

CHAPTER-4: OTHER TAX RECEIPTS

Section A: TAXES ON VEHICLES

4.1 Tax administration

Receipts from taxes on vehicles are administered under the provisions of:

- Motor Vehicles (MV) Act, 1988;
- Central Motor Vehicle (CMV) Rules, 1989;
- Chhattisgarh *Motoryan Karadhan* (CGMK) *Adhiniyam*, 1991;
- Chhattisgarh *Motoryan Karadhan Niyam*, 1992;
- Chhattisgarh *Motoryan Niyam*, 1994; and
- Executive orders issued under these Acts and Rules from time to time.

The Transport Department functions under the overall charge of the Principal Secretary-cum-Transport Commissioner (TC) who is responsible for execution and implementation of policies, direction and administration, initiating proposals for change of tax rates etc. The TC is also the appellate authority for hearing of cases assessed by his subordinates. He is assisted by one Additional TC, one Joint TC, one Assistant TC and one Deputy Director, Finance (DDF) at Headquarters. There are four Regional Transport Officers (RTOs), two Additional Regional Transport Officers (ARTOs) and 16 District Transport Officers (DTOs) under the administrative control of TC. Under the supervisory control of RTOs/ARTOs/DTOs concerned, there are 15 check posts and one sub-check post. RTO is responsible for issue of permits, licences, registration of vehicles and assessment and collection of Motor Vehicle Tax and the ARTO/DTO discharges the duties of RTO except for issue of permits. Permits in respect of vehicles registered under ARTO/DTO are issued by the assigned RTO.

4.2 Internal Audit

The Internal Audit Wing (IAW) of Transport Department comprises of one Internal Audit Officer, one Jr. Audit Officer, two Sr. Auditors and three Jr. Auditors. IAW was working in full strength in the year 2016-17.

During the year 2016-17, the IAW audited only 17 units against 27 units planned. The Department stated (September 2017) that directives have been issued to the audited units for compliance to 17 observations by the IAW.

Audit noticed (June 2018) that the four officials posted in the IAW were also looking after other works of the Department which may be the reason for not auditing all the planned units despite working in full strength.

Recommendation:

The Government should strengthen IAW by providing dedicated staff.

4.3 Results of audit

Audit test checked the records of 10¹ out of 21² units of the Transport Department in the year 2016-17. Revenue generated by the Department during the year 2015-16 aggregated to ₹ 829.22 crore of which, the audited units collected ₹ 646.71 crore. Audit noticed irregularities amounting to ₹ 12.08 crore, as mentioned in **Table 4.1**:

Table 4.1: Results of audit

(₹ in crore)

Sl. No.	Category	No. of cases	Amount
1.	Non-realisation of tax/penalty from vehicles	5,686	9.62
2.	Non-remittance/delayed remittance of Government money in Bank/Treasury	5,081	0.38
3.	Short levy of tax	374	1.84
4.	Non/short levy of Entry tax	12	0.23
5.	Other irregularities ³	925	0.01
Total		12,078	12.08

The Department accepted short realisation of trade tax, tax and penalty not realised and other irregularities etc. of ₹ 11.79 crore in 8,728 cases and recovered ₹ 3.11 crore in 2,165 cases up to June 2018. In the remaining cases, Audit is pursuing the matter with the Department.

During 2016-17, the Department effected recovery of ₹ 1.26 crore in respect of audit objection pertaining to previous Audit Reports and Inspection Reports. Out of recovered amount, ₹ 4.40 lakh pertains to Audit Reports and Inspection Reports prior to 2011-12.

4.4 Follow up of previous Audit Reports

In the Audit Reports for the period from 2011-12 to 2015-16, Audit had pointed out various observations amounting to ₹ 53.56 crore in 14 paragraphs against which the Department accepted observations involving ₹ 37.80 crore and recovered ₹ 3.97 crore.

The PAC had selected 11 paragraphs of eight Audit Reports for the years 2003-04, 2004-05 and 2006-07 to 2011-12 for discussion and gave its recommendations on four paragraphs of Audit Reports for the years 2003-04, 2004-05, 2006-07 and 2008-09. However, Action Taken Note (ATN) has not been received in respect of one paragraph for the year 2008-09.

