

## CHAPTER - IV TAXES ON VEHICLES

### 4.1 Tax administration

The Transport Department functions under the overall charge of Principal Secretary (Transport). The levy and collection of tax/fee/penalty on vehicles is administered and monitored by the Transport Commissioner (TC). He is assisted by three Deputy Transport Commissioners (DTC) and internal audit wing at headquarters level and ten regional transport offices (RTOs), 10 additional regional transport offices (ARTOs), 25 district transport offices (DTOs) at the field level.

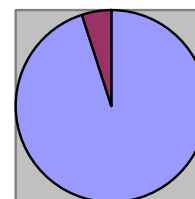
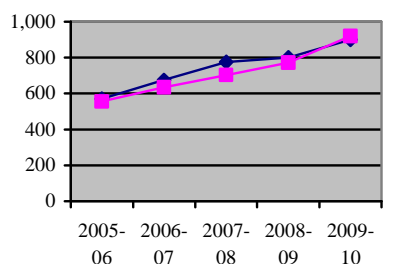
### 4.2 Trend of receipts

Actual receipts from taxes on vehicles during the last five years 2005-06 to 2009-10 along with the total tax receipts during the same period is exhibited in the following table and graph.

(₹ in crore)

Year	Budget estimates	Actual receipts	Variation Excess (+)/shortfall (-)	Percentage of variation	Total tax receipts of the State	Percentage of actual tax receipts vis-a-vis total tax receipts
2005-06	570.00	556.02	(-) 13.98	(-) 2.45	9,114.70	6.10
2006-07	675.00	634.30	(-) 40.70	(-) 6.02	10,473.13	6.06
2007-08	775.00	702.62	(-) 72.38	(-) 9.34	12,017.64	5.85
2008-09	800.00	772.56	(-) 27.44	(-) 3.43	13,613.50	5.68
2009-10	900.00	919.01	(+) 19.01	(+) 2.11	17,272.77	5.32

It may be seen that though there was an increasing trend in receipts over the period but the department failed to achieve the budget targets substantially except in 2009-10.



◆ Budget estimates    ■ Actual receipts

■ Total Tax receipts (2009-10)  
■ Taxes on vehicles (2009-10)

### 4.3 Cost of collection

The gross collection in respect of taxes on vehicles, expenditure incurred on collection as furnished by the concerned department and the percentage of expenditure to gross collection during the years 2007-08, 2008-09 and 2009-10 along with the relevant all India average percentage of expenditure on collection to gross collection for 2008-09 are mentioned below:

(₹ in crore)

Sl. No.	Head of revenue	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average percentage for the year 2008-09
1.	Taxes on vehicles	2007-08	702.62	7.60	1.08	2.93
		2008-09	772.56	5.88	0.76	
		2009-10	919.01	12.63	1.38	

### 4.4 Impact of audit

During the last five years, audit had pointed out non/short levy, non/short realisation, incorrect exemption, application of incorrect rate of tax, incorrect computation etc., with revenue implication of ₹ 200.78 crore in 39,336 cases. Of these, the department/Government had accepted audit observations in 22,211 cases involving ₹ 144.27 crore and had since recovered ₹ 1.92 crore. The details are shown in the following table:

(₹ in crore)

Year of Audit Report	No. of units audited	Objected		Accepted		Recovered	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
2004-05	18	2,100	68.79	2,099	46.40	07	0.28
2005-06	28	22,211	40.88	6,198	9.55	184	0.92
2006-07	18	1,938	20.05	1,938	20.05	--	--
2007-08	19	7,125	49.18	7,125	49.18	42	0.08
2008-09	28	5,962	21.88	4,851	19.09	311	0.64
<b>Total</b>	<b>111</b>	<b>39,336</b>	<b>200.78</b>	<b>22,211</b>	<b>144.27</b>	<b>544</b>	<b>1.92</b>

The percentage of recovery as compared to the accepted cases has been abysmal over the last five years. We have brought this glaring issue to the notice of the head of the department as well as the Finance Secretary of the Government for remedial action.

