2004 and March 2009 by the owner of the bus.

As per Section 48 of MV Act read with Rule 58 of CMV Rules, the taxation officer after satisfying that there are no arrears outstanding against the vehicle shall issue NOC. However, the ARTO issued NOC without collecting the dues of ₹ 5.04 lakh for 63 months at ₹ 8,000 per month. Besides, penalty of ₹ 5.04 lakh was also leviable.

During the exit conference, the Government replied (October 2015) that the concerned transport office had been asked to look upon the matter to take suitable action.

5.2.14 Delay in remittance of revenue

The amount realised from the owners of the vehicles by Flying Squads was remitted with delay ranging from five to 20 days.

During the test check (between May and July 2015) of the *challans* maintained by the Flying Squads of three¹⁰ offices for the period 2014-15, we noticed that the Flying Squads collected and remitted the money into bank after delay ranging from five to 20 days.

Flying Squads regularly delayed in remittance of the Government revenue in contrary to Rule 3 and 4 of Chhattisgarh Financial Code and Sub-rule 7 of Part I of Chhattisgarh Treasury Code which stipulates that Government money forming part of Consolidated Fund of State and Public Account collected by a Government

¹⁰ RTO Ambikapur, ARTO Durg and RTO Raipur

servant should be deposited in the Treasury/Bank without delay. However, the Department did not establish a mechanism to avoid such delay.

During the exit conference, the Government replied (October 2015) that a separate account would be opened for each flying squad and check posts. The entire amount realised would be electronically transferred to nodal Banks/Treasuries within 48 hours.

5.2.15 Internal Audit Wing

Internal Audit Wing (IAW) has been established in the Department with the objective of conducting internal audit of all subordinate offices and issuing instructions for taking proper corrective action on irregularities detected during such examination and checking the repetition thereof. The position of coverage of audit by internal auditors is as detailed in **Table 5.7** below :

Table 5.7

Year	Number of offices planned for audit	Number of offices audited against plan	Number of inspection reports issued	Number of Action Taken Reports submitted by RTOs/ARTOs/DTOs
2010-11	16	06	06	06
2011-12	16	06	06	06
2012-13	16	15	15	11
2013-14	17	10	10	08
2014-15	21	05	05	05
Total:	86	42	42	36

(Source: Information furnished by the Department)

It is clear from the **Table 5.7** that IAW conducted audit of 42 offices only out of 86 offices planned during 2010-11 to 2014-15. The coverage of audit by IAW was less than 50 *per cent* of total offices planned. Further, six compliance reports to IAW were not submitted by the RTOs/ARTOs/DTOs during the period 2012-13 and 2013-14 even after lapse of more than two years.

During the exit conference, the Government replied (October 2015) that efforts were being made to improve IAW work.

5.2.16 Conclusion

Realisation of motor vehicle taxes is a critical issue in the Department. The Department did not follow the provisions of the Act/Rules. In our opinion, the Department needs urgent review in order to make the system update. We observed the following:

- The Department did not levy and collect vehicle tax on both passenger and goods vehicles due to systemic deficiencies and lack of proper monitoring.
- Buses were plying without fitness certificates in contravention to the provisions of the Act/Rules.
- The internal audit was weak as is evident by the shortfall in number of offices required to be inspected, delay in remittance etc.