

CHAPTER-III: Taxes on Vehicles

3.1 Tax administration

The receipts for the Transport Department (Department) are regulated under the provisions of the Central and the State Motor Vehicles Acts and rules made thereunder, and are under the administrative control of the Department. The receipts from road tax and special road tax are regulated under the provisions of the Rajasthan Motor Vehicles Taxation (RMVT) Act, 1951, the Rules framed thereunder and notification issued from time to time.

The Department is headed by the Transport Commissioner and is assisted by five Additional Transport Commissioners and 12 Deputy Transport Commissioners. The entire State is divided into 12 regions, headed by Regional Transport Officers (RTO) cum *ex-officio* Member, Regional Transport Authority. Besides, there are 51 vehicles registration cum taxation offices headed by District Transport Officers (DTO).

3.2 Internal audit

The Department has an Internal Audit Wing under the charge of Financial Advisor. This wing has to conduct test check of cases of assessment as per the approved action plan and in accordance with the criteria laid down by the Steering Committee so as to ensure adherence with the provisions of the Act and Rules as well as departmental instructions issued from time to time.

The position of last five years of internal audit was as under:

Year	Units pending for audit	Units due for audit during the year	Total units due for audit	Units audited during the year	Units remaining unaudited	Shortfall in per cent
2013-14	-	43	43	39	4	9.30
2014-15	4	51	55	45	10	18.18
2015-16	10	57	67	66	1	1.50
2016-17	1	57	58	50	8	13.79
2017-18	8	57	65	44	21	32.31

Source: Information provided by the Transport Department.

There was shortfall in conducting internal audit ranging between 1.50 and 32.31 *per cent* during the years 2013-14 to 2017-18.

It was noticed that 5,959 paragraphs were outstanding at the end of 2017-18. The year-wise break up of outstanding paragraphs of internal audit reports is as under:

Year	1994-95 to 2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	Total
Paragraphs	1,823	729	1,186	1,127	982	112	5,959

Source: Information provided by the Transport Department.

Out of 5,959 paragraphs, 1,823 paragraphs pertained to the period prior to 2013-14 which indicates that the Department needs to pay more attention towards settlement of the observations particularly those that are pending for

more than five years as with the passage of time, the chances of recovery would become bleak.

The Government may issue appropriate instructions to the Department for early disposal of the outstanding observations raised by the Internal Audit Wing.

3.3 Results of audit

There are 51 Transport Districts headed by RTOs/DTOs and 1,49,00,562 vehicles were registered therewith. There were 122 auditable units including 26 implementing units in the Transport Department. Out of these, 33 units¹ were selected for test check wherein 99,04,845 vehicles were registered. Out of these, 1,20,082 vehicles (approximate 1 per cent) were selected for test check. Audit noticed 14,418 cases (approximate 12 per cent of sampled cases) involving ₹ 39.22 crore of non/short payment of tax, penalty, interest and compounding fees, irregularities relating to non/short determination of tax, computation of motor vehicle tax/special road tax and includes two cases of non/short realisation of temporary registration certificate (TRC) fee from two vehicle manufacturers. These cases are illustrative and are based on a test-check carried out by us. Audit pointed out some of the similar omissions in earlier years, not only these irregularities persist but also remain undetected till next audit is conducted. Audit observed that no system existed in the Department to monitor proper maintenance of tax ledgers of registered vehicles to ensure the recovery of tax, fee and other charges. Besides, no return was prescribed to show the number of vehicles from which tax was due but not received or deposited through 'e-Gras' (Online Government Receipts Accounting System (e-Gras) that facilitates collection of tax/non tax revenue in both the mode online as well as manual) which are not linked to the electronic system (VAHAN) of the Department. There is a need for the Government to improve the internal control system including strengthening of internal audit so that recurrence of such cases can be avoided. Irregularities noticed are broadly fall under the following categories:

