

CHAPTER –III Taxes on Vehicles

3.1 Tax administration

The overall charge of the Transport Department vests with the State Transport Commissioner (STC), Punjab, Chandigarh. There are 20 districts, each headed by a District Transport Officer (DTO) who maintains the records of receipts of taxes and fee. Besides, there are four Regional Transport Authorities (RTAs) for regulating the use of transport vehicles in the State and collection of Motor Vehicles Tax (MVT) in respect of buses of the other States. In addition, Sub Divisional Magistrates at the sub division level are also entrusted with the work of registration of personalised vehicles and issue of driving licences.

3.2 Trend of receipts

The actual receipts from taxes on vehicles during the years 2005-06 to 2009-10 along with the total tax and non tax receipts during the same period are exhibited in the following table and graph.

(₹ in crore)

| Year | Revised budget estimates | Actual receipts | Variation excess (+)/shortfall (-) | Percentage of variation | Total tax and non tax receipts of the State | Percentage of actual receipts to the total receipts |
|---------|--------------------------|-----------------|------------------------------------|-------------------------|---|---|
| 2005-06 | 430.00 | 431.19 | (+) 1.19 | (+) 0.28 | 13,525.71 | 3.19 |
| 2006-07 | 471.50 | 468.05 | (-) 3.45 | (-) 0.73 | 16,761.74 | 2.79 |
| 2007-08 | 524.00 | 499.45 | (-) 24.55 | (-) 4.69 | 15,153.14 | 3.30 |
| 2008-09 | 576.00 | 524.09 | (-) 51.91 | (-) 9.01 | 16,934.10 | 3.09 |
| 2009-10 | 585.00 | 554.74 | (-) 30.26 | (-) 5.17 | 17,692.18 | 3.14 |

Though actual receipts increased from ₹ 431.19 crore to ₹ 554.74 croe yet the average growth rate was quite low that is at the rate of 5.73 *per cent* only over a period of five years.

The percentage of receipts from taxes on vehicles to the total receipts in the State remained stagnant around three during 2005-10.

3.3 Analysis of the arrears of revenue

The following table depicts the position of arrears of revenue during the period 2005-06 to 2009-10. The arrears of revenue as on 31 March 2010 amounted to ₹ 107.86 crore, of which ₹ 48.17 crore were outstanding for more than five years.

(₹ in crore)

| Year | Opening balance of arrears as on 1 April | Closing balance of arrears as on 31 March |
|---------|--|---|
| 2005-06 | 108.22 | 59.97 |
| 2006-07 | 59.97 | 67.72 |
| 2007-08 | 67.72 | 111.58 |
| 2008-09 | 111.58 | 109.20 |
| 2009-10 | 109.20 | 107.86 |

The arrears of ₹ 107.86 crore outstanding as on 31 March 2010 were due to the following reasons:

- High Court/Appellate authorities had stayed the recovery proceedings of ₹ 0.40 crore.
- Revenue recovery certificates had been sent to the collectors for recovery of ₹ 3.01 crore which were pending recovery.
- Arrears of ₹ 0.13 crore had been proposed for write off.
- The reasons for recovery of the balance ₹ 104.32 crore were not specified by the Department and there had been no progress in realising the arrears during 2007-08 to 2009-10.

3.4 Cost of collection

The gross collection in respect of the taxes on vehicles, expenditure incurred on their collection and the percentage of expenditure to the gross collection during the years 2005-06 to 2009-10 alongwith the all India average percentage of expenditure on collection are mentioned below:

(₹ in crore)

| Head of Revenue | Year | Gross collection | Expenditure on collection | Percentage of expenditure to gross collection | All India average percentage of expenditure to collection |
|-------------------|---------|------------------|---------------------------|---|---|
| Taxes on vehicles | 2005-06 | 431.19 | 6.52 | 1.51 | 2.67 |
| | 2006-07 | 468.05 | 7.33 | 1.57 | 2.47 |
| | 2007-08 | 499.45 | 7.66 | 1.53 | 2.58 |
| | 2008-09 | 524.09 | 9.20 | 1.76 | 2.93 |
| | 2009-10 | 554.74 | 9.19 | 1.66 | - |

The cost of collection of taxes on vehicles has increased since 2007-08.

