

**CHAPTER V :**  
**TAXES ON MOTOR VEHICLES AND STATE EXCISE**

**5.1 Results of audit**

Test check of the records of taxes on motor vehicles and State excise conducted during the year 2008-09 indicated underassessments, non/short levy/recovery, loss of revenue etc., amounting to Rs. 12.48 crore in 3,045 cases as shown below :

(Rupees in crore)

Sl. no.	Nature of receipts	No. of cases	Amount
<b>A - TAXES ON MOTOR VEHICLES</b>			
1.	Misappropriation of Government Revenue	337	0.43
2.	Non/short levy of tax due to application of incorrect rates	2,330	8.90
3.	Excess refunds and miscellaneous items	130	0.06
<b>Total</b>		<b>2,797</b>	<b>9.39</b>
<b>B - STATE EXCISE</b>			
4.	Non/short recovery of licence/privilege fees/excise duty/application fee	141	1.36
5.	Non/short recovery of supervision charges/bonus	50	0.15
6.	Non/short levy of excise duty/application fees/compounding fee/licence fee/privilege fee	35	0.10
7.	Miscellaneous/toddy instalments	22	1.48
<b>Total</b>		<b>248</b>	<b>3.09</b>
<b>Grand total</b>		<b>3,045</b>	<b>12.48</b>

In response to the observations made in the local audit reports during the year 2008-09 as well as during earlier years, the concerned departments accepted underassessment, short levy, etc. and recovered Rs. 1.30 crore in 908 cases. Out of which 323 cases involving Rs. 39.84 lakh were pointed out during the year 2008-09 and the rest during earlier years.

A few audit observations involving Rs. 1.65 crore are included in the succeeding paragraphs, against which Rs. 39.92 lakh along with interest of Rs. 2.52 lakh, had been recovered upto March 2009.

## SECTION A TAXES ON MOTOR VEHICLES

### 5.2 Audit observations

*Scrutiny of the records of Regional Transport Offices/Dy. Regional Transport Offices and State Excise Offices revealed several cases of non-observance of provisions of the Bombay Motor Vehicles Tax Act, 1958 and Maharashtra Potable Liquor (periodicity and fees for grant, renewal or continuance of licence) Rules, 1996 as mentioned in the succeeding paragraphs of this chapter. These cases are illustrative and are based on a test check carried out in audit. Such omissions are pointed out in audit every year, but not only the irregularities do persist, these remain undetected till an audit is conducted. There is need for the Government to improve the internal control system so that occurrence of such cases can be avoided.*

### 5.3 Non-compliance of the provisions of the Acts/Rules

*The Bombay Motor Vehicle Tax Act, 1958, provides for levy and collection of Motor Vehicle Taxes. The vehicle registering authorities did not observe the above provisions and prescribed procedure for maintenance of vehicle records in cases as mentioned in the paragraph 5.3.1 and 5.3.2 which resulted in misappropriation of Government revenue to the tune of Rs. 43.13 lakh and non/short recovery of taxes of Rs. 1.04 crore.*

#### 5.3.1 Misappropriation of Government revenue

**Under Section 3 of the Bombay Motor Vehicles Tax Act, 1958 and the rules made thereunder, motor vehicle tax (including one time tax) and fees are recoverable at the prescribed rates on all the vehicles used or kept for use in the State. As per the procedure prescribed for collection of tax/fees, the receipts are required to be prepared in triplicate; the first copy of which is issued to the person paying the tax; the duplicate copy is kept in the motor vehicle records; and the triplicate copy is retained in the receipt book for making entries in the cash book.**

**As per Rule 8(1) of the Maharashtra Treasury Rules (MTR), 1968, all moneys received by or tendered to the Government Officers are to be paid in full into a treasury/bank within two days of their receipt. Further, as per Rule 98(ii), (iii), (iv) and (vi) all monetary transactions should be entered in the cash book as soon as they occur and get attested by the Head of the office (HOD) in token of check. The cash book should be closed regularly and the totalling of the cash book should be verified by the HOD or have this done by some responsible subordinate other than the writer of the cash book and initialed as correct. At the end of the month, the HOD should verify the cash balance in the cash book and record a signed and dated certificate to that effect mentioning therein the balance both in words and figures. Once an entry is made in the cash book, erasures and over-writings are prohibited. If a mistake is found later it should be corrected by drawing a pen through the incorrect entry**

and inserting the correct figure in red ink. Every such correction should be initialed by the HOD with date.