Sl. No.	Category	Number of cases	(₹ in crore)
			Amount
1	Non/short payment of tax, penalty, interest and compounding fees, etc.	13,586	31.82
2	Irregularities relating to non/short determination of tax, computation of motor vehicle tax/special road tax, etc.	832	7.40
Total		14,418	39.22

During the year, the Department accepted underassessment and other irregularities of ₹ 28.02 crore in 8,129 cases, out of which 2,481 cases involving ₹ 10.53 crore were pointed out in audit during the year 2017-18 and the rest in earlier years. During the year 2017-18, an amount of ₹ 4.77 crore was recovered in 1,512 cases, out of which ₹ 1.84 crore in 373 cases were pointed out in 2017-18 and the rest in earlier years.

A few illustrative cases involving ₹ 37.36 crore are discussed in the following paragraphs.

¹ These 33 units includes 10 implementing units in 16 Transport Districts.

3.4 Realisation of Temporary Registration Certificate Fee

Rule 4.2(1)(a) of the Rajasthan Motor Vehicles Rules, 1990, provides that application for temporary registration is to be made when any motor vehicle is sold or distributed by manufacturer to his dealer or sub-dealer or its branch for resale. Rule 4.28 prescribes fees for temporary registration as ₹ 500 and ₹ 200 per vehicle per month for transport vehicles and non-transport vehicles respectively.

3.4.1 During test check of the records of RTO Alwar for the year 2016-17, it was noticed (February 2018) that a manufacturer of four wheelers (*M/s Ashok Leyland*) transferred 9,269 and sold 1,589 transport vehicles during 2016-17. TRC fee amounting to ₹ 54.29 lakh at the rate of ₹ 500 per vehicle should have been deposited. However, the manufacturer deposited ₹ 25.50 lakh only, which resulted in short realisation of ₹ 28.79 lakh. No action was initiated by the Department for realisation of the said amount.

3.4.2 Similarly, a manufacturer (*M/s Hero Motocorp Limited*) of two wheelers (non-transport vehicles) manufactured 9,55,859 two wheelers during 2016-17. TRC fees at the rate of ₹ 200 per vehicle was to be collected for vehicles transferred/sold by the manufacturer. Information about the number of vehicles transferred/sold by the manufacturer was not available with the RTO, Alwar and there was nothing on record to show that the taxation officer made any attempt to obtain such information. Audit requested the Superintendent, Central Goods and Service Tax, Range-XXII, Neemrana for the said information. In reply, the Superintendent informed that 9,55,859 vehicle were sold/transferred by the manufacturer during 2016-17. Scrutiny of records disclosed that neither the manufacturer deposited the TRC fee amounting to ₹ 19.12 crore nor the RTO issued any notice to recover it.

Thus, an amount of ₹ 19.41 crore was short/not realised by the Department in these two cases.

The cases were pointed out to the Department and reported to the Government (June 2018 and July 2018) the Department stated (September 2018) that letter has been issued to RTO, Alwar for compliance. Reply of Government is awaited (February 2019).

3.5 Taxes on motor vehicles not realised

As per Section 4 and 4-B of the RMVT Act and the Rules made thereunder, motor vehicle tax and special road tax are to be levied and collected on all transport vehicles used or kept for use in the State at the rates prescribed by the State Government from time to time except those transport vehicles which have paid lump sum tax under Section 4-C besides surcharge is also leviable at the rate of five *per cent* on tax due. In case of non-payment of the tax, penalty at the rate of 1.5 *per cent* per month or part thereof subject to twice the amount of tax due is also leviable² after the expiry of admissible period.

During test check (between May 2017 and February 2018) of the registration records, tax ledgers and general index registers of 11 RTOs³ and 4 DTOs⁴ for the period 2014-15 to 2016-17, it was noticed that owners of 2,081 vehicles

² Notification dated 1 May 2003.

