

CHAPTER- IV: TAXES ON VEHICLES

4.1 Tax administration

The levy and collection of Motor Vehicle Tax and fee in the state is governed by the Bihar Motor Vehicles Taxation (BMVT) Act, 1994 and Rules made thereunder and the Bihar Motor Vehicles (BMV) Rules, 1992. On creation of the state of Jharkhand with effect from 15 November 2000, the existing Acts, Rules and executive instructions of the state of Bihar were adopted by the state of Jharkhand. At the apex level, the State Transport Commissioner (STC), Jharkhand is responsible for administration of the Acts and Rules in the state. He is assisted by a Joint Transport Commissioner at the headquarters. The state has been divided into four²⁸ regions and 22²⁹ transport districts, which are controlled by the State Transport Authority (STA), Regional Transport Authorities (RTAs) and District Transport Officers. They are assisted by Motor Vehicles Inspectors (MVIs) who are authorised to inspect the vehicles and also issue certificates of fitness to transport vehicles.

4.2 Analysis of budget preparation

The budget estimates/target of the Transport Department was fixed by the Finance Department and this target is distributed among different field offices depending upon their potentiality to achieve the target.

4.3 Trend of receipts

Actual receipts from 'Taxes on Vehicles' against budget estimates during the period from 2005-06 to 2009-10 along with the total tax receipts during the same period is exhibited in the following table:

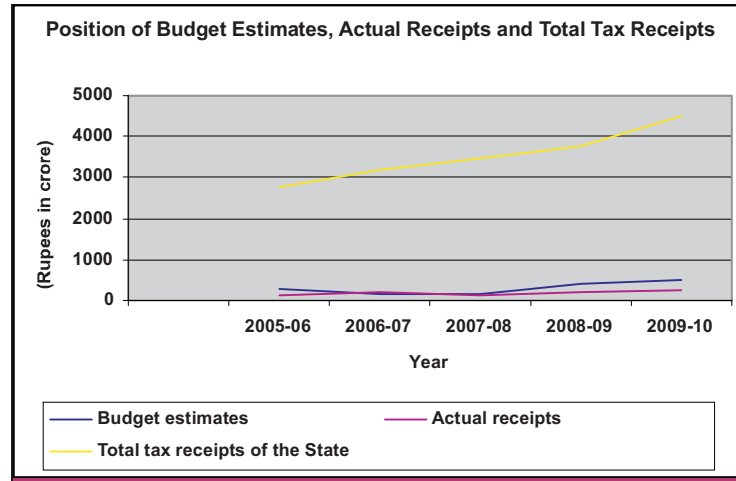
(Rupees in crore)

Year	Budget estimates	Actual receipts	Variation excess (+)/ shortfall (-)	Percentage of variation	Total tax receipts of the State	Percentage of actual receipts to total tax receipts of the state
2005-06	270.00	138.32	(-) 131.68	(-) 49	2,758.04	5.02
2006-07	162.80	218.27	(+) 55.47	(+) 34	3,188.50	6.85
2007-08	184.78	135.67	(-) 49.11	(-) 27	3,473.55	3.91
2008-09	400.60	201.57	(-) 199.03	(-) 50	3,753.21	5.37
2009-10	500.00	234.21	(-) 265.79	(-) 53	4,500.12	5.20

The Department could not achieve the budget estimate except during 2006-07. The shortfall compared to budget estimate ranged between 27 and 53 *per cent* during the period 2005-06 to 2009-10 indicating therein that the Budget estimates were not prepared on realistic basis.

²⁸ Dumka, Hazaribag, Palamu and Ranchi.

²⁹ Bokaro, Chaibasa, Chatra, Deoghar, Dhanbad, Dumka, Garhwa, Giridih, Godda, Gumla, Hazaribag, Jamshedpur, Jamtara, Koderma, Latehar, Lohardaga, Palamu, Pakur, Ranchi, Sahebganj, Saraikela-Kharsawan and Simdega.



