

CHAPTER V: TAXES ON VEHICLES, GOODS AND PASSENGERS

5.1.1 Tax administration

5.1.1.1 Passengers and goods tax

Registration of motor vehicles, assessments, levy and collection of passengers and goods tax (PGT) are governed under the provisions of the Punjab Passengers and Goods Taxation Act, 1952 (PPGT Act) and the Rules framed thereunder, as applicable to the State of Haryana. The Principal Secretary to Government Haryana, Excise and Taxation Department is the administrative head at the Government level. Overall charge of the Department vests with the Excise and Taxation Commissioner (ETC), Haryana, Chandigarh. The work relating to levy and collection of PGT is carried out by the Assistant Excise and Taxation Officers (AETOs) under Deputy Excise and Taxation Commissioners (DETCs) in the field. All the motor vehicles carrying goods and passengers are required to be registered with AETO of the district concerned in which the owner of the vehicle has residence or place of business where the vehicle is normally kept in the State.

5.1.1.2 Taxes on vehicles

Registration of motor vehicles, issue of permits, issue of driving/conductor licences, levy and collection of token tax, permit fee, licence fee etc. are governed under the provisions of the Motor Vehicles Act, 1988, (MV Act) Central Vehicles Rules, 1989, the Haryana Motor Vehicles Rules, 1993, the Punjab Motor Vehicles Taxation Act, 1924 (PMVT Act), as applicable to the State of Haryana and the Punjab Motor Vehicles Taxation Rules, 1925. The Additional Chief Secretary to Government of Haryana, Transport Department is the administrative head at the Government level and is responsible for the administration of the MV Act/Rules in the State and assisted by the Transport Commissioner who exercises general superintendence over the functioning of the Department. The powers of Registering and Licencing Authority (RLA) are being exercised by 57 Sub-Divisional Offices (Civil) in respect of non-transport vehicles, whereas 21 Secretary, Regional Transport Authorities (RTAs) are exercising the powers of RLA in respect of transport Vehicles.

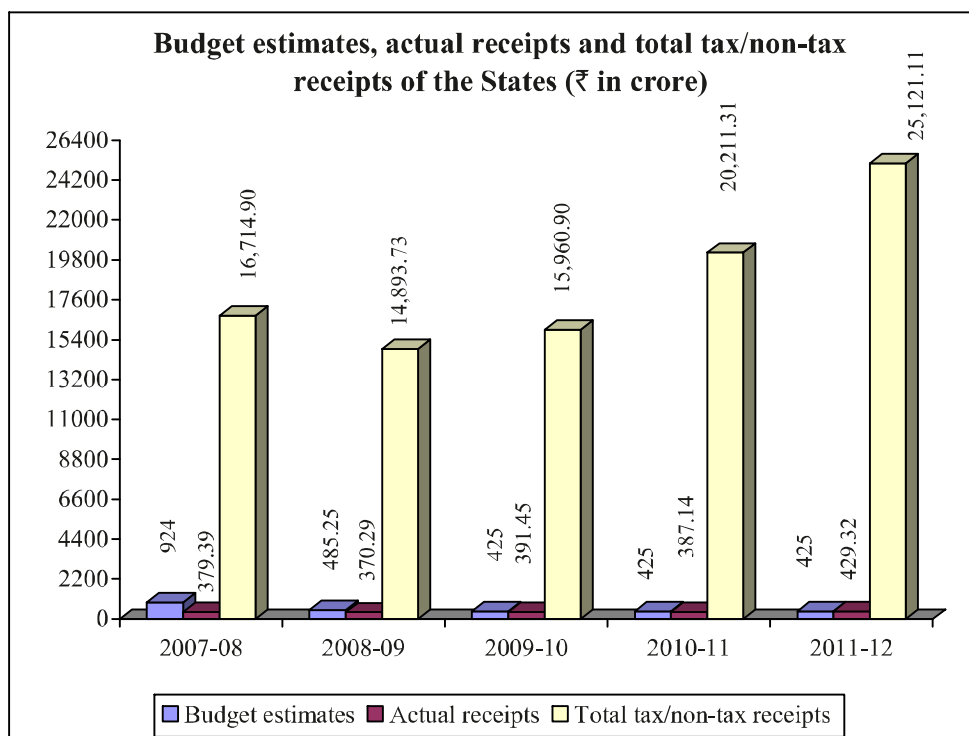
5.1.2 Trend of receipts

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

5.1.2.1 Passengers and goods tax

(₹ in crore)