Test check of the records of Deputy Regional Transport Officer, Ambejogai, district Beed in July/August 2008 revealed misappropriation of government money of Rs. 15.61 lakh through manipulation of figures in the receipt book and cash book. As per the duplicate copies of the receipts kept in the motor vehicle records of the vehicle owners pertaining to the period February 2007 to April 2008, Rs. 16.55 lakh was realised in respect of 65 vehicles. Cross verification of these receipts with the triplicate copies of the receipts as well as with the cash book revealed that the amount reflected in the cash book was Rs. 0.94 lakh only. Thus, though the amount realised was shown in full in the motor vehicle records, there was short accounting in the cash book and consequent short realisation of Rs. 15.61 lakh due to manipulations in the triplicate copies of the receipt book as well as in the cash book. In the receipt books, receipt slips are in triplicate. As all the copies are to be prepared simultaneously, variation in amount received as per the duplicate and triplicate copies apparently indicated that the triplicate copies of receipts were separately prepared.

After the case was unearthed, a cent *per cent* audit was taken up in September 2008 to conduct a detailed check of the records of the office since it came into existence on 15 October 2004. Scrutiny of the records revealed that between May 2005 and June 2008 total amount of short realisation was Rs. 42.58 lakh on account of manipulation of figures between duplicate and triplicate copies of the receipts.

Detailed review of cash book in October 2008 also revealed the following deficiencies:

(i) *Short accounting of cash* : Between 24 November 2004 and 28 November 2007 vide 21 receipts amount aggregating Rs. 91,899 was received. Against this, only Rs. 37,317 was entered in the cash book and remaining amount was not accounted for. Further scrutiny of these receipts indicated that in respect of nine receipts aggregating Rs. 4,235, no amount was entered in the cash book and in the remaining 12 receipts only partial amount was entered in the cash book instead of the full amount.

(ii) *Short remittance into Government treasury* : As against the daily totals of Rs. 32,280 on 19 November 2007, Rs. 44,085 on 7 March 2008 and Rs. 12,835 on 27 March 2008 in the cash book, there was actual remittance of Rs. 32,180, Rs. 44,005 and Rs. 12,825 respectively. When this was pointed out by audit, the department rectified the mistake in August 2008 by remitting the total differential amount of Rs. 190 pertaining to above three dates.

(iii) *Delay in remittance into the treasury* : On nine occasions, between 29 November 2004 and 30 November 2007, as against the amount aggregating Rs. 10.41 lakh received as per the cash book/receipt book, Rs. 9.87 lakh was credited in time and the balance amount aggregating

Rs. 54,006 was credited into the treasury after delays ranging from 8 to 41 days.

(iv) *Erasures and overwritings* : During the period between 9 November 2004 and 23 June 2008, there were 65 instances of erasures/over-writings and use of white fluid for making alterations/corrections of figures in the cash book. These alterations were not attested by the HOD.

(v) *Doubtful transaction* : During various periods between June 2005 and November 2007, there were 36 entries in the cash book ranging from Rs. 43 to Rs. 3,003 of doubtful nature, as these entries could not be correlated with the receipt book.

(vi) *Credit of receipts to improper head* : Three receipts totalling Rs. 17,456 pertaining to motor vehicle tax was incorrectly credited to the head 0028-Profession Tax instead of 0041-Motor Vehicle tax.

(vii) *Occasional authentication of cash book* : The cash book was signed occasionally during the period from 22 November 2004 to March 2006 by the HOD. Further, from 1 April 2007 to 31 March 2008 the daily totals of the cash book were not verified and attested by the HOD as required under the Maharashtra Treasury Rules.

Though most of the above deficiencies were pointed out by the Audit way back in August 2006 by specifically stating that if remedial measures were not taken it may lead to misappropriation, the department failed to take corrective measure.

The total misappropriation of government revenue was Rs. 43.13 lakh out of which Rs. 3.38 lakh was recovered at the instance of audit. Report on recovery of balance amount is awaited (November 2009).

The case was reported to the Additional Chief Secretary (Home), Government of Maharashtra demi-officially in November 2008. The department stated in January 2009, that an FIR had been lodged against the staff involved in the misappropriation of government money. A report on further development in the matter is awaited (November 2009).

### 5.3.2 Non-recovery of tax

Under Section 3 of the Bombay Motor Vehicles Tax Act, 1958 and the rules made thereunder, tax at the prescribed rate is leviable on all vehicles used or kept for use in the State. The Act further provides that the tax leviable is to be paid in advance by the owners of the vehicles. Interest at the rate of two *per cent* of the amount of tax, for each month or part thereof is payable in each case of default.

