

CHAPTER – 8
TAXES ON VEHICLES

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8.1 Tax administration

The Transport Department functions under the overall charge of the Principal Secretary (Transport). The Transport Commissioner (TC) administers and monitors the issue of driving licences/permits and levy and collection of taxes/fees/penalties on vehicles. He is assisted by one Additional Transport Commissioner (Enforcement), two Joint Transport Commissioners (Administration/Finance), three Deputy Transport Commissioners and an Internal Audit Wing at headquarters level. There are 10 Divisional Deputy Transport Commissioners, 10 Regional Transport Offices (RTOs), 10 Assistant Regional Transport Offices (ARTOs) and 31 District Transport Offices (DTOs) at the field level. The Additional Transport Commissioner (Enforcement) monitors the computerisation activities in the Department. RTOs/ARTOs/DTOs are Taxation Authorities (TAs).

Taxes on vehicles are collected under the provisions of the following Acts, Rules and notifications issued thereunder:

- The Motor Vehicles Act, 1988 (MV Act);
- The Central Motor Vehicles Rules, 1989 (CMV Rules);
- Madhya Pradesh *Motoryan Karadhan Adhiniyam*, 1991 (*Adhiniyam*) and;
- Madhya Pradesh *Motoryan Karadhan Niyam*, 1994 (*Niyam*).

8.2 Trend of receipts

Budget estimates and the actual receipts from taxes on vehicles during the period 2012-13 to 2016-17 are detailed in **Table 8.1**.

Table 8.1
Trend of receipts

(₹ in crore)

Year	Budget estimates	Actual receipts	Percentage of variation
2012-13	1,400.00	1,531.25	(+) 9.38
2013-14	1,650.00	1,598.93	(-) 3.10
2014-15	2,000.00	1,823.84	(-) 8.81
2015-16	2,300.00	1,933.57	(-) 15.93
2016-17	2,500.00	2,251.51	(-) 9.94

(Source: Finance Accounts and Budget Estimates of Government of Madhya Pradesh)

Increase in revenue receipts during 2016-17 was due to increase in number of registrations of BS-III series vehicles during March 2017, increase in tax rates since December 2016 and recovery of old arrears of ₹ 165.35 crore following the declaration of the year 2016-17 as “Old arrear and Audit revenue recovery year”.

8.3 Internal Audit

The Internal Audit Wing (IAW) of the Department functions under the supervision of Joint Transport Commissioner (JTC) (Finance). During 2016-17,

the Department planned 39 field units for internal audit, however, audit of only 17 units was completed.

Audit observed that the Department had no separate staff for IAW due to which there was a shortfall in the internal audit of units planned during 2016-17 and the staff posted at the TC office conduct internal audit along with their regular work related to budget, account and establishment. Eight posts of AAOs were sanctioned for the office of the TC against which there were only four AAOs and the remaining four posts of AAOs were vacant.

Audit further observed that the TC had requested (October 2011 and December 2016) the Principal Secretary, Transport Department to fill the vacancies of four posts of AAOs in the Commissioner office. However, Government had not recruited AAOs in the Department.

Recommendation:

The Government should strengthen IAW by providing dedicated staff.

8.4 Results of audit

Audit test-checked records of 37 units (Office of Transport Commissioner, 12 RTOs, eight ARTOs and 16 DTOs) out of 52 units of Transport Department in the year 2016-17. Revenue generated by the Department during the year 2015-16 aggregated to ₹ 1,933.57 crore of which, the audited units collected ₹ 1,412.39 crore. Audit examined records of 98,439 vehicles out of total 1,21,722 vehicles registered in the test-checked units during the period covered in Audit and observed underassessment of tax and other irregularities involving ₹ 76.96 crore in 61,958 cases which fall under the categories mentioned in **Table 8.2**.

**Table 8.2
Results of Audit**

(₹ in crore)

Sl. No.	Categories	Number of cases	Amount
1.	Vehicle tax and penalty on public service vehicles not levied/short levied	25,021	24.65
2.	Vehicle tax and penalty on goods vehicles not levied/short levied	3,116	13.21
3.	Vehicle tax and penalty on maxi cab vehicles not levied/short levied	1,493	12.25
4.	Others	32,328	26.85
Total		61,958	76.96

The audit observations were forwarded (between April 2016 and February 2017) to the Department. The Department accepted underassessment and other deficiencies of ₹ 22.47 crore in 5,863 cases which were pointed out during 2016-17 and made recovery of ₹ 18.97 lakh in 61 cases.

During 2016-17, the Department recovered ₹ 53.12 lakh in 192 cases in respect of two paragraphs (involving ₹ 1.51 crore in 379 cases) of Audit Report for the year 2012-13.

8.5 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 ₹ 92.67 crore in 57 paragraphs against which recovery of ₹ 4.75 crore only was effected by the Department. Out of these 57 paragraphs, 24 paragraphs were selected by the Public Accounts Committee (PAC) for discussion. The PAC discussed 10 paragraphs of Audit Reports 2011-12 to 2013-14. The PAC has already given its recommendations on four paragraphs of Audit Report 2011-12 and similar paragraphs of ARs prior to 2011-12. The directions were-(i) The Department should take prompt action and recover tax and penalty within fixed time limit, (ii) The Department should initiate action against officers who did not take timely action to recover the dues.

The Department, however, has not complied with the recommendations.

