

## CHAPTER V: TAXES ON VEHICLES

### EXECUTIVE SUMMARY

<b>What we have highlighted in this Chapter</b>	<p>In this Chapter we present illustrative cases involving under/non-recovery of ₹ 3.34 crore from observations noticed during our test check of records in the Transport Department, we found embezzlement of Government revenue, non/short levy of fee on issuing trade certificate and several instances of non-realisation of tax and penalty from owners of goods and passenger vehicles, in the Transport Department.</p>
<b>Trend of revenue receipts</b>	<p>Though the actual receipts declined by 0.55 <i>per cent</i> in 2008-09 and 2.30 <i>per cent</i> in 2012-13, 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.</p>
<b>Target not achieved by the Internal Audit Wing</b>	<p>During the year 2012-13, 16 units were planned for audit by the Department of which only four units were audited.</p>
<b>Impact of Audit</b>	<p>We conducted test check of the records of six units out of 20 units relating to Transport Department during the year 2012-13 and found cases of short realisation of trade tax, non-realisation of tax and penalty and other irregularities amounting to ₹ 9.14 crore in 1,255 cases.</p> <p>The Department accepted short realisation of trade tax, non-realisation of tax and penalty and other irregularities amounting ₹ 4.93 crore in 861 cases.</p>
<b>Our conclusion</b>	<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. more so in those cases where it has accepted our contention.</p>

## 5.1 Tax administration

Transport Department is one of the major revenue collecting Department of the State. “Taxes on vehicles” are levied and collected in the State under the provisions of the:

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

Besides trade tax, licence fees, other fees such as registration fees, fitness fees and permit fees etc. are levied under the provisions of the Act and rules made thereunder. 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<sup>1</sup> 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 Act.

The levy of taxes on vehicles is administered by Principal Secretary cum Transport Commissioner (TC) who is assisted by one Additional TC, one Deputy TC, one Assistant TC and one Deputy Director, Finance (DDF) at Headquarters. Besides, there are four Regional Transport Officers (RTO), two Additional Regional Transport Officers (ARTO) and 10 District Transport Officers (DTO) under the administrative control of 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 Analysis of budget preparation

The budget file of the Department was studied and it was noticed that while preparing estimates, procedures prescribed by the Finance Department were followed by the Department. All factors such as actual collection of revenue during the last year, comparison of current year growth rate with the receipts of the corresponding previous year and changes proposed by the Department were taken into account while preparing the Budget Estimate.

## 5.3 Trend of revenue receipts from Taxes on Vehicles

Actual receipt from Taxes on Vehicles during the years 2008-09 to 2012-13 along with the total tax receipts during the period is exhibited in the following table:

<sup>1</sup> Non-transport vehicle – A vehicle other than public service, goods carriage, an educational institutional bus or private service vehicle

(₹ 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
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
2012-13	605.71	591.75	(-)13.96	(-) 2.30	13,034.21	4.54

(Source: Finance Accounts of Government of Chhattisgarh)

As seen from the above table, the revenue collection increased from ₹ 313.78 crore in 2008-09 to ₹ 591.75 crore in 2012-13. The collection from Taxes on Vehicles increased by 17.84 per cent in 2012-13 over the previous year. The reason for increase was attributed by the Department to increase in registration of new vehicles. The percentage of variation between BEs and actuals ranged between 0.12 to 5.72 between 2008-09 to 2012-13 which indicated that BEs were framed in a scientific manner.

#### 5.4 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2013 amounted to ₹ 14.99 crore of which ₹ 41 lakh were outstanding for more than five years. The following table depicts the position of arrears of revenue during the period 2008-09 to 2012-13:

(₹ in crore)

Year	Opening balance of arrears	Closing balance of arrears
2008-09	3.92	4.01
2009-10	4.01	8.57
2010-11	8.57	14.65
2011-12	14.65	9.50
2012-13	9.50	14.99

(Source: Figures as furnished by the Transport Department)

#### 5.5 Internal Audit

Internal controls which are intended to provide reasonable assurance of proper enforcement of laws, rules and Departmental instructions helps in prevention of frauds and other irregularities. Internal audit enables the organisation to assure itself of the degree of compliance with prescribed systems. Internal Audit Wing attached to the office of the TC is headed by the Deputy Director (Finance). As against the sanctioned post of four (two Senior Auditors and two Junior Auditors), only two Senior Auditors were working and internal audit was conducted by them in respect of four out of 16 units planned during 2012-13. It clearly indicates that the Internal Audit Wing did not achieve the target.