Year	Budget estimates	Actual receipts	Variation excess(+)/shortfall (-)	Percentage of variation	Total tax/non-tax receipts of the State	Percentage of actual receipts vis-a-vis total tax/non-tax receipts
2007-08	924.00	379.39	(-) 544.61	(-) 59	16,714.90	2
2008-09	485.25	370.29	(-) 114.96	(-) 24	14,893.73	2
2009-10	425.00	391.45	(-) 33.55	(-) 8	15,960.90	2
2010-11	425.00	387.14	(-) 37.86	(-) 9	20,211.31	2
2011-12	425.00	429.32	(+) 4.32	(+) 1	25,121.11	2

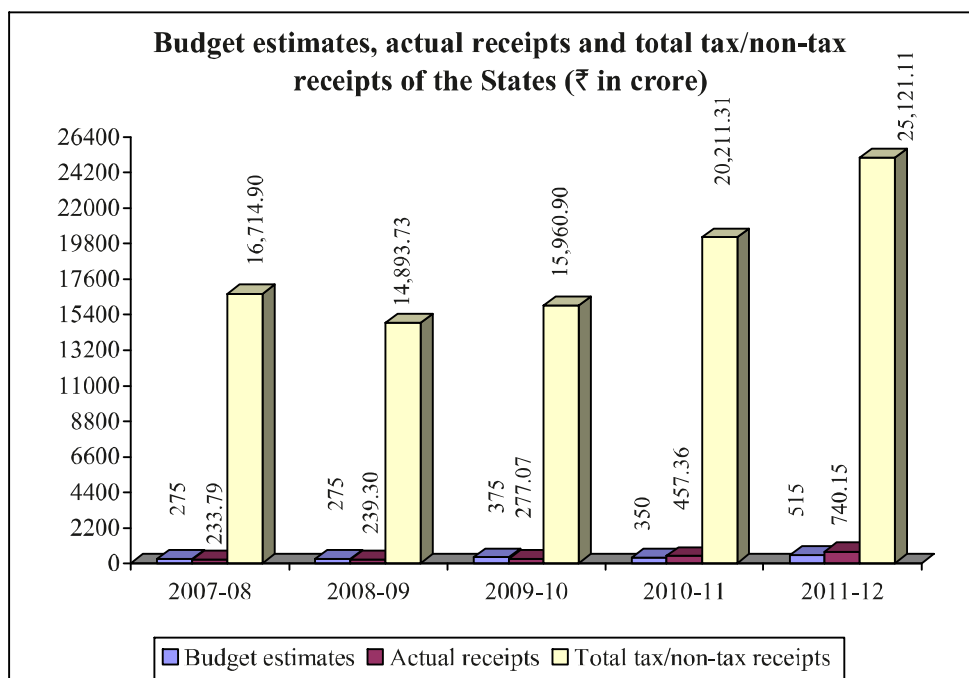


The actual receipts of the Excise and Taxation Department relating to PGT to total tax/non-tax receipts of the State during the period 2007-08 to 2011-12 is only two *per cent*.