3.5 Impact of audit

Revenue impact

During the last five years, Audit through its reports had pointed out non/short levy etc. involving revenue implication of ₹ 87.95 crore in 4848 paragraphs. Of these, the Department/Government had accepted audit observations contained in 2,823 paragraphs involving ₹ 43.70 crore and had recovered ₹ 10.50 crore. The details are shown in the following table:

(₹ in crore)

| Year | Number of units audited | Amount objected | | Amount accepted | | Amount recovered | |
|--------------|-------------------------|-----------------|--------------|-----------------|--------------|------------------|--------------|
| | | No. of cases | Amount | No. of cases | Amount | No. of cases | Amount |
| 2004-05 | 49 | 1,427 | 12.62 | 1,068 | 17.05 | 39 | 0.34 |
| 2005-06 | 71 | 798 | 3.13 | 228 | 19.49 | 128 | 6.34 |
| 2006-07 | 49 | 585 | 54.75 | 368 | 0.73 | 88 | 1.33 |
| 2007-08 | 51 | 762 | 5.05 | 645 | 4.18 | 82 | 0.78 |
| 2008-09 | 84 | 1,276 | 12.40 | 514 | 2.25 | 107 | 1.71 |
| Total | 304 | 4,848 | 87.95 | 2,823 | 43.70 | 444 | 10.50 |

In the context of large scale pendency of audit objections, Government may ensure holding of audit committee meetings regularly for expeditious settlement of the pending paragraphs.

3.6 Results of audit

Test check of the records of 61 units relating to taxes on vehicles during 2009-10 revealed irregularities involving ₹ 9.56 crore in 901 cases, which fall under the following categories:

(₹ in crore)

| Sl. No. | Categories | No. of cases | Amount |
|---------|---------------------------|--------------|-------------|
| 1. | Non-short recovery of MVT | 703 | 8.51 |
| 2. | Other irregularities | 198 | 1.05 |
| | Total | 901 | 9.56 |

During the year 2009-10, the Department accepted audit observations involving ₹ 54.37 lakh in 652 cases and recovered ₹ 2.73 crore in 52 cases pertaining to the audit finding of previous years.

A few illustrative cases involving ₹ 2.62 crore are discussed in the following paragraphs.

3.7 Audit observations

During the scrutiny of records in the offices of registering authorities in the Motor Vehicles Department relating to revenue received from taxes on vehicles, we noticed in several cases of non-observance of the provisions of the Acts/Rules resulting in misappropriation of Government money and non/short levy of tax, penalty, interest, and permit fee as mentioned in the succeeding paragraphs in this chapter. These cases are illustrative and are based on a test check carried out by us. We point out such omissions in audit repeatedly, but not only the irregularities persist, they also remain undetected till we conduct audit. The Government needs to improve the internal control system to avoid occurrence of such cases in future.

3.8 Non-observance of the provisions of Acts/Rules

The Punjab Motor Vehicles Taxation Act, 1924 (PMVT Act) provides for:-

- (i) *payment of motor vehicles tax/special road tax by the owner of vehicles at the prescribed rates and*
- (ii) *levy of interest and penalty by the Department.*

Non-compliance of some of the provisions of the Acts/Rules by the registering authorities (Motor Vehicles) at the time of registration of vehicles/authorisation of permits are mentioned in the paragraphs 3.8.1 to 3.8.7.

3.8.1 Misappropriation of Government money – Non-discharge of prescribed duty by nodal officers

RTA, Patiala

Under the provisions of the Central Motor Vehicles Act, 1887 and Rules framed thereunder, an application for authorisation of national permit shall be accompanied by a fee of ₹ 500 per annum in the form of a bank draft. The Punjab Government, by instructions in August 2000 enhanced the limit for acceptance of the registration fee, token tax, application fee, composite fee etc. in cash from ₹ 500 to ₹ 1,000. Further, under the Punjab Motor Vehicles (first amendment) Rules, 2004, application fee for the grant of goods carriage permit will be ₹ 200 for five years.

