

CHAPTER-V: TAXES ON VEHICLES

EXECUTIVE SUMMARY

What we have highlighted in this Chapter	In this Chapter we present illustrative cases of ₹ 17.89 crore from observations noticed during our test check of records in the Transport Department. We found several instances of non-realisation of tax and penalty from owners of goods and passenger vehicles, non/short levy of trade fee from the dealers, short realisation of vehicle tax due to wrong assessment of seating capacity, registration of vehicles without levying entry tax and short realisation of trade tax in the Transport Department.
Increase in tax collection	Though the actual receipts declined by 6.75 <i>per cent</i> in 2007-08 and 0.55 <i>per cent</i> in 2008-09, the same increased by 0.12 <i>per cent</i> , 4.27 <i>per cent</i> and 5.72 <i>per cent</i> in 2009-10, 2010-11 and 2011-12 respectively.
Target not achieved by the Internal Audit Wing	During the year 2011-12, 16 units were planned for audit by the Department of which only six units were audited.
Results of audit conducted by us in 2011-12	<p>We conducted test check of the records of nine units relating to the Transport Department during the year 2011-12 and found cases of non-realisation of tax and penalty and loss of revenue due to short levy of trade tax and trade fees amounting to ₹ 22.13 crore in 2,423 cases.</p> <p>The Department accepted non-levy of taxes on vehicles, loss of revenue and other deficiencies amounting to ₹ 19.06 crore in 2,282 cases.</p>
Our conclusion	<p>The Department needs to improve the internal control system including strengthening of internal audit so that weaknesses in the system are addressed and omissions of the nature detected by us are avoided in future.</p> <p>It also needs to initiate immediate action to recover non-realisation, short levy of tax, etc. pointed out by us, more so in those cases where it has accepted our contention.</p>

5.1 Tax administration

The Transport Department is one of the major revenue collecting Departments of the State. Taxes on Vehicles are levied and collected in the State under the provisions of the Chhattisgarh *Motoryan Karadhan Adhiniyam*, 1991 as amended from time to time and rules made thereunder. Besides trade tax, licence fees, other fees including registration fees, fitness fees and permit fees are levied under the provisions of the Motor Vehicles Act, 1988 and rules made thereunder by the Central and the State Governments. In case of non-payment of tax in time, penalty and interest at the prescribed rates are also leviable. Taxes on vehicles in respect of non-transport vehicles are realised in lumpsum as lifetime tax, whereas tax and additional tax from transport vehicles are realised quarterly/monthly at the rates specified in the aforesaid *Adhiniyam*.

The Department follows the undermentioned Acts and Rules:

- Motor Vehicles Act, 1988 (MV Act);
- Central Motor Vehicles Rules, 1989 (CMV Rules);
- Chhattisgarh *Motoryan Karadhan Adhiniyam* (CGMKA), 1991 and rules made thereunder; and
- Chhattisgarh *Motoryan Niyam*, 1994.

The levy of taxes on vehicles is administered by Principal Secretary cum Transport Commissioner (TC) at Government level who is assisted by one Additional TC, one Joint TC, one Assistant TC and one Deputy Director, Finance (DDF) at Headquarters. Besides, there are three Regional Transport Officers (RTOs), three Additional Regional Transport Officers (ARTO) and 10 District Transport Officers (DTOs) under the administrative control of the TC. In addition to this, 15 check posts and two sub check posts are under the supervisory control of RTOs/ARTOs/DTOs concerned.

5.2 Trend of receipts from Taxes on Vehicles

Actual receipts from Taxes on Vehicles during the years 2007-08 to 2011-12 along with the total tax receipts during the period is exhibited in the following table:

(₹ in crore)

Year	Budget estimates	Actual receipts	Variations shortfall (-)/ surplus (+)	Percentage of variation (Col. 2 to 3)	Total tax receipts of the state	Percentage of actual receipts vis-à-vis total tax receipts
2007-08	297.00	276.94	(-) 20.06	(-) 6.75	5,618.08	4.93
2008-09	315.50	313.78	(-) 1.72	(-) 0.55	6,593.72	4.76
2009-10	351.47	351.88	(+) 0.41	0.12	7,123.25	4.94
2010-11	410.00	427.52	(+) 17.52	4.27	9,005.14	4.75
2011-12	475.00	502.18	(+) 27.18	5.72	10,712.25	4.69

(Source: Finance Accounts of Government of Chhattisgarh)

We found that during the year 2011-12, the Finance Department had approved the budget estimate of ₹ 475 crore as against ₹ 465.87 crore proposed by the Department.