5.1.2.2 Taxes on vehicles

(₹ in crore)

Year	Budget estimates	Actual receipts	Variation excess(+)/shortfall (-)	Percentage of variation	Total tax/non-tax receipts of the State	Percentage of actual receipts vis-a-vis total tax/non-tax receipts
2007-08	275.00	233.79	(-) 41.21	(-) 15	16,714.90	1
2008-09	275.00	239.30	(-) 35.70	(-) 13	14,893.73	2
2009-10	375.00	277.07	(-) 97.93	(-) 26	15,960.90	2
2010-11	350.00	457.36	(+) 107.36	(+) 31	20,211.31	2
2011-12	515.00	740.15	(+) 225.16	(+) 44	25,121.11	3



The actual receipts of the Transport Department relating to Taxes on vehicles to total tax/non-tax receipts of the State during the period 2007-08 to 2011-12 ranged between one and three *per cent*.

5.1.3 Analysis of arrears of revenue

A: Passengers and goods tax

The arrears of revenue relating to PGT as on 31 March 2012 amounted to ₹ 60.18 crore out of which ₹ 15.29 crore (25 *per cent*) were outstanding for more than five years. The following table depicts the arrears of revenue during the period 2007-08 to 2011-12:

(₹ in crore)

Year	Opening balance of arrears	Amount collected	Closing balance of the arrears	Actual receipts	Percentage (Col. 3 to Col. 2)	Percentage of closing balance of arrears to actual receipts (Col. 4 to Col. 5)
1	2	3	4	5	6	7
2007-08	51.97	22.28	48.55	379.39	43	13
2008-09	48.55	11.52	58.08	370.29	24	16
2009-10	58.08	16.88	64.50	391.45	29	16
2010-11	64.50	13.96	59.41	387.14	22	15
2011-12	59.41	23.14	60.18	429.32	39	14

We observed that arrears of revenue of PGT had increased from ₹ 51.97 crore at the beginning of the year 2007-08 to ₹ 60.18 crore (16 *per cent*) at the end of the year 2011-12. The percentage of realisation of arrears to the arrears outstanding at the beginning of the year ranged between 22 and 43 *per cent* during the years 2007-08 to 2011-12.

The Government may advise the Excise and Taxation Department to take effective steps for collecting the arrears promptly to augment Government revenue.

B: Taxes on vehicles

The Department intimated that there was an arrear of revenue of ₹ 0.84 crore as on 31 March 2012. The following table depicts the arrears of revenue during the period 2007-08 to 2011-12:

(₹ in crore)

Year	Opening balance of arrears	Amount collected	Closing balance of the arrears	Actual receipts	Percentage (Col. 3 to Col. 2)	Percentage of closing balance of arrears to actual receipts (Col. 4 to Col. 5)
1	2	3	4	5	6	7
2007-08	3.20	0.44	2.76	233.79	14	1.18
2008-09	4.15	0.61	3.54	239.30	15	1.48
2009-10	3.40	0.42	2.98	277.07	12	1.08
2010-11	1.30	0.11	1.19	457.36	8	0.26
2011-12	0.92	0.09	0.84	740.16	10	0.11

We observed that arrears of revenue of Taxes on vehicles had decreased from ₹ 3.20 crore at the beginning of the year 2007-08 to ₹ 0.84 crore (26 per cent) at the end of the year 2011-12. The percentage of realisation of arrears to the arrears outstanding at the beginning of the year ranged between eight and 15 per cent during the years 2007-08 to 2011-12.

5.1.4 Cost of collection

The gross collection in respect of PGT and Taxes on vehicles revenue receipts, expenditure incurred on their collection and the percentage of such expenditure to gross collection during the years 2007-08 to 2011-12 along with the relevant 'All India average percentage' of expenditure of collection to gross collection for the relevant year are mentioned below:

A: Passengers and goods tax

(₹ in crore)

Year	Gross collection	Expenditure on collection	Percentage of expenditure to gross collection
2007-08	379.39	1.13	0.30
2008-09	370.29	1.50	0.41
2009-10	391.45	1.94	0.50
2010-11	387.14	1.94	0.50
2011-12	429.32	2.03	0.47

B: Taxes on vehicles

(₹ in crore)

Year	Gross collection	Expenditure on collection	Percentage of expenditure to gross collection	All India average percentage for the year
2007-08	233.79	5.47	2.34	2.58
2008-09	239.30	8.00	3.34	2.93
2009-10	277.07	11.32	4.08	3.07
2010-11	457.36	13.38	2.93	3.71
2011-12	740.15	13.07	1.77	-

Source: Finance Account.

