

CHAPTER-6
Other Tax Receipts
(Revenue Sector)

CHAPTER-6: OTHER TAX RECEIPTS

(A) TAXES ON VEHICLES, GOODS AND PASSENGERS

6.1 Tax administration

The levy and collection of motor vehicles tax and fee in the State is governed by the Motor Vehicles Act, 1988 (MV Act), Central Motor Vehicles Rules, 1989 (CMV Rules), Uttar Pradesh Motor Vehicles Taxation Act, 1997 (UPMVT Act), Uttar Pradesh Motor Vehicles Taxation Rules, 1998 (UPMVT Rules), Carriage by Road Act, 2007 (CBR Act), Carriage by Road Rules, 2011 (CBR Rules), and various Notifications, Circulars and G.O.s issued by the Government and the Department from time to time.

The Principal Secretary, Transport, Uttar Pradesh is the administrative head at the Government level. The entire process of assessment and collection of taxes and fee is administered and monitored by the Transport Commissioner (TC), Uttar Pradesh, who is assisted by two Additional Transport Commissioners at Headquarters.

There are six¹ Deputy Transport Commissioners (DTCs), 19² Regional Transport Officers (RTOs) and 75 Assistant Regional Transport Officers (ARTOs) (Administration) in the field. RTOs perform the overall work of issue and control of permits of transport vehicles. The ARTOs perform the work of assessment and levy of taxes and fee regarding both transport vehicles and other than transport vehicles. Respective RTOs are responsible for the overall administration of the Sub-Regional Transport Offices.

There are 114 Enforcement squads in the State, each consisting of one ARTO (Enforcement), one supervisor and three Enforcement constables. These are attached at Headquarters and deployed at the district level. Two special Enforcement squads are posted at the Headquarters. 10 Regional Transport Officers (E) are posted at the district level, under the control and supervision of an Additional TC (Enforcement) at the Headquarters and six Deputy TCs at zonal³ level. The Enforcement administration is responsible for checking offences related to plying of unregistered vehicles/ overload vehicles/ tax evasion/ vehicles in the state without permit/ driving license/ certificate of fitness/ norms of pollution and in violation of applicable Act/ Rules.

A software *viz.*, VAHAN had been adopted by the Department for automating the processes of vehicle registration, issue/ renewal of permit, calculation and payment of taxes and fees, issue/ renewal of fitness certificate, issue of challan and payment of penalty amount. VAHAN is therefore an important monitoring tool at the disposal of the Department. This software also has the facility to

¹ Agra, Bareilly, Kanpur Nagar, Lucknow, Meerut and Varanasi.

² Agra, Aligarh, Allahabad, Azamgarh, Banda, Bareilly, Basti, Faizabad, Ghaziabad, Gonda, Gorakhpur, Jhansi, Kanpur Nagar, Lucknow, Meerut, Mirzapur, Moradabad, Saharanpur and Varanasi.

³ Agra, Bareilly, Kanpur Nagar, Lucknow, Meerut and Varanasi.

generate reports like arrears of revenue, lists of vehicles without permit and certificate of fitness, etc. However, objections raised by CAG in previous reports indicate that the Departmental authorities have failed to take cognisance of such exception reports leading to recurring instances of non-compliance with statutory provisions.

6.2 Results of audit

During 2016-17, Audit test checked the records of 45⁴ out of 76 auditable units (59 *per cent*) of the Transport Department. Revenue collected by the Department during the year 2015-16 aggregated to ₹ 4,410.53 crore of which, the audited units collected ₹ 2,080.41 crore (47 *per cent*). Audit scrutiny revealed short realisation of tax, non-levy of additional tax and fitness fee, non-imposition of penalty and other irregularities amounting to ₹ 16.79 crore in 470 paragraphs as shown in **Table - 6.1**.

Table - 6.1

Sl. No.	Categories	Number of paragraphs	Amount (₹ in crore)	Share in <i>per cent</i> to the total objected amount
1.	Short realisation of <ul style="list-style-type: none"> • Passenger tax/ additional tax • Goods tax 	166	4.96	29.54
2.	Evasion of tax <ul style="list-style-type: none"> • Passenger tax/ additional tax • Goods tax 	181	6.47	38.54
3.	Other irregularities	123	5.36	31.92
Total		470	16.79	

(Source: Information available in the Audit office)

During the course of the year, the Department realised outstanding revenue of ₹ 39.31 lakh relating to underassessment and other deficiencies in 62 cases out of 3,553 such cases pointed out in 1999-2000 and between 2010-11 and 2015-16.