4.4 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2010 amounted to ₹ 140.05 crore. The year wise position of arrears of revenue during the period 2005-06 to 2009-10 are depicted below:

(Rupees in crore)

Year	Opening balance of arrears	Closing balance of arrears
2005-06	127.84	48.30
2006-07	48.30	128.65
2007-08	128.65	174.30
2008-09	174.30	NA
2009-10	NA	140.05

The Department did not furnish the information regarding the addition and clearance of the arrears during the year and closing balance for the year 31 March 2009. However, the above table indicates that the amount of arrears increased from ₹ 127.84 crore as on 31 March 2005 to ₹ 140.05 crore as on 31 March 2010. Figures of arrears outstanding for more than five years were not made available by the Department.

The Government may consider issuing directions to the Department for speedy settlement of the arrear cases by constant monitoring and recovering the arrears as arrears of land revenue by invoking the provisions of the Bihar and Orissa Public Demands Recovery Act, 1914.

4.5 Cost of collection

The gross collection in respect of 'Taxes on vehicles', expenditure incurred on their collection and the percentage of such expenditure to gross collection during 2005-06 to 2009-10 along with the all India average percentage of expenditure on collection of the preceding years is indicated in the following table:

(Rupees in crore)

Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average percentage of the preceding year
2005-06	138.32	2.50	1.81	2.74
2006-07	218.27	2.49	1.14	2.67
2007-08	135.67	2.90	2.14	2.47
2008-09	201.57	4.03	2.00	2.58
2009-10	234.21	5.02	2.14	2.93

Thus, the percentage of expenditure on collection was lower than the all India average in all the years.

4.6 Impact of Audit Reports

During the last five years we through our audit reports had pointed out non/ short levy, non/short realisation, underassessment/loss of revenue, application of incorrect rate of tax, incorrect computation etc., with revenue implication of ₹ 106.78 crore in 25 paragraphs. Of these, the Department/Government has accepted and recovered ₹ 91.67 crore. The details are shown in the following table:

(Rupees in crore)

Year of Audit Report	Paragraphs included in the Audit Report	Financial impact of the paragraphs included in the Audit Report	Amount recovered during the year
2004-05	1	27.19	15.85
2005-06	7	13.64	21.57
2006-07	7	13.36	12.30
2007-08	6	29.80	4.60
2008-09	4	22.79	37.35
Total	25	106.78	91.67

4.7 Results of audit

Our test check during 2009-10 of the records of 13 units relating to 'Taxes on Vehicles' revealed underassessment of tax and other irregularities involving ₹ 20.74 crore in 3,560 cases which fall under the following categories:

(Rupees in crore)

Sl. No.	Categories	No. of cases	Amount
1.	Lack of control over collection of taxes	1,913	11.59
2.	Non-levy and short levy of taxes	639	0.84
3.	Non-imposition of fees, fines and penalties	1	0.15
4.	Other cases	1,007	8.16
Total		3,560	20.74

During the course of the year, the Department accepted non/short levy of motor vehicles tax, fees, penalties, fines etc. of ₹ 17.08 crore in 3,557 cases pointed out by us during 2009-10.

A few illustrative cases involving ₹ 12.16 crore observed/commented during 2009-10 and in earlier years are mentioned in the succeeding paragraphs:

4.8 Audit observations

Our scrutiny of records in the offices of the Transport Department relating to revenue received from taxes on vehicles indicated several cases of non-observance of the provisions of the Acts/Rules resulting in non/short levy of tax/penalty and other cases as mentioned in the succeeding paragraphs in this chapter. These cases are illustrative and are based on a test check carried out by us. Such omissions are pointed out by us each year; but not only do the irregularities persist; these remain undetected till an audit is conducted. There is need for the Government to consider directing the Department to improve the internal control system including strengthening internal audit so that such omissions can be avoided, detected and corrected.