The Department attributed the reason for increase in actual receipts during the year 2011-12 to increase in the rate of lifetime tax as well as additional efforts made by the Department for recovery.

5.3 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2012 amounted to ₹ 9.50 crore of which ₹ 4.15 crore were outstanding for more than five years. The following table depicts the position of arrears of revenue during the period 2007-08 to 2011-12:

(₹ in crore)

Year	Opening balance of arrears	Closing balance of arrears
2007-08	4.15	3.92
2008-09	3.92	4.01
2009-10	4.01	8.57
2010-11	8.57	14.65
2011-12	14.65	9.50

(Source: Figures as furnished by the Transport Department)

5.4 Internal Audit

Internal Audit Wing (IAW) of an organisation is a vital component of the internal control mechanism and is generally defined as the control of all controls. It enables the organisation to assure itself that the prescribed systems are functioning reasonably well.

We observed that against sanctioned posts of two Senior Auditors and four Junior Auditors, two Senior Auditors and two Assistant Grades were posted in the IAW. Further, as per the information furnished by the Department though the Department had planned all the 16 units for audit in 2011-12, only six units were audited during the year. Thirty five audit observations involving an amount of ₹ 1.27 crore were raised and the Inspection Reports were issued to the respective units by the IAW.

The Department stated (December 2012) that as the staff of IAW are also engaged in Headquarters office for the disposal of letters received from AG and for settlement of paras received from PAC, all the units planned for audit were not taken up. Further, it was also stated that audit of the rest of the units would be completed soon. In this connection it is mentioned that of the total objected amount raised by the internal audit, recovery of ₹ 2.37 lakh only has been made by one unit (till December 2012).

We recommend that the Department may deploy additional manpower to ensure that internal audit is conducted regularly.

5.5 Cost of collection

The gross collection from Taxes on vehicles, expenditure incurred on their collection and the percentage of such expenditure to gross collection during the years 2009-10, 2010-11 and 2011-12 along with the relevant all India average percentage of expenditure on collection of the preceding years are indicated in the following table:

(₹ in crore)

Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average percentage of expenditure on collection in the preceding year
2009-10	351.88	7.39	2.10	2.93
2010-11	427.52	7.93	1.85	3.07
2011-12	502.18	10.00	1.99	3.71

(Source: Finance Accounts of Government of Chhattisgarh)

We noticed that there was variation in the percentage of expenditure on collection of the Department during the years. Though the cost of collection of the Department decreased in 2010-11 as compared to 2009-10, the same increased in 2011-12 in comparison to the previous year. However, the cost of collection was well below the all India average cost of collection, which is appreciated.

5.6 Impact of audit

5.6.1 Position of Inspection Reports (IR): During the period 2006-07 to 2010-11 through our IRs, we had pointed out non-realisation of tax and penalty, non-levy of tax and loss of revenue amounting to ₹ 39.27 crore in 4,161 cases. Of these, the Department/Government had accepted audit observations in 2,467 cases involving ₹ 16.36 crore. The details are shown in the following table:

(₹ in crore)

Year of Inspection Report	No. of units audited	Amount objected		Amount accepted	
		No. of cases	Amount	No. of cases	Amount
2006-07	2	15	3.10	12	2.89
2007-08	7	1,686	14.18	1,051	7.61
2008-09	8	1,758	11.89	746	3.89
2009-10	11	345	6.85	344	0.89
2010-11	3	357	3.25	314	1.08
Total		4,161	39.27	2,467	16.36