(a) We found (August 2009) that authorisation fee at the rate of ₹ 500 and application fee of ₹ 200 for the grant of national permit was received in cash between April 2006 and July 2009. Cross examination of the connected records namely the national permit files, counterfoils of the receipts book and the cash book revealed that ₹ 700 was actually received for authorisation of each national permit for goods carriage, but in the counterfoils, ₹ 50 or ₹ 70 or ₹ 100 were shown as received and the same amounts were entered in the cash book and remitted in the treasury. Thus, there was misappropriation of Government money of ₹ 5.14 lakh during April 2006 to July 2009.

When we pointed out, the RTA stated (12 August and 13 August 2009) that the entire amount of ₹ 5.14 lakh pointed out by Audit had been deposited in the treasury between 11 August 2009 and 13 August 2009. However, on further examination of the cash book in June 2010, we found that no entries corresponding to the remittances of ₹ 5.14 lakh made in the treasury, had been made in the cash book. The contention of the STC Punjab, Chandigarh that after recovering the embezzled permit fee from the permit holders, it was deposited in the treasury, does not hold good as it was not practicable to recover ₹ 5.14 lakh from 841 permit holders within one/two days. The STC, Punjab further stated (August 2010) that the action was being taken by the Department against the defaulting officials.

DTO, Ropar

The Punjab Government, by instructions in August 2000 enhanced the limit for acceptance of the registration fee, token tax, application fee, composite fee etc. in cash from ₹ 500 to ₹ 1,000.

(b) We found in December 2008 and January 2009 that ₹ 1,000 was received in cash towards the registration fee and MVT at the time of registration of each new motor vehicle between March 2007 and May 2007. Cross examination of the connected records namely the

registration files, counterfoils of the receipts book and cash book, revealed that the cashier issued receipts for ₹ 1,000 to the applicants seeking registration of the new motor vehicles but on the counterfoils, he wrote the name of some other people purported to have sought issue/renewal of driving licences for which the fee payable was ₹ 30, ₹ 40 and ₹ 100. The cash book also corroborated this modus operandi of the cashier. This act resulted in misappropriation of the Government money of ₹ 0.41 lakh.

The records pertaining to the period prior to March 2007 and after May 2007 could not be audited as these were not maintained properly and made available to audit. The Department was requested to review the cases pertaining to the un-audited period and intimate the results.

When we pointed out, the DTO stated that the entire amount of ₹ 0.41 lakh pointed out by Audit had been deposited on 1 January 2009 and 2 January 2009 in the Government treasury. However, on re-examination of the cash book in June 2010, we found that the remittances of ₹ 0.41 lakh had not been accounted for in the cash book as the same was deposited directly in the treasury by the concerned official. The STC, Punjab stated (August 2010) that charge-sheet was being issued to the defaulting official.

DTO, Jalandhar

The Punjab Financial Rules, Volume-1 provide that every monetary transaction should be entered in the cash book as and when it occurs and Government receipts collected during the day should be deposited in the Government treasury on the same day or next working day.

(c) We found in May 2008 that the DTO remitted the Government receipts of ₹ 27.29 lakh in the treasury against the receipts of ₹ 29.11 lakh collected between October 2006 and October 2007. The balance amount of ₹ 1.82 lakh was not carried forward and accounted for from the subsidiary cash book to the main cash book. Further, during scrutiny in June 2010 we found that the short deposited receipts were not depicted in the closing balances or cash in hand (currency chest) at the end of

the day in the subsidiary cash book. This amply proved that the short deposited receipts of ₹ 1.82 lakh were not kept in the currency chest and thus were misappropriated by the cashier.