The PAC had given its recommendations (46th Report, 2009-10; 56th Report, 2009-10; 96th Report, 2011-12) on the Audit Reports 2003-04 (paragraph 7.22), 2004-05 (Paragraph 7.26) and 2006-07 (Paragraph 3.2) to make

¹ ARTO: Durg and Rajnandgaon; DTO: Balodabazar, Gariyaband, Korba and Raigarh; and RTO: Bastar, Bilaspur, Raipur and Surguja

² Transport Commissioner and 20 RTOs/ARTOs/DTOs

³ Other irregularities includes plying of overage vehicles, plying of vehicles without fitness certificate and non-renewal of permit by transport vehicles etc.

recoveries of outstanding tax at the earliest and to take action against negligent officials. Audit noticed that the Department recovered tax and penalty amounting to ₹ 1.08 crore out of total ₹ 5.48 crore involved in these paragraphs and initiated action against officials as recommended in 46th and 56th Report of PAC. Despite this, similar observations were noticed by Audit in 2016-17. This indicates that the Department has not evolved any mechanism to prevent recurrence of similar irregularities.

Recommendations:

The Department should immediately effect recovery of tax and ensure non-recurrence of observations at least in similar cases in which assurances/instructions have been issued earlier.

4.5 Motor Vehicle Tax from the owners of vehicles not realised

Failure of RTOs/ARTOs/DTOs to issue demand notices resulted in non-recovery of tax of ₹ 3.48 crore and penalty of ₹ 2.31 crore from 2,263 vehicle owners.

Chhattisgarh *Motoryan Karadhan (CGMK) Adhiniyam*, 1991 prescribes that tax⁴ shall be levied on every goods and passenger vehicles used or kept for use in the State at the rate prescribed in the first schedule of the *Adhiniyam*. In case of non-payment of the tax, the owner of goods and passenger vehicles is liable to pay penalty⁵ but not exceeding the amount of unpaid tax. Where any owner fails to pay tax, penalty or both, the taxation authority is required to issue a demand notice and take action to recover the amount as arrears of land revenue. If a vehicle owner wants his vehicle off-road for a particular period, he shall submit the intimation of non-use before the commencement of the period of non-use to the Taxation Authority concerned.

Audit test check (between April 2016 and December 2016) of Demand and Collection Register and VAHAN Database relating to 8,305 vehicles out of 1,09,221 registered vehicles in seven Transport offices⁶ revealed that owners of 4,145 vehicles⁷ did not pay tax amounting to ₹ 5.68 crore for the period March 2015 to November 2016. Owners of these vehicles had not submitted any off-road declaration. However, the concerned RTOs/ARTOs/DTOs did not issue demand notices to the defaulting vehicle owners for recovery of the outstanding tax. This resulted in non-realisation of tax amounting to ₹ 5.68 crore (Goods Vehicles: ₹ 3.47 crore and Passenger Vehicles: ₹ 2.21 crore). Besides, penalty amounting to ₹ 3.20 crore (Goods Vehicles: ₹ 2.04 crore and Passenger Vehicles: ₹ 1.16 crore) was also leviable on the unpaid amount of tax.

On this being pointed out, the Department replied (October 2017 and July 2018) that ₹ 3.09 crore (Tax: ₹ 2.20 crore and Penalty: ₹ 88.99 lakh) had

⁴ Monthly tax (Passenger Vehicles); Quarterly tax (Goods Vehicles) and Life time tax (Other than passenger and goods vehicles)

⁵ One twelfth (Passenger and Goods Vehicles) and one-hundredth (maxi-cab) of the unpaid amount of tax for the default of each month and part thereof.

⁶ ARTO, Durg and Rajnandgaon; DTO, Korba and Raigarh; RTO, Bilaspur, Raipur and Surguja

⁷ 3,336 (Goods vehicles) + 809 (Passenger vehicles) = 4,145 vehicles

been recovered from 1,882 vehicle owners. Demand notices for recovery of outstanding amount of ₹ 5.79 crore from 2,263 vehicle owners had been raised. Thus, the amount of ₹ 5.79 crore (Tax: ₹ 3.48 crore and Penalty: ₹ 2.31 crore) is still outstanding from the 2,263 vehicle owners.

Similar observations were pointed out in Audit Reports for the years 2011-12 to 2015-16 but appropriate action was not taken by the Department to check the persistence of such irregularities.