**5.3.2.1** During test check of records of 19 offices<sup>1</sup> of the Regional Transport Officer (RTO)/Deputy Regional Transport Officer (Dy. RTO) in 15 districts<sup>2</sup>, between March 2006 and May 2008, it was noticed that in respect of 728

<sup>1</sup> RTO: Aurangabad, Mumbai - Central, Wadala, Andheri, Thane; Dy. RTO: Ambejogai, Akluj, Baramati, Jalgaon, Jalna, Malegaon, Nanded, Nandurbar, Parbhani, Pen, Pimpri-Chinchwad, Ratnagiri, Shirampur and Solapur.

<sup>2</sup> Ahmednagar, Aurangabad, Beed, Jalgaon, Jalna, Nanded, Nandurbar, Nashik, Mumbai, Pune, Parbhani, Raigad, Ratnagiri, Solapur and Thane.

vehicles, Motor Vehicle tax (MVT) of Rs. 89.38 lakh for various periods between March 2003 and February 2009, was not paid by the owners of the vehicles. No action was taken by the department to recover the dues. This resulted in non-realisation of MVT of Rs. 89.38 lakh. Interest at the prescribed rates for delayed/non-payment of MVT was also leviable in these cases.

After the cases were pointed out between April 2006 and June 2008, the department accepted the observations and recovered Rs. 25.18 lakh alongwith interest of Rs. 2.43 lakh, between April 2006 and March 2009 in respect of 290 vehicles. A report on recovery in respect of the remaining vehicles has not been received (November 2009).

**5.3.2.2** During test check of records of the Dy. RTO, Bhandara, in April 2008, it was noticed that in respect of 15 cases of goods carriage vehicles and four cases of school buses MVT of Rs. 8.69 lakh for different periods falling between May 2002 and March 2008 was not paid by the owners of the vehicles. No action was taken by the department to recover the dues. This resulted in non-realisation of MVT of Rs. 14.31 lakh (including interest of Rs.5.62 lakh for delayed/non-payment of MVT).

After the cases were pointed out, the department (March 2009) accepted the omission and intimated that notices have been issued to concerned vehicle owners and deputed one Assistant Dy. RTO for recovery at the earliest. Further, it was stated (July 2009) that an amount of Rs. 1.23 lakh has been recovered in two cases. A report on recovery in remaining cases has not been received (November 2009).

The matter was reported to the Government between March and May 2009; their replies has not been received (November 2009).

## SECTION B STATE EXCISE

### 5.3.3 Short recovery of licence fees

*The Maharashtra Potable Liquor Rules, 1996, provides for levy and collection of licence fees at the rates notified annually by the Commissioner of State Excise. The State Excise authorities did not ensure that the correct rates of licence fees are levied and recovered resulting in short recovery of licence fees of Rs. 18.62 lakh as mentioned in succeeding paragraph.*

Under the provisions of the Maharashtra Potable Liquor (periodicity and fees for grant, renewal or continuance of licence) Rules, 1996, the rates of licence fees are notified annually by the Commissioner of State Excise (CSE) in exercise of the powers conferred by clause (i) of Rule 4 of the said Rules for various licences. The fees payable for the licences are based on the population slabs for the city, town or village in which the liquor shops are located. These rates were revised periodically for the years 2005-06 to 2008-09. In case of default in payment of dues, interest at the rate of two *per cent* per month was chargeable on the amounts from the date they became due.

During test check of the records in the offices of Superintendent of State Excise (SPE) in Ahmednagar, Nagpur and Sangli districts, between April 2007

and November 2008, it was noticed that in respect of 20 licences renewed for periods between 2005-06 and 2008-09, there was short recovery of licence fees aggregating Rs. 18.62 lakh, due to non-application of rates as per population slab, non-updating of population slabs as per census 2001 and application of incorrect rate of tax, respectively.

After the cases were pointed out, SPEs, Ahmednagar and Nagpur accepted the observations in respect of 17 licences involving Rs. 18.15 lakh. SPE, Nagpur recovered Rs. 10.01 lakh along with interest of Rs. 9,483 from eight licensees and SPE, Sangli stated that the matter would be referred to the CSE and also had recovered Rs. 0.12 lakh from one licensee between March 2008 and February 2009.

The matter was reported to the department and to the Government between May 2007 and April 2009; their reply has not been received (November 2009).