5.1.5 Impact of Audit on Revenue**5.1.5.1 Position of Inspection Reports****A: Passengers and goods tax**

The table below provides details of number of units audited, value of objections pointed out during the course of audit, cases accepted and the recovery made there against during the period from 2006-07 to 2010-11.

(₹ in crore)

Year	Units audited			Cases accepted		Recovery made during the year	
	Number	Number of cases	Amount	Number	Amount	Cases	Amount
2006-07	22	1,325	2.65	501	0.95	2	0.17
2007-08	22	1,690	3.64	384	1.52	21	0.02
2008-09	22	1,406	1.94	319	0.36	18	0.06
2009-10	23	1,358	1.76	847	0.80	72	0.07
2010-11	22	1,078	1.45	90	1.20	47	1.07
Total	111	6,857	11.44	2,141	4.83	160	1.39

We observed that the recovery in respect of accepted cases during the years 2006-07 to 2010-11 was 29 per cent.

B: Taxes on vehicles

The table below provides details of number of units audited, value of objections pointed out during the course of audit, cases accepted and the recovery made there against during the period from 2006-07 to 2010-11.

(₹ in crore)

Year	Units audited			Cases accepted		Recovery made during the year	
	Number	Number of cases	Amount	Number	Amount	Cases	Amount
2006-07	81	66,261	18.43	-	-	-	-
2007-08	81	58,275	3.30	4,163	0.49	1	0.01
2008-09	81	4,209	2.11	1,523	1.42	81	0.10
2009-10	72	1,234	1.63	422	1.05	66	0.13

Report for the year 2011-12 (Revenue Sector)

Year	Units audited			Cases accepted		Recovery made during the year	
	Number	Number of cases	Amount	Number	Amount	Cases	Amount
2010-11	51	828	1.83	270	0.10	-	-
Total	366	1,30,807	27.30	6,378	3.06	148	0.24

We observed that the recovery in respect of accepted cases during the years 2006-07 to 2010-11 was only eight *per cent*.

5.1.5.2 Position of Audit Reports

During the last five years (including the current year's report), instances of non/short levy/realisation of PGT, non-levy of interest on delayed/non-payment of tax, non/short realisation of permit fee/token tax/bid money etc., with revenue implication of ₹ 16.46 crore in 18 paragraphs (including one performance audit). Of these, the Department/ Government had accepted audit observations in 17 paragraphs (including one performance audit) involving ₹ 13.47 crore and recovered ₹ 89.59 lakh. The details are shown in the following table:

A: Passengers and goods tax

Year of Audit Report	Paragraphs included		Paragraphs accepted		Amount recovered	
	(₹ in crore)				(₹ in lakh)	
	No.	Amount	No.	Amount	No.	Amount
2007-08	3	1.47	3	1.47	3	25.19
2008-09	1	0.99	1	0.99	1	4.52
2009-10	1	0.65	1	0.65	1	6.32
2010-11	1	1.46	1	1.46	1	9.61
2011-12	1	6.60	1	5.24	-	-
Total	7	11.17	7	9.81	6	45.64

B: Taxes on vehicles

Year of Audit Report	Paragraphs included		Paragraphs accepted		Amount recovered	
	(₹ in crore)				(₹ in lakh)	
	No.	Amount	No.	Amount	No.	Amount
2007-08	5	3.16	4	1.53	1	5.07
2008-09	2	0.63	2	0.63	2	7.78
2009-10	2	0.81	2	0.81	2	7.22
2010-11	1	0.35	1	0.35	1	6.33
2011-12	1	0.34	1	0.34	1	17.55
Total	11	5.29	10	3.66	7	43.95

We observed that the recovery of accepted cases in respect of PGT and Taxes on vehicles was four and 12 *per cent* respectively. The slow progress of recovery even in respect of accepted cases is indicative of failure on the part of the heads of offices/Departments to initiate action to recover the Government dues promptly.