#### 4.5 Working of internal audit wing

Internal audit wing (IAW) has been established in the department with the objective of conducting internal audit of all subordinate offices and issuing instructions for taking proper corrective action on irregularities detected during such examination and checking the repetition thereof. During the year 2009-10, internal audit of 45 districts was planned against which internal audit was conducted only in 35 districts. Particulars of major comments/ observations of the IAW and corrective action taken by the department have not been received (December 2010).

#### 4.6 Results of audit

Test check of the records of 27 units in 2009-10 relating to taxes on vehicles during the year revealed underassessment of tax and other irregularities involving ₹ 18.44 crore in 5,534 cases which fall under the following categories.

(₹ in crore)

Sl. No.	Categories	No. of cases	Amount
1.	Non/short levy of vehicle tax, penalty and composition fee on public service vehicles.	1,575	9.03
2.	Non/short levy of vehicle tax and penalty on goods vehicles.	2,237	5.79
3.	Other irregularities.	1,722	3.62
	<b>Total</b>	<b>5,534</b>	<b>18.44</b>

During the course of the year, the department accepted underassessment and other deficiencies of ₹ 5.19 crore in 2,209 cases, which were pointed out in audit during the year 2009-10 and realised ₹ 94.92 lakh in 515 cases during the year 2009-10.

A few illustrative audit observations involving ₹ 11.49 crore highlighting important audit findings are mentioned in the following paragraphs.

#### 4.7 Non-realisation of vehicle tax and penalty on vehicles

Twenty six District/Regional Transport offices

Tax shall be levied on every motor vehicle used or kept for use in the State at the rate prescribed in the MP *Motoryan Karadhan Adhiniyam (Adhiniyam)*. In case of default, the vehicle owner shall be liable for penalty.

We observed between May 2009 and January 2010 that vehicle tax amounting to ₹ 9.65 crore in respect of 3,893 vehicles for the period between April 2005 and March 2009 was not paid by the vehicle owners. Besides, no action was taken by the Taxation Authorities (TAs) to detect such vehicles and recover the tax

according to provisions of *Adhiniyam* and the Rules made thereunder. A penalty of ₹ 5.28 crore though leviable was not levied. This resulted in non-realisation of Government revenue of ₹ 14.93 crore as mentioned below:

(₹ in crore)

Sl. No.	No. of offices	Category of vehicles No. of vehicles	Period involved	Tax not paid	Penalty leviable	Total (5+6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	26 <sup>1</sup>	Goods vehicles 2,144	4/05 to 3/09	3.66	1.96	5.62
2	26 <sup>2</sup>	Public service vehicles kept as reserve 983	4/05 to 3/09	3.37	1.89	5.26
3	25 <sup>3</sup>	Public service vehicles plying on regular stage carriage permits 383	5/05 to 3/09	2.03	1.05	3.08
4	18 <sup>4</sup>	Maxicab 383	4/05 to 3/09	0.59	0.38	0.97
	<b>Total</b>	<b>3,893</b>		<b>9.65</b>	<b>5.28</b>	<b>14.93</b>

<sup>1</sup> Regional Transport Officer (RTO)- Bhopal, Gwalior, Hoshangabad, Indore, Jabalpur, Morena, Rewa, Sagar and Ujjain,  
Additional Regional Transport Officer (ARTO)- Chhindwara, Dhar, Guna, Khandwa, Khargone, Mandsaur, Satna, Seoni and Shahdol,  
District Transport Officer (DTO)- Barwani, Bhind, Mandla, Narsinghpur, Rajgarh, Sehore, Shajapur and Vidisha.

<sup>2</sup> RTO- Bhopal, Gwalior, Hoshangabad, Indore, Jabalpur, Morena, Rewa, Sagar and Ujjain,  
ARTO- Chhindwara, Dhar, Guna, Khandwa, Khargone, Mandsaur, Satna, Seoni and Shahdol,

<sup>3</sup> DTO- Barwani, Bhind, Mandla, Narsinghpur, Rajgarh, Sehore, Shajapur and Vidisha.  
RTO- Bhopal, Gwalior, Hoshangabad, Indore, Jabalpur, Morena, Rewa, Sagar and Ujjain,  
ARTO- Chhindwara, Dhar, Guna, Khandwa, Khargone, Mandsaur, Satna, Seoni and Shahdol,

<sup>4</sup> DTO- Barwani, Bhind, Mandla, Narsinghpur, Rajgarh, Shajapur and Vidisha.  
RTO- Bhopal, Gwalior, Hoshangabad, Indore and Ujjain, ARTO Chhindwara, Dhar, Guna, Khandwa, Khargone, Mandsaur, Satna and Seoni and DTO Barwani, Bhind, Mandla, Rajgarh and Shajapur.