5.6.2 Position of Audit Reports: During the period 2006-07 to 2010-11, through our Audit Reports we had pointed out cases of non/short levy of tax and penalty with revenue implications of ₹ 17.69 crore. The Department accepted observations of ₹ 11.10 crore and had recovered ₹ 2.13 crore (March 2012) as shown in the following table:

(₹ in crore)

Year of Audit Report	Total money value	Amount accepted	Recovery made up to March 2012
2006-07	1.27	1.27	0.30
2007-08	6.69	3.58	0.96
2008-09	3.48	0.12	0.29
2009-10	5.95	5.86	0.58
2010-11	0.30	0.27	Nil
Total	17.69	11.10	2.13

The above table indicates that only 19.19 per cent recovery was made by the Department against the accepted cases pointed out in Audit Reports.

5.7 Results of audit

We conducted test check of the records of nine units of the Transport Department during the year 2011-12 and found cases of non-realisation of tax and penalty, non-levy of tax and loss of revenue, short levy of trade tax, trade fees etc. amounting to ₹ 22.13 crore in 2423 cases, which can broadly be classified under the following categories mentioned below:

(₹ in crore)

Sl. No.	Category	Number of cases	Amount
1.	Short realisation of trade tax	517	9.09
2.	Non realisation of tax and penalty	1493	10.59
3.	Other irregularities	413	2.45
Total		2423	22.13

During the year 2011-12, the Department accepted non-levy of taxes on vehicles, loss of revenue and other deficiencies amounting to ₹ 19.06 crore in 2282 cases.

A few illustrative cases involving financial effect of ₹ 17.89 crore are mentioned in the following paragraphs.

5.8 Audit observations

We scrutinised the records of various transport offices and noticed several cases of non-observance of the provisions of the Acts/Rules/Government notifications/instructions resulting in non/short realisation of tax, fees etc. as mentioned in the succeeding paragraphs of this Chapter. These cases are illustrative and are based on a test check carried out by us. Such omissions on the part of the transport authorities are pointed out by us each year, but not only do the irregularities persist, these remain undetected till audit is conducted. There is therefore a need for the Government to improve the internal control system so that recurrence of such irregularities is avoided.

5.9 Non/Short realisation of trade fee from the dealers

As per Rule 33 of the CMV Rules, a motor vehicle in the possession of a dealer shall be exempted from the necessity of registration subject to the condition that the dealer obtains a trade certificate from the registering authority having jurisdiction in the area in which he has his place of business. As per Rule 39, a trade registration mark and number shall not be used upon more than one vehicle at a time or upon any vehicle other than a vehicle bona fide in the possession of the dealer in the course of his business or on any type of vehicle other than the one for which the trade certificate is issued. Further as per Rule 34 (1), an application for grant or renewal of trade certificate shall be accompanied by the appropriate fee as specified in Rule 81.

We found during test check of registration records of three¹ RTOs, two² ARTOs and DTO Mahasamund (between July 2011 and February 2012) that 4,59,832 motor cycles/ mopeds and 1,07,355 other vehicles were registered by 286 dealers during the period 2008-09 to 2010-11. As per the rule *ibid*, trade fee amounting to ₹ 4.44 crore (as shown in **Appendix-5.1**) was to be realised from the concerned dealers of these vehicles. However, only ₹ 1.41

lakh was levied and recovered against ₹ 1.81 crore leviable by two³ transport offices. Further, no trade fee was levied and recovered from 3,30,998 vehicles by the other four⁴ transport offices. This resulted in non/short levy of trade fee amounting to ₹ 4.43 crore⁵.

After we reported this to the Government/ Department (between March and May 2012), the Department stated (December 2012) that recovery of ₹ 9.37 lakh has since been made.