4.9 Non-observance of provisions of Acts/Rules

The Bihar Motor Vehicles Taxation Act (BMVT), 1994 (adopted by the Government of Jharkhand), Motor Vehicles Act, 1988, Central Motor Vehicles Rules, 1989 and Rules made thereunder provide for:

- (i) *payment of motor vehicles tax by the owner of vehicles at the prescribed rate;*
- (ii) *timely deposit of collected revenue into the Government account;*
- (iii) *payment of registration fee at the prescribed rate; and*
- (iv) *payment of authorisation fee and composite fee for vehicles covered under national permit.*

We noticed that the Transport Department did not observe some of the provisions of the Act/Rules in cases as mentioned in the succeeding paragraphs:

4.10 Non-collection of vehicles taxes

Under the provisions of the BMVT Act, the owner of a vehicle is liable to pay tax within 15 days of commencement of the quarter, to the taxing officer in whose jurisdiction the vehicle is registered. For non-payment of tax within the stipulated period and exceeding 90 days the taxing authority may impose penalty at twice the amount of taxes due. The State Transport Commissioner, Bihar issued instruction (November 1990) that the taxing officer shall raise demand notices against the defaulters. The taxation register maintained by each District Transport Officer is required to be updated every year on 1 October and 31 March.

4.10.1 We noticed from test check of the taxation register and from the computerised data in 13³⁰ District Transport Offices between May 2009 and March 2010 that the owners of 1,258 vehicles did not pay the tax between 2004-05 and 2009-10. No reasons were found on record for non-payment of tax. The

Department did not raise demand against the defaulting vehicle owners resulting in short levy of tax of ₹ 10.48 crore including penalty of ₹ 6.99 crore.

³⁰ District Transport Offices: Bokaro, Chaibasa, Deoghar, Dhanbad, Dumka, Giridih, Godda, Gumla, Hazaribag, Koderma, Lohardaga, Pakur and Sahebganj.

We also noticed that there was no provision in the computerised system for generation of a list of defaulters. **We recommend that a provision may be made in the software for automatic generation of a defaulter's list so that demands can be raised by the Department against the defaulters.**

4.10.2 We noticed (May 2009 to March 2010) from verification of taxation registers in 13³¹ District Transport offices that the owners of 1,276 trailers did not pay road tax and additional motor vehicle tax for the periods between February 2005 and March 2010. The Department also failed to raise demand against the defaulters. Failure of the Department to enforce the provisions of the Act/Rules resulted in non-levy of tax of ₹ 1.65 crore including penalty of ₹ 1.10 crore.

After we pointed out the matter, the district transport officers stated between May 2009 and March 2010 that demand notices would be issued against the defaulters. Further reply has not been received (March 2011).

The matter was reported to the Government in June 2010; their reply has not been received (March 2011).

We recommend that the Transport Commissioner may issue instructions for updating the registers every year on 1 October and 31 March and issue demand notice to the defaulters.

4.11 Short levy of trade tax

Under the Bihar Motor Vehicles Taxation Act, trade tax at the annual rate specified in Schedule-III shall be paid by a manufacturer/dealer in respect of motor vehicles held in possession by him in the course of business. A dealer is required to pay the tax annually at the close of financial year on the basis of returns submitted by him. For belated payment of tax beyond a period of 90 days the dealer is liable to pay penalty equivalent to twice of the tax.

We noticed while conducting test check of the trade tax register and files of District Transport Office, Bokaro in July 2009 that a dealer of motor vehicles was liable to pay trade tax of ₹ 6.01 lakh. However, he deposited the trade tax of ₹ 3.23 lakh only after the prescribed period. This resulted in short payment of trade tax of ₹ 2.78 lakh. Besides, the dealer was liable to pay penalty of

₹ 12.02 lakh for belated payment of the tax.

After we pointed out the matter, the District Transport Officer stated (July 2009) that the demand notice would be issued. Further reply has not been received (March 2011).

The matter was reported to the Government in June 2010; their reply has not been received (March 2011).

³¹ District Transport Offices: Bokaro, Chaibasa, Deoghar, Dhanbad, Dumka, Giridih, Godda, Gumla, Hazaribag, Koderma, Lohardaga, Pakur and Sahebganj.

4.12 Non-renewal of authorisation of national permit

A national permit issued under the provision of the Motor Vehicles Act, 1988, shall be valid for a period of five years. The owners of vehicles were however, required to obtain authorisation annually on payment of authorisation fee of ₹ 500 per annum alongwith composite fee through bank draft for transmission to the States where the vehicle is to be plied. The authorisation is a continuous process unless the permit expires or is surrendered by the permit holder.