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

## 5.6 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 the years 2010-11, 2011-12 and 2012-13 along with the relevant all India average percentage of expenditure on collection to gross collection of the preceding years are as indicated in the following table:

(₹ in crore)

Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average percentage for expenditure on collection in the preceding year
2010-11	427.52	7.93	1.85	3.07
2011-12	502.18	10.00	1.99	3.71
2012-13	591.75	10.73	1.81	2.96

(Source: Finance Accounts of Government of Chhattisgarh)

It may be seen from the above table that the cost of collection was well below the all India average cost of collection, which is appreciated.

## 5.7 Impact of Audit

**5.7.1 Status of compliance to Audit Reports (2007-08 to 2011-12):** During the period 2007-08 to 2011-12, through our Audit Reports we had pointed out cases of non/short levy of tax and penalty with revenue implications of ₹ 34.32 crore. The Department accepted observations of ₹ 19.24 crore and had recovered ₹ 2.62 crore (March 2013)

(₹ in crore)

Year of Audit Report	Total money value	Amount accepted	Recovery made up to March 2013
2007-08	6.69	3.58	1.05
2008-09	3.48	0.37	0.37
2009-10	5.96	5.85	0.63
2010-11	0.30	0.27	0.08
2011-12	17.89	9.17	0.49
<b>Total</b>	<b>34.32</b>	<b>19.24</b>	<b>2.62</b>

The above table indicates that recovery of only 13.62 per cent was made by the Department against the accepted cases pointed out in the Audit Reports.

**5.7.2 Status of compliance to outstanding Inspection Reports (2007-08 to 2011-12):**

During the period 2007-08 to 2011-12, we had pointed out through our Inspection Reports non-realisation of taxes on vehicle and penalty, non-levy of taxes on vehicle and short realisation of trade tax and trade fees etc. amounting to ₹ 58.30 crore in 6,569 cases. Of these, the Department/Government had accepted audit observations in 4,737 cases involving ₹ 32.53 crore. The details are shown in the following table:

(₹ in crore)

Year of Inspection Report	No. of units audited	Amount objected		Amount accepted		Amount Recovered up to March 2013	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
2007-08	7	1,686	14.18	1,051	7.61	Nil	Nil
2008-09	8	1,758	11.89	746	3.89	Nil	Nil
2009-10	11	345	6.85	344	0.89	49	0.04
2010-11	3	357	3.25	314	1.08	Nil	Nil
2011-12	9	2,423	22.13	2,282	19.06	Nil	Nil
<b>Total</b>		<b>6,569</b>	<b>58.30</b>	<b>4,737</b>	<b>32.53</b>	<b>49</b>	<b>0.04</b>

The above table indicates that recovery of only 0.12 per cent was made by the Department against the accepted cases pointed out in the Inspection Reports.

**5.7.3 Status of compliance to Inspection Reports (2012-13):** We conducted test check of the records of six units out of 20 units relating to Transport Department during the year 2012-13 and found cases of short realisation of trade tax, non realisation of tax and penalty and other irregularities amounting to ₹ 9.14 crore in 1,255 cases, as mentioned below:

(₹ in crore)

Sl. No.	Category	Number of cases	Amount
1.	Short realisation of trade tax	356	4.80
2.	Non realisation of tax and penalty	778	2.99
3.	Other irregularities	121	1.35
<b>Total</b>		<b>1,255</b>	<b>9.14</b>

During the year 2012-13, the Department accepted short realisation of trade tax, non-realisation of tax and penalty and other irregularities amounting ₹ 4.93 crore in 861 cases.

In one case relating to short realisation of trade tax in seven Transport Offices, the Department recovered ₹ 59.04 lakh.

A few illustrative cases involving financial effect of ₹ 3.34 crore are mentioned in the following paragraphs.

## 5.8 Audit observations

*We scrutinised the records of various transport offices<sup>2</sup> 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 Embezzlement of Government Money

According to Rule 3 of Chapter 2 of the Madhya Pradesh Financial Code (MPFC) Part I, any Government money received or payment made on behalf of Government by a Government servant should be accounted for without delay and should be compulsorily deposited in the Government Treasury or Bank (as the case may be) without delay. In addition to this, proper account should be presented. Further, Rule 12 of MPFC provides that the concerned officer is personally responsible to prevent irregularity, misuse and misappropriation of Government money.