¹ Ambikapur, Bilaspur and Raipur

² Durg and Rajnandgaon

³ Bilaspur and Durg

⁴ Ambikapur, Mahasamund, Raipur and Rajnandgaon

⁵ Non levy of trade fee- ₹ 2.63 crore, Short levy of trade fee – ₹ 1.80 crore

5.10.1 Non-realisation of tax from owners of goods and passenger vehicles

Under Sections 3 and 5 of the CGMK *Adhiniyam*, tax shall be levied on the owner of every goods and passenger vehicle used or kept for use in the State at the rate prescribed in the first schedule of the *Adhiniyam*. In case of passenger bus monthly tax is leviable and for maxi cab and goods vehicle/truck quarterly tax is levied. Further, in case of non-payment of the tax due, the owner shall, in addition to payment of the tax due, be liable to pay penalty at the rate of one twelfth of the unpaid amount of tax for the default of each month or part thereof but not exceeding the unpaid amount of tax as laid down under Section 13(1) of the *Adhiniyam*. Where any owner fails to pay tax, penalty or both, the taxation authority is required to issue a demand notice and take action to recover the amount as arrears of land revenue. Under Section 11 of the said *Adhiniyam* if a vehicle owner wants his vehicle to be off-road for a particular period, he should submit a declaration in *Praroop* त्र before commencement of the period.

was also leviable on the unpaid amount of tax.

After we reported this to the Department/Government (between March and May 2012), the Department stated (May 2012) that recovery of ₹ 17.22 lakh has already been made and demand notices for recovery of ₹ 19.79 lakh have been issued by five transport offices (Ambikapur, Dhamtari, Kawardha, Koriya and Rajnandgaon). Reply in respect of the remaining five transport offices is awaited (December 2012).

We found during test check of taxation registers of 10 transport offices⁶ (TOs) (between October 2010 and September 2011) that the owners of 718 goods vehicles/trucks, 233 maxi cabs and 527 passenger vehicles/buses did not pay road tax of ₹ 9.09 crore (as shown in *Appendix-5.2*) for the period April 2008 to December 2011. No off road declaration was also submitted by these vehicle owners. Despite this, the TOs did not initiate any action to issue demand notice for recovery of the tax from the defaulting vehicle owners. This resulted in non-realisation of tax amounting to ₹ 9.09 crore. Besides, penalty

⁶ RTO Ambikapur, Bilaspur, Raipur, ARTO Durg, Rajnandgaon, DTO Dhamtari, Janjgir, Kawardha, Koriya and Mahasamund

5.10.2 Short-realisation of vehicle tax from vehicles plying on stage carriage permit

We found during test check of the taxation register of the Regional Transport Officer (RTO) Raipur (July 2011) that vehicle tax amounting to ₹ 17.45 lakh was due (April 2010 to March 2011) from the owners of eight vehicles which were plying on stage carriage permit. Against this, only ₹ 12.22 lakh was levied and collected by the RTO and no action was taken for recovery of the balance amount of tax of ₹ 5.23 lakh (as shown in *Appendix-5.3*). This resulted in short realisation of tax amounting to ₹ 5.23 lakh. Besides, penalty of ₹ 5.23 lakh was also leviable on the unpaid tax under Section 13 of the *Adhiniyam*.

We reported the matter to the Department/Government (April 2012) for their comments; the Department stated (May 2012) that demand notices have since been issued.

5.11 Short-realisation of vehicle tax due to wrong assessment of seating capacity

According to sub rule 3 of Rule 158 of the Chhattisgarh *Motoryan Niyam*, 1994 the seating capacity of stage carriages having wheel base of 166 inches (4200 mm), shall not be less than the minimum seating capacity which is 46. The tax rate on stage carriages is based on the seating capacity and distance covered.

We found during test check (between July and September 2011) of registration files of passenger buses of two⁷ RTOs, that four passenger vehicles were registered with seating capacities ranging from 32 to 41 by the RTOs (between March 2010 and January 2011) though the wheel base of these vehicles was 166 inches. This resulted in short

realisation of tax amounting to ₹ 3.46 lakh⁸ from the owners of these vehicles.