When we pointed out, the DTO stated that the short amount of ₹ 1.82 lakh had been deposited by the cashier on 28 May 2008 and on 29 May 2008. The STC, Punjab stated (August 2010) that ₹ 1.82 lakh with 18 *per cent* interest had been deposited and departmental proceedings were being initiated against the cashier.

The DTOs vested with the responsibilities of the controlling officer and the head of office were required to perform the below noted codal functions:

- Every controlling officer, in the discharge of his ultimate responsibilities for the administration of an appropriation or part of an appropriation placed at his disposal, every Controlling Officer must satisfy himself not only that adequate provisions exist within the Departmental organisation for system at internal checks calculated to prevent and detect errors and irregularities in the financial proceedings of his subordinate officers and to guard against waste and loss of public money and stores, but also that the prescribed checks are effectively applied.

{PFR Volume I, Rule 2.32 A, Sub-rule (2)}

- At the close of the day while signing the cash book, the head of the office should see that the departmental receipts collected during the day, the utilisation of which towards expenditure is strictly prohibited under the Punjab Treasury Rules are credited into the treasury on the same day or on the morning of the next day at the latest and that there is a corresponding entry on the payment side of the cash book.

(PFR Volume I Rule 2.4)

- It is the duty of the head of office to furnish a certificate to the effect that the case is/is not fit for judicial trial, shall be obtained from the Distt. Magistrate immediately after the loss comes to notice and furnished to the Accountant General alongwith the final report.

{PFR Volume II, Appendix (1), Instructions at paragraph (3)}

No checks that were required to be exercised by the controlling officer/head of office were exercised by the RTA/ DTOs in all the aforesaid instances.

Further, the amendment made in the Punjab Motor Vehicles Rules, 1989 and the subsequent Government instructions issued in August 2000 enabled acceptance of fee in cash for the issue/renewal of national permit instead of bank draft prescribed in the Central Motor Vehicles Act 1887. This facilitated the misappropriation of Government money.

We reported the above mentioned cases to the Department and Government between September 2009 and February 2010; their replies are awaited.

In view of the above mentioned misappropriations and loose internal controls, we recommend that:

- ❖ *Grant/renewal of national permits on payment of cash be discouraged and bank drafts be introduced by the Department remittances through designated banks and*
- ❖ *Disciplinary action be taken against the delinquent officials who had indulged in misappropriations as well as the Nodal/Controlling Officers for failure to discharge their prescribed duties.*

3.8.2 Non/short realisation of special road tax/MVT

Under the PMVT Act, as amended from time to time, there shall be levied and paid to the Government, a special road tax (SRT) on stage carriages registered in the State of Punjab at the rate as may be specified by the Government from time to time. By a notification issued in November 2007, the Government levied MVT per kilometre per day per vehicle in place of SRT.

(a) While auditing in seven DTO¹ offices, We noticed between January 2009 and November 2009 that two depots of Punjab Roadways and 55 private transport companies paid SRT/MVT of ₹ 2.13 crore against the correct amount of ₹ 4.02 crore worked out on the basis of permitted kilometres to be operated by them during the period April 2007 and March 2009. The Department had neither demanded the differential amount of tax nor took any penal action as required under the PMVT Act. Thus, there was non/short realisation of SRT/MVT of ₹ 1.89 crore. When we pointed out, the Department stated that recovery would be made or action would be taken after verification of the records.

¹ Amritsar, Bathinda, Ferozepur, Hoshiarpur, Ludhiana, Mansa and Patiala.

RTA, Ferozepur

Under the PMVT Act, as amended in November 2007, MVT is levied on stage carriages buses registered in the other States and plying as stage carriages in the State of Punjab under the reciprocal agreement.

(b) We noticed (September 2009) that the Rajasthan State Road Transport Corporation (Corporation) was permitted under the reciprocal agreement to operate bus services for a distance of 340 kilometres per day in the Punjab territory. The Corporation did not pay MVT of ₹ 4.59 lakh for the period from April 2008 to March 2009.

The Department neither demanded the tax nor took any penal action as required under the PMVT Act. Thus, there was non-payment of MVT of ₹ 4.59 lakh.