We noticed during test check (May 2009 to October 2009) of national permit registers of two offices³² that 107 national permits were issued during 2008-09. However, there was nothing on record to indicate whether subsequent authorisation for plying these goods vehicles were issued or whether the permits were surrendered for the period falling between April 2008 and March 2009. Thus, in absence of this information, we could not

ascertain the amount of authorisation fee and composite fee payable by the owners of the vehicles. Had the vehicles been plying, the owners of these 107 vehicles would have paid authorisation fee of ₹ 0.57 lakh and composite fee of ₹ 22.80 lakh.

After we pointed this out, the Regional Transport Authority, Ranchi stated (October 2009) that demand notices would be issued against the defaulters. Further progress made in recovery of the amount and reply from the other office has not been received (March 2011).

The matter was reported to the Government in June 2010; their reply has not been received (March 2011).

4.13 Delay in deposit of revenue collected by banks

Under the provisions of the Bihar Financial Rules (adopted by the Government of Jharkhand) all receipts of government revenue must be deposited into Government account without delay. The instructions of the State Transport Commissioner, Bihar (March 1996) and the State Transport Commissioner, Jharkhand (January 2001) stipulated that the amount collected by the banks during April to February should be transferred to the State Bank of India (SBI), Doranda branch, Ranchi in such a manner that all receipts during a particular month are transferred latest by the first week of the following month. The amount deposited in the month of March is to be transferred by 31 March positively so that all amounts deposited in the financial year are transferred to the Government account in the same financial year.

As per the instructions issued by the Reserve Bank of India in April 2003, interest at the rate of eight *per cent* per annum on average quarterly balance exceeding ₹ 1 crore is payable by the banks on delayed remittances to the Government account.

We noticed during the test check of records of three offices³³ between July 2009 and October 2009

that the collecting banks, i.e. two branches of Punjab National Bank at Bokaro and

³² Transport Commissioner, Jharkhand and Regional Transport Authority, Ranchi.

³³ Transport Commissioner, Jharkhand and District Transport Offices of Bokaro and Dhanbad.

Dhanbad and one branch of Bank of India at Ranchi delayed the transfer of revenue collected by district transport offices and office of the Transport Commissioner into the Government account at State Bank of India, Doranda branch, with an average delay of six months. The collecting banks did not credit the leviable interest of ₹ 3.88 crore during 2008-09 for delayed transfer of the Government revenue into the State Bank of India, Doranda, Ranchi. The Department also did not pursue the matter with the banks for timely transfer of the revenue collected by them into the Government account.

After we pointed out the matter between July and October 2009, the District Transport Officer, Bokaro and Dhanbad stated that it would be referred to the bank authorities for timely transfer of collected revenue whereas no reply was furnished by the Transport Commissioner, Ranchi. Further reply has not been received (March 2011).

The matter was reported to the Government in June 2010; their reply has not been received (March 2011).

4.14 Non-issue of driving licences in smart card

Rule 16 of the Central Motor Vehicles Rules, 1989 provides mandatory issue of driving licences in Form-7 (computerised Smart Card).

The Transport Department, Government of Jharkhand, introduced (September 2004) Vahan/Sarathi package in collaboration with the National Informatics Centre to monitor

vehicle registration, tax collection as well as to issue registration certificates and driving licences in computerised smart cards.

We noticed (March 2010) from a test check of the driving licence register of the District Transport Office, West Singhbhum, Chaibasa that 4,828 driving licences were issued in Form 6 (manual driving licence) instead of Form 7 (Laminated Smart Card type computerised driving licence) during 2008-09.

The Department intimated in March 2010 that driving licenses in smart cards could not be issued due to non-functioning of the camera attached with the Sarathi package. Thus the purpose for which the package was introduced was not served. Besides, as the laminated smart cards attracted more fees than those issued manually, the Government could have earned additional revenue of ₹ 7.72 lakh as mentioned below:

(Rupees in lakh)					
Driving Licence	No. of licences issued in 2008-09	Licence Fee (Form 6)	Licence Fee (Form 7)	Difference	Loss of revenue
Single	4,828	140.00	300.00	160.00	7.72
Double		240.00	400.00	160.00	

The matter was reported to the Government in June 2010; their reply has not been received (March 2011).