Recommendation:

The Department may evolve a mechanism to ensure that Vehicle Taxes are collected fully and defaulters are not allowed to escape the payment of tax and penalty.

Section B: STATE EXCISE

4.6 Tax administration

Excise revenue mainly comprises of Excise duty, licence fee etc., on manufacture, wholesale, retail sale, transportation of intoxicants under Chhattisgarh Excise Act, 1915. Under the provisions of the Chhattisgarh Entertainment Duty and Advertisement Tax Act, 1936, the Department also collects revenue in the form of Entertainment Duty from cinemas, video and cable TV operators and Direct-to-Home (DTH) operators.

Secretary cum Excise Commissioner (EC) is responsible for formulation and implementation of the excise policy. Two Additional Excise Commissioners (AECs), one Officer on Special Duty (OSD), two Deputy Commissioners (DCs) and five Assistant Commissioners (ACs) assist him at the headquarters. The Department has three divisions each headed by a Deputy Commissioner. In each of these divisions, there is a Flying Squad which supervises district offices, distilleries and bottling plants in the division. The Collector is the head of excise administration in each of the 27 districts and is assisted by ACs/DEOs at district headquarters/distilleries.

The receipts of Commercial Tax (Excise) Department are administered under the provisions of:

- Chhattisgarh Excise Act, 1915;
- Chhattisgarh Distillery Rules, 1995;
- Chhattisgarh Foreign Liquor Rules, 1996;
- Chhattisgarh Country Spirit Rules, 1995 and
- Chhattisgarh retail sale of excise country/foreign liquor settlement of licence Rules, 2002.

4.7 Internal Audit

The Internal Audit Wing (IAW) is headed by Joint Director (JD), Finance. Audit noticed that against the sanctioned strength of one JD (Finance), two Assistant Accounts Officers, one Assistant Grade II and two Assistants Grade III, there were only one JD (Finance), one Assistant Accounts Officer and two

Assistants Grade III during the year 2016-17. One post each of Assistant Accounts Officer and Assistant Grade II are vacant for more than seven years.

Audit further noticed that IAW did not conduct internal audit during the period 2012-13 to 2015-16. Though IAW planned audit of 12 units in 2016-17, it audited only eight units.

The Department stated (June 2018) that the issue of filling up of vacant posts was addressed to the Principal Secretary, Finance but the posts are still lying vacant. It was further stated that due to non-availability of staff and dual charge by JD, Finance, all the planned units could not be audited. The Department further stated (June 2018) that compliance report was received from only one unit and reminders have been issued to remaining seven units for submission of the same.

Recommendation:

The State Government should ensure filling up of vacancies in IAW and effective compliance to internal audit findings.

4.8 Results of audit

Audit test checked records of 17 units⁸ out of 27 units⁹ relating to Commercial Tax (Excise) Department in 2016-17. Revenue generated by the Department during the year 2015-16 aggregated to ₹ 3,367.12 crore¹⁰ of which, the audited units collected ₹ 2,782.91 crore¹¹. Audit noticed irregularities involving ₹ 45.06 crore in 19,569 cases, which fall under the following categories as given in **Table 4.2:**

Table 4.2: Results of audit

<i>(₹ in crore)</i>			
Sl. No.	Category	No. of cases	Amount
1.	Non/short levy, loss of excise duty and licence fee	104	4.42
2.	Non-levy of penalty for failure to maintain minimum stock of spirit in warehouses	51	2.83
3.	Non-levy/non-recovery of excise duty on excess wastage	12	0.20
4.	Other irregularities ¹²	19,402	37.61
Total		19,569	45.06

The Department accepted (between April 2016 and February 2017) 570 cases involving ₹ 16.03 crore and recovered (upto June 2018) ₹ 29.64 lakh in 22 cases.

⁸ AC, Bilaspur, Durg, Janjgir-Champa, Korba, Raigarh, Raipur, Rajnandgaon and DEO, Balod, Bastar, Dantewada, Dhamtari, Jashpur, Kanker, Kawardha, Korea, Mahasamund and Surguja

⁹ One EC; six ACs and 20 DEOs

¹⁰ State excise (₹ 3,338.40 crore) and Entertainment tax (₹ 28.72 crore)

¹¹ ₹ 2,754.28 crore (State excise) and ₹ 28.63 crore (Entertainment tax)

¹² Other irregularities include “Non-issuance of Registration Card to subscribers by DTH operators”, “Blockage of revenue”, etc.