When we pointed out, the RTA, Ferozepur stated (September 2009) that the matter would be taken up with the concerned authorities.

We reported the matter to the Department and the Government between October 2009 and May 2010; their replies are awaited (October 2010).

3.8.3 Non-realisation of MVT

STC Punjab, Chandigarh

Under the PMVT Act, as amended in November 2007, there shall be levied and paid to the Government, MVT at the specified rates on tourist buses registered in the State of Punjab. MVT is payable in advance annually or quarterly by 15 April or 15 of each quarter. Penalty is leviable for default in payment of MVT on the due dates.

We found in December 2009 that MVT of ₹ 11.70 lakh for the year 2008-09 in respect of six all India tourist air-conditioned buses was neither demanded by the STC, Punjab nor paid by the owners. This omission resulted in non-realisation of MVT of ₹ 11.70 lakh and minimum penalty of ₹ 0.06 lakh.

When we pointed out in December 2009, the STC intimated that action would be taken after verification of records.

We reported the matter to the Department and the Government in April 2010; their reply is awaited (October 2010).

3.8.4 Application of incorrect rates of motor vehicle tax

RTA, Patiala

Under the PMVT Act, as amended in November 2007, MVT is levied on stage carriages buses registered in the other States and plying as stage carriages in the State of Punjab under the reciprocal agreement. It is also provided that the MVT on stage carriages of other States plying in the State of Punjab which are not countersigned under the reciprocal agreement is leviable at the rate of ₹ five per kilometre per day.

(a) We found in August 2009 that the Chandigarh Transport Undertaking, Chandigarh (CTU) was permitted under the reciprocal agreement to operate bus services for a distance of 29,562 kilometres per day in the State of Punjab. The CTU had paid MVT at the old rate of ₹ 2.25 per kilometre per day instead of ₹ 3.70 per kilometre per day effective from 22 November 2007. Non-collection of MVT at the revised rates for the period from December 2007 to March 2008 was pointed out in the Report of Comptroller and Auditor

General of India for the year ended 31 March 2009 - (Revenue Receipts) Government of Punjab. Despite this, during the months of April and May 2008 too, the Department neither demanded the tax at the revised rates nor took any penal action as required under the PMVT Act. Thus, there was short payment of MVT of ₹ 28.25 lakh for the period from April to May 2008.

(b) We found in August 2009 that the CTU was permitted under the reciprocal agreement to operate bus services for a distance of 29,562 kilometres per day in the Punjab State. During June and July 2008, CTU operated bus services for a distance of 31,936 and 30,304 kilometres respectively and paid MVT at the rate of ₹ 2.25 and ₹ 2.60 per kilometre per day respectively. Thus, there was operation of bus services in excess of the permitted kilometers by 2,374 and 742 kilometres during June and July 2008 respectively. For the excess operation, MVT was leviable at the rate of ₹ five per kilometer per day, as the distance operated beyond the permitted kilometres did not fall under the reciprocal agreement. This mistake resulted in short levy of MVT of ₹ 2.51 lakh. The Department neither demanded the tax nor took any penal action as required under the PMVT Act.

(c) We found in August 2009 that the Narnaul depot of Haryana Roadways was permitted under the reciprocal agreement to operate bus services for a distance of 1,052 kilometres per day in the Punjab territory. During April 2008 to March 2009, the Narnaul depot computed and paid MVT on the basis of rates per seat per kilometre, though MVT was payable per kilometre per day per vehicle. Thus, the application of incorrect method of calculation of MVT resulted in short payment of ₹ 6.86 lakh. The Department neither demanded the tax nor took any penal action as required under the PMVT Act.

When we pointed out, the RTA, Patiala stated (August 2009) that the amount would be recovered and shown at the time of next audit.

3.8.5 Non-payment of MVT by educational institution

DTO, Jalandhar

Under the PMVT Act, 1924 as amended in November 2007, there shall be levied and paid to the Government, MVT at the rate of ₹ 20,000 per annum per vehicle on school vehicles used by the educational institutions and running up to 50 kilometres from the place of registration. Failure to pay tax within the prescribed period attracts penalty not exceeding ₹ 5,000 but not less than ₹ 1,000.