**During scrutiny (September 2012) of Demand Draft register of Regional Transport Office, Raipur for the period April 2011 to March 2012, we found that Demand Draft Section (DDS) had received six demand drafts of Axis Bank aggregating to ₹ 1.31 lakh from 10 vehicle owners towards payment of taxes on vehicles for 22 goods vehicles on 8 April 2011 and posted them in the demand draft register. DDS intimated the Goods Section about receipt of Demand Draft for taxes against these vehicles. Accordingly, remittance of the amount of tax was mentioned**

**against these vehicles in the Demand and Collection register. However, on cross verification of these drafts with the issuing bank, we found that the said drafts were cancelled by the vehicle owners on 21 July 2012. Cancellation of drafts after a gap of one year three months confirmed that these drafts were not deposited in the bank for clearance by RTO, Raipur and were returned to the vehicle owners. There was no cross checking of Demand Drafts with the Bank records to ensure whether these DDs were deposited and accounted for in the accounts. The Department did not adopt any mechanism to check whether all the demand drafts received were sent to bank for reconciliation. This resulted in embezzlement of Government revenue of ₹ 1.31 lakh.**

**We reported this to the Government/Department (May 2013) for their comments. During meeting, the Government stated (September 2013) that money involved has since been recovered along with penalty and an enquiry committee has been set up under the supervision of Deputy Director (Finance).**

<sup>2</sup> RTO Ambikapur, Jagdalpur and Raipur; ARTO Durg and Rajnandgaon; and DTO Kawardha

## 5.10 Non/short levy of fee on issuing trade certificate

As per Rule 34 (1) of CMV Rules, an application for the 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 three<sup>3</sup> RTO's, two<sup>4</sup> ARTO's and one<sup>5</sup> DTO (for April 2007 to March 2012) that 1,68,288 motor cycles/ moped and 38,700 other vehicles were registered during

2007-08 to 2011-12. As per the rule *ibid*, trade fees aggregating ₹ 1.62 crore was to be realised from these vehicles. Against this, only ₹ 1.11 lakh was levied and collected by two<sup>6</sup> RTO/ARTOs. While, no trade fee was levied and collected by the other four<sup>7</sup> transport officers. This resulted in non/short levy of trade fee aggregating ₹ 1.60 crore<sup>8</sup> (as shown in *Appendix-5.1*).

We reported the matter to the Department/Government (May 2013) for their comments. During meeting, the Government intimated (July 2013 and September 2013) that RTOs/DTOs have been directed to issue demand notice and recovery of ₹ 35.66 lakh has since been made.

Similar issue was raised by Audit in Para No. 5.9 of Audit Report (Revenue Sector) for the year ended 31 March 2012. The Department recovered ₹ 9.37 lakh out of ₹ 4.43 crore pointed out by us in the Para No. 5.9.

Now from 1 February 2012 onwards, the Department has been collecting the trade fee per vehicle. For short/non levy of Trade Fee of previous year, show cause notices have been issued to the dealers.

<sup>3</sup> Ambikapur, Jagdalpur and Raipur

<sup>4</sup> Durg and Rajnandgaon,

<sup>5</sup> Kanker

<sup>6</sup> Ambikapur and Durg

<sup>7</sup> Jagdalpur, Kanker, Raipur and Rajnandgaon

<sup>8</sup> No. of Motorcycle/Moped X Rate of fee per vehicle (1,68,288 X ₹ 50) = ₹ 84,14,400 and

No. of other vehicles X Rate of fee per vehicle (38,700 X ₹ 200) = ₹ 77,40,000;

Total fee leviable : ₹ 1,61,54,400 and Fee levied : ₹ 1,10,660

Short levy : ₹ 1,60,43,740



## 5.11 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 vehicles 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 cabs and goods vehicle/truck quarterly tax is levied. Further, in case of non-payment of the tax due, the owner shall, in addition to the payment of tax due, be liable to pay penalty at the rate of one twelfth of 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 off-road for a particular period, he should submit the declaration in *Praroop* त before starting the period.

We scrutinised the Demand and Collection registers of seven<sup>9</sup> transport offices (TOs) (between January 2012 and December 2012) and found that the owners of 443 out of 4,299 goods vehicles/trucks test checked, 152 out of 733 maxi cabs test checked and 181 out of 1,424 passenger vehicles/buses test checked did not pay road tax of ₹ 1.73 crore (as shown in *Appendix-5.2*) for the period April 2010 to December 2012. 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 ₹ 1.73 crore. Besides, penalty was also leviable on the unpaid amount of tax.

We reported the matter to the Department/Government (May 2013) for their comments. During meeting, the Government intimated (July 2013) that the recovery of ₹ 59.94 Lakh has since been made.

Though the similar issue was raised by Audit in Para No. 5.10.1 of Audit Report (Revenue Sector) for the year ended 31 March 2012 and the Department had raised demand, but the similar omissions were further found in the Department. Therefore there is need for Government to improve internal control system to avoid recurrence of such irregularities.

<sup>9</sup> RTO Ambikapur Jagdalpur and Raipur, ARTO Durg and Rajnandgaon, DTO Kawardha and Korba.