We recommend that the Government may revamp the recovery mechanism to ensure that at least the amount involved in accepted cases are promptly recovered.

5.1.6 Working of internal audit wing

Taxes on vehicles

The Department stated (June 2012) that an internal audit system was set up for control and supervision of expenditure as well as receipts. The Department had one Senior Accounts officer, five Section Officers, two Assistant and one Clerk. The internal audit party had conducted audit of 21 RTAs and two registering authorities for the year 2011-12. Thus, the Senior Accounts Officer (Audit) failed to furnish the details of objections raised and settled along with planning of auditable units. The irregularity discussed in the paragraph 5.3.1 is indicator of ineffective internal control mechanism as the irregularity pointed out by us was not detected by the internal audit.

The Government may consider strengthening internal audit wing to ensure timely detection and correction of errors in assessments, levy and collection of PGT and Taxes on vehicles revenue.

5.1.7 Results of audit

Test check of the records in the offices of Transport, Excise and Taxation Departments relating to revenue received from taxes on vehicles, taxes on goods and passengers, and other tax receipts during the year 2011-12 revealed non/short recovery of tax/duty, fees and penalty etc. amounting to ₹ 9.22 crore in 2,072 cases which broadly fall under the following categories:

(₹ in crore)

Sr. No.	Category	Number of cases	Amount
A: Excise and Taxation Department (Taxes on Goods and Passengers)			
1.	Receipts from Passengers and Goods Tax (Performance Audit)	1	6.60
2.	Miscellaneous irregularities	487	0.50
	Total	488	7.10
B: Transport Department (Taxes on vehicles)			
1.	Non/short recovery of token tax in respect of stage carriage buses/combine harvesters etc.	238	0.43
2.	Non-recovery of bid money	44	0.68
3.	Non/short realisation of registration fee and token tax on vehicles transferred from other States	173	0.04
4.	Non/short recovery of token tax from private vehicles.	741	0.28
5.	Miscellaneous irregularities	388	0.69
	Total	1,584	2.12
	Grand total	2,072	9.22

During the course of the year 2011-12, the Department accepted underassessment and other deficiencies of ₹ 8.02 crore in 673 cases, out of which ₹ 7.96 crore involved in 651 cases were pointed out during the year and rest in earlier years. The Department recovered ₹ 15.81 lakh in 57 cases during the year 2011-12, out of which ₹ 10.36 lakh involved in 35 cases relate to the year 2011-12 and rest to earlier years.

Further at the instance of audit, the Additional Chief Secretary, Transport Department recovered ₹ 7.51 lakh.

This chapter contains Performance Audit on “**Receipts from Passengers and Goods Tax**” with financial impact of ₹ 6.60 crore and an illustrative case involving ₹ 33.51 lakh as mentioned in the succeeding paragraphs.

5.2 Receipts from Passengers and Goods Tax

5.2.1 Highlights

- Though responsibility for the collection of passenger Tax in the case of Auto rickshaws was entrusted to Regional Transport Authorities (RTAs) of the district concerned, details relating thereto were not transferred to Regional Transport Authorities by the eight out of 10 Deputy Excise and Taxation Commissioners (DETCs) offices test checked.

(Paragraph 5.2.9)

- DETCs offices were not aware of the amount of tax to be charged on six seater maxi cabs /taxies as PPGT Act and rules made thereunder does not prescribe the same.

(Paragraph 5.2.11)

- Lack of co-ordination between RTAs and DETCs offices resulted in evasion of Passenger Tax of ₹ 91.93 lakh in the case of 368 maxi cab/taxi.

(Paragraph 5.2.12.1)

- Absence of co-ordination between RTAs and DETCs offices resulted in evasion of Passenger Tax by the owners of 1,305 school buses out of 2,453 school buses registered by the RTAs of nine districts during 2006-11.