Irregularities involving 10,898 cases worth ₹ 8.61 crore have been illustrated in this chapter. Out of these, some irregularities have been repeatedly reported during the last five years as detailed in **Table - 6.2**. Most of the observations are of a nature that may reflect similar errors/omissions in other units, but not covered in test audit. Department may therefore like to internally examine all the other units to ensure that they comply with the requirement and rules.

⁴ Office of RTO- Agra, Aligarh, Allahabad, Banda, Bareilly, Basti, Gonda, Gorakhpur, Meerut, Moradabad, Saharanpur and office of ARTO- Auraiya, Badaun, Bagpat, Bahraich, Balrampur, Barabanki, Bulandshahar, Chandauli, Chitrakoot, Deoria, Etawah, Farrukhabad, Fatehpur, Firozabad, G.B Nagar, Gazipur, Hamirpur, Hapur, Hathras, J.P Nagar, Kannauj, Kaushambi, Kushinagar, Lakhimpur kheri, Lalitpur, Mainpuri, Pilibhit, Pratapgarh, Shahjahanpur, Sant Kabir Nagar, Siddharthnagar, Sitapur, S.R Nagar and Sultanpur.

Table - 6.2

(₹ in crore)												
Name of observation	2011-12		2012-13		2013-14		2014-15		2015-16		Total	
	Cases	Amount	Cases	Amount								
Fitness certificate of transport vehicles not renewed	16,285	5.10	8,792	4.03	6,267	8.35	5,820	2.69	16,246	7.43	53,410	27.60
Penalty under Carriage by Road Act not levied	--	--	--	--	--	--	1,786	4.08	1,430	4.00	3,216	8.08
Additional tax on JnNURM buses not levied	--	--	--	--	248	19.20	464	30.36	805	35.69	1,517	85.25

Recommendations:

1. The Department should initiate systemic measures to ensure that the shortcomings repeatedly reported by Audit do not recur.
2. The Department should introduce more effective measures to monitor and ensure recoveries of the large amounts of non/ short realisations pointed out in Audit Reports.

6.3 Fitness certificates of transport vehicles not renewed

The Department failed to levy fitness fee of ₹ 54.28 lakh and impose penalty of ₹ 3.94 crore on 9,852 vehicles potentially plying without valid fitness certificates.

The MV Act, 1988 and the CMV Rules, 1989 provides that a transport vehicle shall not be deemed to be registered unless it carries a certificate of fitness. A fitness certificate granted in respect of a newly registered transport vehicle is valid for two years and is required to be renewed every year thereafter. The Act also provides that if fitness certificate is not renewed, the transport authority may cancel or suspend the permit of such vehicles for such period as it thinks fit. Plying a vehicle without certificate of fitness is punishable with a fine at the rate of ₹ 4,000⁵ per case.

The CMV Rules prescribes test fee of ₹ 100, ₹ 200, ₹ 300 and ₹ 400 for three wheelers, light, medium and heavy vehicle respectively. In addition to this, renewal fee of ₹ 100 is also leviable in case of all categories of vehicles. In case of a default, an additional amount equal to the prescribed test fee is also leviable.

Previous Audit Reports of 2011-12 to 2015-16 had highlighted persistent loss of Government revenue amounting to ₹ 27.60 crore due to non-levy of fitness fee and penalty on 53,410 vehicles.

To evaluate the corrective measures adopted by the Department in this regard, Audit test checked the records of 31⁶ RTOs/ ARTOs during 2016-17. It was

⁵ Vide UP Notification No. 1452/30-4-10-172/89 dated 25 August 2010.

⁶ RTO: Agra, Aligarh, Allahabad, Banda, Basti, Gonda, Gorakhpur, Meerut, Moradabad, Saharanpur and ARTO: Balrampur, Badaun, Bagpat, Bahraich, Barabanki, Chandauli, Chitrakoot, Deoria, Farrukhabad, Fatehpur, Hamirpur, J.P Nagar, Kushinagar, Lakhimpur kheri, Lalitpur, Pilibhit, Sant Kabir Nagar, Shahjahanpur, Sitapur, Sant Ravidas Nagar and Sultanpur.

noticed that 9,852 out of 38,061 vehicles were plying without a valid fitness certificate between October 2014 and February 2017, although the due tax had been realised from them. Though, information regarding expiry of fitness of these vehicles was available in VAHAN software, the concerned RTOs/ARTOs failed to take cognisance of these cases. Specific feature to prevent vehicle owners to pay tax where fitness had expired was not available in the software.