After issue of Draft Paragraphs, the Department reported recovery of interest of ₹ 23.35 lakh from 12 licensees for delayed deposit of licence fee and excise duty.

During the year 2016-17, the Department effected recovery of ₹ 44.09 lakh in 10 cases in respect of audit objection pertaining to previous Audit Reports and Inspection Reports. All the recovered amount pertained to Audit and Inspection Reports prior to 2011-12.

4.9 Follow up of previous Audit Reports

In the Audit Reports for the period from 2011-12 to 2015-16, Audit had pointed out various observations amounting to ₹ 270.69 crore against which the Department accepted observations involving ₹ 85.46 crore and recovered ₹ 0.79 lakh.

The PAC had selected nine paragraphs of seven¹³ Audit Reports for discussion and gave its recommendations on two paragraphs of Audit Reports for the years 2005-06 and 2007-08. However, ATN has not been received for one paragraph 3.2.7 of Audit Report 2007-08 wherein the PAC has recommended (8th Report, 2014-15) to fix norm for yield of alcohol from grains in consultation with Principal Accountant General.

Recommendation:

The Department should ensure prompt compliance to PAC recommendations.

4.10 Irregular adjustment of outstanding dues against Bank Guarantee and Security Deposit

Instead of forfeiting Bank Guarantee (BG) and Security Deposit (SD), the Department adjusted outstanding dues of ₹ 27.73 crore against BG of ₹ 3.04 crore and SD of ₹ 2.13 crore and raised demand for ₹ 22.56 crore only on cancellation of licence of six licensees and acceptance of applications for surrender of another four licensees who had not paid licence fee and duty for the period of operation of shops.

Chhattisgarh retail sale of excise country/foreign liquor settlement of licence Rules, 2002 stipulates that Security Deposit (SD)¹⁴ and Bank Guarantee (BG)¹⁵ is to be deposited by the licensee. Further, under Section 33 of Chhattisgarh Excise Act, 1915, any holder of a licence may surrender his licence on the expiration of one month's notice in writing given by him to the Collector for his intention to surrender the same, and on payment of the fee payable for the licence for the remainder of the period for which it would have been current but for such surrender. In case of cancellation of licence, the licensing authority shall initiate action for cancellation of licence and forfeiture of securities deposited by licensee under Section 31 and Rule 23

¹³ Audit Reports for the years 2004-05, 2005-06, 2007-08, 2008-09, 2010-11, 2011-12 and 2012-13

¹⁴ Amount equal to one twelfth of the Excise Duty payable on Minimum Guarantee Quota (MGQ)

¹⁵ Amount equal to one twelfth of the Licence Fee payable on MGQ

respectively. The licensee shall not be entitled to claim for any compensation or refund of SD and BG in case of cancellation of licence. Rule 21 specifies that adjustment shall be made only in case of payment in the month of March and final payment by licensee.

Audit test check of records of 76 cases of settlement of country/foreign liquor group of shops for the year 2014-15 and 2015-16 in two offices¹⁶ revealed that four¹⁷ licensees applied for surrender of their licences (between June 2015 and July 2015), but failed to deposit licence fee (₹ 13.32 crore) and excise duty (₹ 7.13 crore) for the remaining period of licence nor cleared their dues for the period of operation of shops. Similarly, licences of six¹⁸ licensees were cancelled (between February 2015 and October 2015) by the Department due to non-payment of duty and fee amounting to ₹ 7.28 crore. Instead of forfeiting BG and SD as per Rule 23 of the Rules *ibid*, the Department irregularly adjusted outstanding dues of ₹ 27.73 crore against BG and SD of ₹ 5.17 crore¹⁹ and raised demand for ₹ 22.56 crore only.

The Department reply (November 2017) did not address the audit observation.

¹⁶ AC, Bilaspur and AC, Janjgir-Champa

¹⁷ Group of shops – Barpali, Chandrapur, Kosmanda and Taraud (AC, Janjgir- Champa)

¹⁸ Group of shops- Bamnidih (AC, Janjgir-Champa); Chuchiapara, Ganiyari, Juna Bilaspur, Lingyadh and Vyapar Vihar (AC, Bilaspur)

¹⁹ Bank Guarantee: ₹ 3.04 crore and Security Deposit: ₹ 2.13 crore