We reported the matter to the Department/Government (June 2012) for their comments. The Department in reply (September 2012) stated that a notification has since been issued for rectification of sub rule 3 of Rule 158 of the Chhattisgarh *Motoryan Niyam*, 1994 in which three categories of wheel bases with seating capacity have been replaced by nine categories of wheel bases and efforts are being made for recovery of the amount pointed out by audit.

⁷ Bilaspur and Raipur

⁸

Vehicle No.	Loss of seats	Tax leviable per seat (in ₹)	Permit Month (12 months * 5 year)	Amount (in ₹)
CG 04 E- 2126	5	160	60	48,000
CG 04 E- 2120	5	160	60	48,000
CG 10 G-0774	14	160	60	1,34,400
CG 10 G- 0756	12	160	60	1,15,200
Total				3,45,600

5.12 Registration of vehicles without realisation of Entry tax

According to Section 3-A of Chhattisgarh Entry Tax Act 1976, and notifications dated 28 April 1999 and 2 April 2007, entry tax at the rate of 10 per cent is leviable on the owner of a motor vehicle who purchases a motor vehicle from outside the state and brings it to Chhattisgarh for his own use. Further, the Government of Chhattisgarh vide notification dated 2 August 2002 empowered the Regional Transport Officers (RTOs) to impound vehicles to enforce the provisions of Section 3-A of the said Act within their respective jurisdiction.

During scrutiny of the registration files of DTO, Kanker, we found (March 2012) that 10 vehicles (as shown in *Appendix-5.4*) were purchased from outside Chhattisgarh State between October 2009 and April 2011 for own use. As per the notifications of April 1999 and April 2007 entry tax amounting to ₹ 6.13 lakh was leviable on the owners of these vehicles before registration. However, these vehicles were registered by the DTO, Kanker without levying the tax. The DTO neither collected the entry tax

as per rule nor obtained the tax paid certificates from the Commercial Tax Department. This resulted in non-levy of entry tax of ₹ 6.13 lakh.

We reported the matter to the Department/Government (June 2012) for their comments. The Department stated (August 2012) that a show cause notice has been issued to the concerned DTO for non levy of entry tax.

5.13 Short realisation of trade tax from dealers

According to Section 4 of the CGMK *Adhiniyam*, read with rule 33 of CMV Rules, a dealer to whom a trade certificate has been issued under the Motor Vehicles Act, 1988, will pay trade tax in respect of vehicles in his possession during the course of business. Further, Schedule III of CGMK *Adhiniyam* specifies the rate of trade tax for a block of seven vehicles and for every lot of additional seven vehicles in possession of the dealer during the course of his business. Rule 43(1) of CMV Rules, provides that every holder of a trade certificate shall maintain a register in Form 19 in duplicate which shall be in a bound book, with pages numbered serially. Further sub-rule 3 of Rule 43 states that the register and the duplicate shall be open for inspection by the registering authority.

During test check (between November 2010 and February 2012) of registration records of seven⁹ TOs we found that 336 automobile dealers had obtained trade certificates from the respective TOs. We however noticed that no record was being maintained by the transport authority regarding the number of vehicles in possession of the dealer, due to which

⁹ RTO Ambikapur, Bilaspur, Raipur, ARTO Durg, DTO Dhamtari, Kawardha and Mahasamund

the actual number of vehicles possessed by each dealer could not be ascertained. However, during the period April 2008 to September 2011, 230686 vehicles of different categories (as shown in **Appendix-5.5**) were registered. On the basis of registrations made by these TOs, trade tax amounting to ₹ 4.22 crore was leviable on the dealers. Against this, trade tax of ₹ 5.05 lakh only was levied and collected. Thus, failure of the registering authorities to check the maintenance of the register in Form 19 by the dealer resulted in short realisation of trade tax of ₹ 4.17 crore.

We reported this to the Government/Department (June 2012) for their comments; in reply the Department stated (September 2012) that a notification has since been issued for recovery of trade tax. Further, the Department effected recovery of ₹ 22.63 lakh as trade tax (December 2012).

We recommend that the Department may insist for submission of returns/details of the total vehicles sold by the dealer at the end of the financial year to RTO, to avoid short realisation of trade tax.