³ RTOs: Ajmer, Alwar, Bharatpur, Bikaner, Chittorgarh, Dausa, Jodhpur, Kota, Pali, Sikar and Udaipur.

⁴ DTOs: Beawar, Bhilwara, Didwana (Nagaur) and Jaipur (Goods).

did not pay the tax for the period April 2014 to March 2017. There was no evidence on record to prove that the vehicles were off the road/were transferred to other Districts/States or their registration certificates were surrendered. The taxation officers, however, did not initiate any action to realise the tax due. This resulted in non-realisation of tax (including surcharge) and penalty amounting to ₹ 11.49 crore.

The cases were reported to the Government (June 2017 and July 2018). The Government intimated (between August 2018 and December 2018) that ₹ 1.63 crore had been recovered in respect of 352 vehicles and in respect of 30 vehicles ₹ 0.31 crore was not recoverable due to various reasons *i.e.* deposit of lump-sum tax, surrender of Registration Certificate, transfer of vehicles to other districts, *etc.* However, reasons for not updating the tax ledgers/VAHAN were not intimated. Reply in respect of remaining vehicles is awaited (February 2019).

3.6 Realisation of outstanding instalments of lump-sum tax

According to Section 4-C of the Rajasthan Motor Vehicles Taxation Act, 1951 and the Rules made thereunder, lump-sum tax on transport vehicles is levied at the rates prescribed through notifications⁵ issued from time to time by the State Government. The lump-sum tax payable can be paid at the option of vehicle owner either in full or in six equal instalments with effect from 14 July 2014 within a period of one year. According to State Government's notification dated 9 March 2011, surcharge at the rate of 10 *per cent* on the lump-sum tax is also payable. Further, according to notification dated 1 May 2003 penalty at the rate of 1.5 *per cent* per month or part thereof limited to twice the amount of tax due is also to be levied after the expiry of admissible period. Rule 8 and 33 of the Rajasthan Motor Vehicles Taxation Rules, 1951 empowers the Taxation Officer to serve notice for recovery of tax.

During test check (Between May 2017 and February 2018) of the records of 15 RTOs/DTOs⁶ for the years 2014-15 to 2016-17, we noticed that 496 vehicle owners out of 1,180 transport vehicle owners opted for payment of lump-sum tax in instalments. However, these vehicle owners did not pay the remaining instalments after paying the first or second instalments. We also observed that the remaining 684 vehicle owners had not paid the tax. There was nothing on record in the tax ledgers or registration records or in VAHAN⁷ to indicate that any of these vehicle owners had exercised any option for payment of tax in instalment or the vehicles were transferred to other States or registration certificates of these vehicles were surrendered. The taxation officers, however, did not initiate any action to realise the tax due. This resulted in non/short realisation of lump-sum tax (including surcharge) and penalty amounting to ₹ 6.46 crore.

The cases were reported to the Government (between June 2017 and June 2018). The Government intimated (October 2018 and December 2018) that ₹ 1.52 crore had been recovered in respect of 242 vehicles and in respect

⁵ Notifications number: 22 dated 16 February 2006, 22-A dated 9 March 2007, 22-C dated 14 July 2014 and 22-D dated 8 March 2016.

⁶ RTOs: Ajmer, Alwar, Bharatpur, Bikaner, Chittorgarh, Jaipur (Goods), Jodhpur, Kota, Pali, Sikar and Udaipur. DTOs: Beawar, Bhilwara, Didwana (Nagaur) and Pratapgarh.

⁷ VAHAN is used for processing transactions related to vehicles *i.e.* registration, permit, tax, fitness and SARATHI is for processing driving licence and related activities.

of 19 vehicles ₹ 0.15 crore was not recoverable due to various reasons *i.e.* vehicles transferred to other districts, being Government vehicles, *etc.* However, reasons for not updating the tax ledgers/*VAHAN* were not intimated. Reply in respect of remaining vehicles is awaited (February 2019).