After this was pointed out, seven TAs<sup>5</sup> stated (between November 2009 and August 2010) that an amount of ₹ 90.01 lakh had been recovered in 460 cases and demand notices had been issued in remaining cases. In other cases the remaining TAs stated that action would be taken/recovery would be made/demand notices had been issued against/to the defaulting vehicle owners.

The matter was reported to the Transport Commissioner (TC) and the Government between June 2009 and March 2010; their reply has not been received (December 2010).

#### 4.8 Levy of vehicle tax at incorrect rate and non-levy of penalty thereon

RTO, Bhopal

Tax on private vehicles of different categories is leviable at specified rates under First Schedule to the *Adhiniyam*. In case of default, vehicle owner shall be liable for penalty.

We observed (December 2009) that temporary permits were granted by the TA to owners of 65 private service vehicles to carry the staff of factories during the period between April 2008 and March 2009. The TA, however, allowed levy of tax thereon at a lower rate specified for vehicles of city

services. This resulted in short-levy of tax of ₹ 54.26 lakh and non-levy of penalty of ₹ 33.32 lakh.

After this was pointed out, the TA stated (December 2009) that recovery would be made after scrutiny of the cases.

The matter was reported to the TC and the Government in January and March 2010; their reply has not been received (December 2010).

#### 4.9 Short-realisation of vehicle tax and non-levy of penalty on motor vehicles

Fifteen District/Regional Transport offices<sup>6</sup>

Tax leviable on public service vehicles is calculated on the basis of seating capacity and distance of the route allowed. In case of non-payment of tax, the vehicle owner shall be liable for penalty.

We observed between March 2009 and January 2010 that vehicle tax in respect of 201 motor vehicles for the period between April 2006 and March 2009 was paid short by the vehicle owners either due to application of incorrect rate of tax or deposit of tax at lower rates.

Failure of the TAs to detect the application of incorrect rate of tax resulted in short realisation of vehicle tax of ₹ 40.80 lakh. Besides, a penalty of ₹ 21.76 lakh was also leviable on unpaid amount of tax, but was not levied.

<sup>5</sup> RTO- Rewa, Sagar, Ujjain, ARTO Chhindwara, Khargone, Khandwa and Mandsaur.

<sup>6</sup> RTO- Bhopal, Gwalior, Hoshangabad, Indore, Jabalpur, Morena and Ujjain, ARTO- Dhar, Khargone, Mandsaur, Satna and Seoni and DTO- Mandla, Sehore and Vidisha.

After this was pointed out, the TAs, Ujjain and Khargone stated (between May and August 2010) that an amount of ₹ 2.30 lakh had been recovered in seven cases. Other TAs stated that action would be taken/recovery would be made/demand notice had been issued against/to the defaulting vehicle owners.

The matter was reported to the TC and the Government between April 2009 and February 2010; their reply has not been received (December 2010).

#### **4.10 Levy of vehicle tax at incorrect rate and non-levy of penalty on contract carriage permits**

RTO, Rewa

Tax on contract carriages is leviable at the rate of ₹ 500 per seat per month. In case of non-payment of tax, the vehicle owner shall be liable for penalty.

We observed in May 2009 that 70 temporary contract carriage permits were issued to 22 public service vehicles owned by 13 operators during the periods between April 2008 and March 2009. The tax was deposited

by the operators at the rates applicable to private/ educational institution buses instead of the rates applicable to contract carriages. This resulted in short-levy of tax of ₹ 38.43 lakh and non-levy of penalty of ₹ 10.38 lakh.

After this was pointed out, the TA stated (May 2009) that action would be taken after scrutiny of the cases.

The matter was reported to the TC and the Government in July 2009 and March 2010; their reply has not been received (December 2010).

#### **4.11 Failure to levy penalty on belated payment of vehicle tax**

Fourteen District/Regional Transport offices<sup>7</sup>

If tax in respect of any motor vehicle is not paid on due date, the owner shall, in addition to the payment of tax due, be liable to pay penalty at the rate of four *per cent* per month.