We noticed (May 2009) that an educational society running a private public school, had registered fleet strength of 34 school buses. However, the educational society did not pay MVT of ₹ 6.80 lakh due for the year 2008-09. The DTO neither demanded MVT nor took any action to impound the buses of the society. This resulted in non-payment of MVT of ₹ 6.80 lakh and minimum penalty of ₹ 0.34 lakh.

When we pointed out, the DTO stated (May 2009) that matter would be looked into and informed later on.

We reported the matter to the Department and the Government in November 2009; their reply is awaited (October 2010).

3.8.6 Non-levy of interest on belated payment of MVT

RTA, Patiala

Under the PMVT Act as amended from June 1993, if the owner of a vehicle fails to pay special road tax/MVT within the prescribed period, he is liable to pay simple interest at the rate of one and half per cent per month or a part of month from the date following the due date, till the default continues. Where tax due in respect of any vehicle has not been paid, the Department may issue notices, impound, seize and detain the vehicle until the tax due is paid.

We found in August 2009 and information collected subsequently in April 2010 that

(a) Utranchal Transport Corporation (Corporation), Dehradun failed to pay MVT for the period from April 2008 to June 2008. MVT of ₹ 7.03 lakh was recovered at the instance of audit in the month of February 2010. There was delay in deposit of MVT and it ranged between 20 and 22 months. But, the interest on MVT for the delayed payment was neither paid by the Corporation nor demanded by the Department. This resulted in non-levy of interest of ₹ 2.22 lakh.

(b) Similarly, Haryana Roadways deposited the arrears of MVT for the period from 22 November 2007 to March 2008 in respect of its six depots² in the month of March and April 2008, but omitted to pay interest for the delayed payment of MVT. The interest for the delayed payment of MVT was not demanded by the Department. This resulted in non-levy of interest of ₹ 2.83 lakh.

When we pointed out, the RTA stated (August 2009) that the amount would be recovered.

We reported the matter to the Department and the Government in October 2009; their replies are awaited (October 2010).

3.8.7 Delay in remittances of Government receipts

DTO, Muktsar

The Punjab Financial Rules, Volume-I provide that every monetary transaction should be entered in the cash book as and when it occurs and the Government receipts collected during the day should be deposited in the Government treasury on the same day or the next working day.

We found that the Government receipts of ₹ 48.92 lakh collected in 372 cases during the year 2008-09 were remitted in the treasury after delays ranging from 6 to 186 days in contravention of the codal provisions. Out of these, in 100 cases involving deposits of ₹ 9.45 lakh, the delays varied from 30 to 186 days. Such abnormal delays have the risk of temporary misappropriation of the Government money.

When we pointed out, the DTO stated (February 2010) that although the amounts were deposited late, all the amounts had been deposited. The STC, Punjab stated (August 2010) that departmental inquiry was being initiated against the defaulting officials.

We reported the matter to the Government (April 2010); their replies are awaited (October 2010).

² Haryana Roadways' Depots at Ambala, Bhiwani, Faridabad, Gurgaon, Karnal and Kurukshetra.

3.9 Internal controls

Internal controls are intended to provide reasonable assurance of proper enforcement of laws, rules and departmental instructions. These help in

- ❖ prevention of frauds and other irregularities;
- ❖ creation of reliable financial and management information systems for proficiency, prompt and efficient service;
- ❖ providing adequate safeguards against evasion of Government Revenue.

We observed during the local audit of STC Punjab, Chandigarh, three Regional Transport Authorities and 20 DTOs that the prescribed records and registers were not maintained properly to monitor the various receipts. The money collected during the day was deposited in the treasury with delays exceeding 30 days in some cases. Due to deficient internal controls, the Department had suffered losses of revenue on account of frauds/misappropriation, delay in deposit of Government money into the treasury and non/short recoveries of MVT.