The concerned RTOs/ARTOs (Administration) neither issued notices to defaulting vehicle owners nor initiated any action to cancel the permits of these vehicles. Potential plying of such vehicles with potential risk of misutilisation also compromised public safety. RTOs/ARTOs (Enforcement) also failed to identify and stop these vehicles from plying on road during their checking. As a result, the Government was deprived of fitness fee of ₹ 54.28 lakh and penalty of ₹ 3.94 crore.

In the exit conference (October 2017) with the Departmental authorities, the Department accepted the audit observation and stated that 13 RTOs/ARTOs had recovered ₹ 10.18 lakh in 1,656 cases and had issued demand notices in the remaining cases.

Recommendation:

The Department should develop a system generated alert in the software which could prevent the plying of vehicles without valid fitness certificate.

6.4 Penalty not imposed under Carriage by Road Act

The Transport Department failed to stop unsafe vehicles from potentially plying on roads and also did not impose penalty amounting to ₹ 1.85 crore under the Carriage by Road (CBR) Act on 836 goods vehicles which were seized for overloading and also failed to impose fine of ₹ 33.44 lakh on these unregistered common carriers.

The CBR Act, 2007 provides for imposition of penalty prescribed under MV Act on over loaded motor vehicles (goods) notwithstanding the fact that such penalty has already been imposed on and realised from such vehicles.

The CBR Act also provides that any unregistered common carrier⁷ engaged in the business shall be punishable for the offence with a fine of ₹ 4,000⁸ per offence.

Previous Audit Reports of 2014-15 to 2015-16 had highlighted persistent loss of Government revenue amounting to ₹ 8.08 crore due to non-imposition of penalty under CBR Act on 3,216 overload vehicles.

⁷ Common carrier means a person engaged in the business of collecting, storing, forwarding or distributing goods to be carried by goods carriages under a goods receipt and includes a goods booking company, contractor, agent, broker and courier agency engaged in door to door transportation of documents/ goods/ articles utilising the services of a person either directly or indirectly to carry or accompany such documents, goods or articles.

⁸ UP Notification No 7/800/30-4-2014-172/89 dated 05 June 2014.

To evaluate the corrective measures adopted by the Department in this regard, Audit test checked the records of 35⁹ RTOs/ ARTOs during 2016-17. In 836 out of 10,092 cases of overloading of goods vehicles during October 2014 to March 2017, Audit noticed that the concerned RTOs/ ARTOs (Enforcement) failed to stop unsafe vehicles from potentially plying on roads and also failed to impose a penalty¹⁰ of ₹ 1.85 crore under CBR Act equivalent to the amount of penalty imposed under MV Act. The Department also failed to impose fine of ₹ 33.44 lakh on these unregistered common carriers.

In the exit conference (October 2017) with the Departmental authorities, the Department stated that these vehicles were not registered under common carrier, hence action has not been taken against them. All the RTOs/ ARTOs have been directed to register agencies engaged in such business. The reply of the Department is not tenable because the Department not only failed to register persons engaged in the business of common carrier but also failed to impose penalty/ fine under the CBR Act in the reported cases.

Recommendation:

The Department should ensure imposition of penalty under CBR Act on overloaded goods vehicles.

6.5 Additional tax on *Jn*NURM buses not levied

Additional tax of ₹ 1.95 crore was not levied on 210 *Jn*NURM buses plying outside the designated municipal areas.

No transport vehicle of the State Transport Undertaking (STU) shall be used in any public place in Uttar Pradesh unless additional tax prescribed under UPMVT Act, 1997 (as amended on 28 October 2009) has been paid. Motor vehicles of STU operating within the limits of Municipal Corporation or Municipality are exempted from the payment of additional tax.

Previous Audit Reports of 2013-14 to 2015-16 had highlighted persistent loss of Government revenue amounting to ₹ 85.25 crore due to non-levy of Additional tax on 1,517 defaulting vehicles.