Recommendations:

The Department should immediately comply with the recommendations of the PAC to effect recovery of tax and penalty and fix responsibility on defaulting officers.

8.6 Vehicle tax and penalty not realised

Vehicle tax of ₹ 20.28 crore and penalty of ₹ 11.65 crore in respect of 5,559 vehicles of various categories was not levied /short levied.

The *Adhiniyam* prescribes rates of tax to be levied on various categories of vehicles used or kept for use in the State and stipulates that in cases of non-payment of tax by the owner of the vehicle within the prescribed period, penalty is to be imposed at the rate of four *per cent* per month on the unpaid amount of tax subject to maximum of twice the amount of tax. The Taxation Authority (TA) shall serve on such owner, who does not pay tax, penalty or interest, a notice for the sum payable and recover the same as arrears of land revenue by attaching and selling the vehicles and accessories thereof for the recovery dues.

Audit test-checked (between April 2016 and March 2017) records of 12 RTOs¹, eight ARTOs² and 11 DTOs³ and found that vehicles tax was not paid or short paid for the period between October 2010 and March 2016 by the vehicle owners for 5,559 vehicles⁴, which was 16.09 *per cent* of the test checked 34,551 vehicles. There was nothing on record to show that the vehicles were declared off road or transferred to any other District/State. The TAs did not issue demand notices for the outstanding amount and did not take action to seize/detain motor

¹ RTOs – Alirajpur, Bhopal, Hoshangabad, Gwalior, Indore, Jabalpur, Morena, Rajgarh, Rewa, Sagar, Shahdol and Ujjain.

² ARTOs – Chhindwara, Dhar, Guna, Katni, Khandwa, Khargone, Mandsaur and Satna.

³ DTOs – Agar Malwa, Ashoknagar, Balaghat, Barwani, Betul, Dewas, Neemuch, Shivpuri, Sidhi, Singrauli and Umaria.

⁴ Goods Vehicles (2,175), Public Service Vehicles kept as reserve (644), Earthmover/Harvester (662), Maxicabs/Taxicabs (1,285), Stage Carriage vehicles (404), All India Tourist Permit Vehicles (54), Ambulance (82) and Public Service Vehicles (253).

vehicles for non-payment of tax. As a result, tax of ₹ 20.28 crore and penalty of ₹ 11.65 crore on the unpaid amount of tax was not realised.

During the exit conference (November 2017), the Department accepted the audit observation and assured that updated recovery position would be intimated. Progress in this regard would be watched in audit.

Similar observation 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. The PAC had also directed (29th Report, 2014-15 on the Audit Report for the year 2009-10) the Transport Department to recover the outstanding tax and penalty within fixed time limit and initiate action against officers who did not take timely action to recover the dues. Despite this, the Department failed to evolve an effective mechanism to ensure that Vehicle taxes are collected fully and defaulters are not allowed to escape the payment of tax and penalty.

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.

8.7 Incorrect levy of tax on private service vehicles

Vehicle tax was incorrectly levied on 1,532 private service vehicles at rates applicable to educational institution buses, resulting in short realisation of revenue of ₹ 10.53 crore.

The MV Act defines the “Educational Institution Bus” as an omnibus, which is owned by a college, school or other educational institution and used solely for the purpose of transporting students or staff of the educational institution in connection with any of its activities. It further provides that “owner” means a person in possession of the vehicle under an agreement of lease or hypothecation. Tax on educational institution buses, is to be levied at concessional rate of ₹ 30 per seat per quarter (₹ three per seat per quarter from October 2014). On the other hand, Private Service Vehicle having seating capacity of more than six persons excluding the driver which are ordinarily used in connection with trade or business of the owner but not for public purpose are taxed at the rate of ₹ 450 per seat per quarter (₹ 480 per seat per quarter from October 2014).

Audit test checked (between April 2016 and February 2017) records of 5,723 vehicles in 18 offices⁵ for the period between April 2013 to March 2016 and found that TAs levied vehicle tax at the rate prescribed for educational institution buses on 1,532 vehicles which were not owned by a college, school or other educational institution or leased out to educational institution. Out of these 1,532 objected vehicles 1,053 were registered in the names of Educational societies, Committees and Trusts while the remaining 479 vehicles were registered in the names of individuals.

⁵ **DTO** Agar Malwa, Balaghat, Barwani, Dewas, Neemuch and Umaria.
RTO Bhopal, Gwalior, Hoshangabad, Indore, Morena and Ujjain.
ARTO Dhar, Khandwa, Khargone, Mandsaur, Rewa and Satna.

Application of incorrect rate of tax by TAs resulted in short realisation of vehicle tax of ₹ 10.53 crore comprising of ₹ 7.12 crore in respect of Educational societies, Committees and Trusts and ₹ 3.41 crore in respect of private individuals.

During the exit conference (November 2017), the Department did not agree with the audit observation regarding imposition of tax at concessional rates on vehicles registered in the names of Educational societies, Committees and Trusts. However, it was assured that henceforth vehicles registered in the names of Educational societies, Committees and Trusts shall be leased out to the principals of the institutions but no such orders have been issued by the Department so far (May 2018).

The reply is not acceptable. As per provisions of the MV Act, besides usage of vehicle, ownership of the vehicle with the educational institution was necessary for grant of concessional rate of tax. The Department did not furnish reply in the remaining cases where the vehicles were registered in the names of private individuals.

Bhopal
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