We observed between June 2009 and January 2010 that vehicle tax in respect of 437 motor vehicles for the period between January 2006 and March 2009 was paid by the owners after delay ranging from 01 to 39 months. However, penalty was neither paid by the owners alongwith

tax, nor was it demanded by the TAs. This resulted in non-realisation of penalty of ₹ 25.24 lakh.

After this was pointed out, the TA, Khargone stated (November 2009) that an amount of ₹ 1.68 lakh had been recovered in 35 cases and demand notices had been issued in the remaining cases. In other cases it was stated that action would be taken/recovery would be made/demand notices had been issued against/to the defaulting vehicle owners.

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<sup>7</sup> RTO- Bhopal, Gwalior, Jabalpur and Morena,  
ARTO- Chhindwara, Dhar, Khargone, Mandsaur and Satna and  
DTO- Mandla, Narsinghpur, Rajgarh, Sehore and Shajapur.

The matter was reported to the TC and the Government (between July 2009 and February 2010); their reply has not been received (December 2010).

#### **4.12 Non-levy of vehicle tax and penalty on private service vehicles**

RTO, Gwalior and Indore

Tax on private service vehicles is payable at the rates specified in the *Adhiniyam* except in case of "off road" declaration furnished by the vehicle owner and accepted by the TA.

We observed between November and December 2009 that vehicle tax in respect of 23 private service vehicles for the period between April 2008 and March 2009 was neither paid by the vehicle owners, nor was it demanded by the TAs. This resulted in non-realisation of tax of ₹ 12.19 lakh.

Besides, a penalty of ₹ 7.24 lakh was also leviable.

After this was pointed out, the TAs stated that action would be taken/recovery would be made after scrutiny of cases.

The matter was reported to the TC and the Government between December 2009 and January 2010; their reply has not been received (December 2010).

#### **4.13 Non-realisation of vehicle tax and penalty on public service vehicles plying on city routes/educational institution buses**

Four District/Regional Transport offices<sup>8</sup>

Tax on every public service vehicle plying on city routes/education institution bus is leviable at the prescribed rates. In case of non-payment, the vehicle owner shall be liable for penalty.

We noticed between September 2007 and December 2009 that vehicle tax in respect of 189 vehicles plying on city routes/ educational institution buses for the period between April 2005 and March 2009 was neither paid by the owners, nor was it demanded by the TAs. This resulted in non-realisation of

vehicle tax of ₹ 7.09 lakh and penalty of ₹ 4.16 lakh.

After this was pointed out, the TA, Khandwa stated (January 2009) that an amount of ₹ 34,262 had been recovered in six cases, whereas TA, Gwalior stated (September 2007) that show cause notices had been issued to the defaulting vehicle owners. In other cases the TAs stated that demand notices were being issued/action would be taken/recovery would be made after scrutiny of the cases.

The matter was reported to the TC and the Government between October 2007 and March 2010; their reply has not been received (December 2010).

<sup>8</sup> RTOs, Bhopal, Gwalior, Jabalpur and ARTO Khandwa.

**4.14 Non levy of vehicle tax and penalty on public service vehicles plying on all India tourist permits**

Three District/Regional Transport Offices<sup>9</sup>

Tax on public service vehicles holding 'All India tourist permit' is leviable at the prescribed rates. In case of default the vehicle owner shall be liable for penalty.

We observed between July and November 2009 that seven operators did not pay vehicle tax in respect of eight public service vehicles plying on all India tourist permits for the period between October 2007 and March 2009, nor was it demanded by

the TAs. This resulted in non-realisation of tax of ₹ 5.61 lakh. Besides, a penalty of ₹ 2.52 lakh was also leviable.

After this was pointed out, the TA, Gwalior stated (November 2009) that recovery would be made after scrutiny of the cases whereas the TAs, Jabalpur and Narsinghpur stated (July and August 2009) that action would be taken after scrutiny of the cases.

The matter was reported to the TC and the Government between August 2009 and December 2009; their reply is awaited (December 2010).

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<sup>9</sup> RTO- Gwalior and Jabalpur and DTO- Narsinghpur.