To evaluate the corrective measures adopted by the Department in this regard, Audit test checked the records of RTOs Allahabad and Meerut during 2016-17. It was noticed that 210 out of 244 *Jn*NURM¹¹ buses under City Transport Services Limited were plying outside the designated municipal areas of these cities from October 2015 to January 2017 and, for which they were liable for payment of additional tax of ₹ 1.95 crore. The concerned RTOs failed to issue notice to the STU for levying the additional tax, and to detain such vehicles. They also did not issue RCs to STU for not depositing

⁹ RTO: Agra, Aligarh, Allahabad, Banda, Bareilly, Basti, Gonda, Meerut, Moradabad, Saharanpur and ARTO: Auraiya, Badaun, Bagpat, Bahraich, Barabanki, Bulandshahar, Chandauli, Chitrakoot, Etawah, Farrukhabad, Fatehpur, Firozabad, Gazipur, Hamirpur, J.P Nagar, Kushinagar, Lakhimpur kheri, Lalitpur, Pilibhit, Pratapgarh, Sant Kabir Nagar, Sant Ravidas Nagar, Shahjahanpur, Sitapur, and Sultanpur.

¹⁰ Minimum fine of two thousand rupees and additional amount of one thousand rupees per tonne of excess load.

¹¹ Jawaharlal Nehru National Urban Renewal Mission.

additional tax on these vehicles. As a result, additional tax of ₹ 1.95 crore could not be recovered.

In the exit conference (October 2017), the Department accepted the audit observation and stated that notices had been issued for recovery of additional tax from vehicles plying outside the designated municipal areas.

(B) STAMPS AND REGISTRATION FEES

6.6 Tax administration

The levy and collection of stamp duty and registration fees in the State is governed by the Indian Stamp Act, 1899 (IS Act), the Registration Act, 1908 and the rules framed thereunder as applicable in Uttar Pradesh. Stamp duty and registration fees are levied on the execution of instruments at the prescribed rates fixed under the above Acts. Valuation of properties is decided as per the circle rates fixed by the Collector of the district as per the provisions of Uttar Pradesh Stamp (Valuation of Property) Rules, 1997.

The determination of policy, monitoring and control at the Government level is carried out by the Principal Secretary, Stamps and Registration. The Inspector General (Registration) (IGR) is the head of the Stamps and Registration Department. He is empowered with the task of superintendence and administration of the registration work. He is assisted by 92 Assistant Inspectors General (AIG) at the district/ headquarters level and 354 Sub-Registrars (SRs) at the *tehsil* level respectively.

6.7 Results of audit

During 2016-17, Audit test checked the records of 140 out of 354 auditable units (40 *per cent*) of the Stamps and Registration Department. The Department collected revenue of ₹ 12,403.72 crore (stamp duty: ₹ 7,606.08 crore and registration fees and other receipts: ₹ 4,797.64 crore) during 2015-16 out of which the audited units collected ₹ 4,755.59 crore (38 *per cent*). Audit noticed deficiencies and irregularities amounting to ₹ 12.58 crore in 450 paragraphs as detailed in **Table - 6.3**.

Table - 6.3

Sl. No.	Categories	Number of paragraphs	Amount (₹ in crore)	Share in <i>per cent</i> to the total objected amount
1.	Short levy of stamp duty and registration fees due to undervaluation of properties	49	0.64	5.09
2.	Short levy of stamp duty and registration fees due to misclassification of documents	334	11.51	91.49
3.	Other irregularities	67	0.43	3.42
Total		450	12.58	

(Source: Information available in the Audit office)

During the course of the year, the Department realised outstanding revenue relating to underassessment and other deficiencies of ₹ 9.28 lakh in 27 cases pointed out in 1990-91 to 2015-16.

Irregularities involving 157 cases worth ₹ 6.05 crore have been illustrated in this chapter. Of these irregularities, short levy of stamp duty and registration fees due to residential land valued at agriculture rate had been repeatedly reported during last five years as detailed in **Table - 6.4**. Most of the observations are of a nature that may reflect similar errors/omissions in other units, but not covered in test audit. Department may therefore like to internally examine all the other units to ensure that they comply with the requirement and rules.

Table - 6.4

(₹ in crore)												
Nature of observation	2011-12		2012-13		2013-14		2014-15		2015-16		Total	
	Cases	Amount	Cases	Amount								
Residential land valued at agriculture rate	103	3.12	64	2.43	97	4.35	194	7.78	214	9.66	672	27.34

Recommendation:

The Department should initiate suitable measures to plug the defects so as to avoid similar lapses in future.

6.8 Compliance to Acts/ Rules

The Indian Stamp Act, 1899 (IS Act), the Registration Act, 1908 and Uttar Pradesh Stamp (Valuation of Property) Rules, 1997 made thereunder provide for:

- (i) payment of registration fees at the prescribed rate; and
- (ii) payment of stamp duty by the executants at the prescribed rate.

Failures of departmental officers to comply with the above mentioned provisions are highlighted below:

6.9 Residential land valued at agriculture rate

Failure of the Department to ensure full utilisation of the *PRERNA* software resulted in residential land measuring 2.93 lakh square meter being wrongly registered for ₹ 32.14 crore at agricultural rates. Correct valuation at residential rate worked out to ₹ 134.57 crore which resulted in short levy of Stamp Duty and Registration Fees by ₹ 6.05 crore.

The IS Act, 1899 stipulates that stamp duty on a deed of conveyance is chargeable either on the market value of the property or on the value of the consideration set forth in the deed, whichever is higher. The Inspector General of Registration (IGR), vide guidelines issued in June 2003, further clarified that a property in the same *arazi*¹² number should not be split in more than one parts for different purposes i.e. one part for agriculture and the other for non-agriculture for the purpose of levy of stamp duty.

¹² *Arazi, Khasra and Gata* numbers are same and show the particular number of a land holding in a locality.

A *Khasra* based search facility to get the details of lands sold in a given *Khasra* was available in the *PRERNA*¹³ software. However, this feature was not being used by the SRs.

Audit Reports for the year 2011-12 to 2015-16 had highlighted short levy of stamp duty and registration fee amounting to ₹ 27.34 crore in 672 cases due to valuation of residential land at agriculture rate by SRs.

To evaluate the corrective measures adopted by the Department, Audit test checked the records of 140 Sub-registrar offices (SROs). Test check of 157 out of 61,797 registered deeds of sale of lands at agricultural rates in 69¹⁴ SROs, Audit noticed that these deeds relating to 2.93 lakh square meter of residential land valued at ₹ 32.14 crore were registered at agriculture rates in violation of the instructions of IGR and stamp duty and registration fees of ₹ 2.21 crore was levied. Audit further noticed that the part of the same *arazi* was sold earlier or on the same day at residential rates. Hence, these lands should have also been valued at ₹ 134.57 crore at residential rates with stamp duty and registration fees of ₹ 8.26 crore. The incorrect valuation of property and under-utilisation of features of *PRERNA* thus resulted in short levy of stamp duty and registration fees of ₹ 6.05 crore (**Appendix-V**).

In the exit conference (September 2017), the Department accepted the audit observation and referred the cases to the Collector, Stamps for correct valuation of the property. The Collector, Stamps confirmed the observation and imposed stamp duty of ₹ 30.39 lakh in 19 cases, out of which, the Department recovered ₹ 10.54 lakh in 13 cases of 11 SRs. In six cases, recovery certificates were issued by the Department. Action was pending in the remaining 138 cases.

Recommendation:

The Stamps and Registration Department should ensure correct valuation of property and utilisation of features of *PRERNA* Software.

¹³ *PRERNA* (Property Evaluation and Registration Application) Software was introduced by the Department on 1 August 2006 for computerisation of the registration process.

¹⁴ Agra- SR Sadar I, II, Atmadpur, Khairagarh and Fatehabad. Allahabad- Sadar I, II, Handia, Karchchana and Phoolpur. Auraiya-Bidhuna. Azamgarh-Sadar, Nizamabad and Sagadi. Badaun-Sadar II. Bahraich-Kaisergang. Barabanki-Haidargarh. Bareilly-Sadar II. Basti-Sadar. Buland Shahar-Sadar II, Khurja and Anoop Shahar. Chandauli-Sadar. Deoria-Rudrapur. Farrukhabad-Sadar and Kayamganj. Firozabad- Sadar I, II, Sikohabad and Tundla. Ghaziabad-Sadar I. Ghazipur-Sadar and Jamaniyan. Gorakhpur-Sadar I, II, Chauri Chaura, Gola Bazar and Sahajanava. Hathras-Sadar. Jaunpur-Sadar, Machhali Shahar, Madiyagoon and Shahganj Jhansi-Sadar II. Kanpur Nagar-Sadar I, II, III, IV, Bilhaur and Ghatampur. Kasganj-Sadar. Kushinagar- Sadar, Hata and Kasyan. Lakhimpur Khiri-Gola Gokaran. Lucknow-Malihabad. Mahrajganj-Sadar. Mau-Sadar. Meerut-Sadar-IV. Mirzapur-Chunar. Muzaffer Nagar-Sadar I. Pratapgarh-Sadar and Patti. Rampur-Bilaspur. Shahjahanpur-Jalalabad. Siddharth Nagar-Bansi. Sitapur-Sidhauli. Sonebhadra-Robertsganj and Varanasi-Sadar I.