(Paragraph 5.2.12.2)

- Passenger Tax amounting to ₹ 49.88 lakh, interest of ₹ 20.07 lakh and penalty was not recovered in 309 cases of maxi cabs/taxies.

(Paragraph 5.2.13.1)

- The Department did not recover the Passenger Tax amounting to ₹ 17.08 lakh and interest of ₹ 2.71 lakh in the case of buses owned by co-operative societies in four districts.

(Paragraph 5.2.13.2)

- Goods Tax in 10 DETCs offices amounting to ₹ 3.15 crore and interest of ₹ 1.18 crore was not recovered in 2,630 cases.

(Paragraph 5.2.14)

- The Department did not recover Passenger Tax of ₹ 34.28 lakh including interest of ₹ 13.23 lakh in 81 cases out of 560 cases assessed.

(Paragraph 5.2.15)

- No reply was received for any of the 13 Inspection Reports issued during the years 2006-07 to 2010-11 by the Internal Audit Wing of the Department.

(Paragraph 5.2.16.2)

5.2.2 Introduction

Passenger and Goods Tax (PGT) and Haryana Local Area Development Tax (HLADT) form part of total revenue of the Department. Registration of motor vehicles, assessments, levy and collection of PGT are governed under the provisions of the Punjab Passengers and Goods Taxation Act, 1952 (PPGT Act) and the Rules framed there under, as applicable to the State of Haryana. All the motor vehicles carrying goods and passengers are required to be registered with the Assistant Excise and Taxation Officer (AETO) of the district concerned, in which the owner of the vehicle has residence or place of business where the vehicle is normally kept. PGT is leviable on every vehicle at such rate as State Government may by notification prescribe from time to time under the Act and the Rules. After the close of the financial year or the closure of the business by the assessing authority, the assessments are done and orders issued by the AETO, on the basis of returns filed and tax paid by the owners of the motor vehicles. We conducted the performance audit with a view to ensure that the collection and levy of PGT is done in accordance with the prescribed procedure efficiently, economically and enforcing the provisions of the Act.

5.2.3 Organisational set up

At the Government level, Financial Commissioner and Principal Secretary, Excise and Taxation Department (FCET) is responsible for the administration of PGT in the State. At the Department level, overall charge of the Department vests with the Excise and Taxation Commissioner (ETC) who is assisted by Joint Excise and Taxation Commissioner (JETC). The JETC supervises all the districts of his range. The exercise of levy and collection of PGT is undertaken by Deputy Excise and Taxation Commissioner (DETC) who is assisted by Excise and Taxation Officers (ETOs)/ AETOs, Taxation Inspectors and other allied staff at district level.

5.2.4 Audit objectives

We conducted the Performance Audit with a view to ascertain whether:

- budget estimates (BEs) were prepared in accordance with the prescribed procedures and were realistic;
- registration of motor vehicles was done in accordance with the provisions of the Act and rules made there under;
- the system of levy and collection of PGT in the Department was efficient and effective;
- prescribed procedures under the provisions of PPGT Act were complied with;
- follow up action on prescribed returns/statements received from the field offices were adequate; and
- an effective internal control and monitoring mechanism was in existence.

5.2.5 Audit criteria

The Audit criteria was derived from the following sources:

- PPGT Act, 1952 and rules framed there under
- Departmental Notifications and circulars issued regarding levy and collection of PGT
- Administrative instructions issued by the Department.

5.2.6 Scope and methodology of audit

The records relating to levy and collection of PGT in the office of ETC and 10 out of 23 offices of DETCs (PGT) in the State for the years 2006-07 to 2010-11 were test checked between June 2011 and February 2012. We selected four¹ district offices on random sample selection basis by applying formula of probability proportional to size method (without replacement) and four² districts on the basis of risk analysis. Panipat and Jhajjar districts were included in the scope of the performance audit on the suggestions made by Department during entry conference in May 2011. We have also included points of similar nature noticed during audit of the Department for the period 2006-07 to 2010-11.

5.2.7 Acknowledgement

We acknowledge the co-operation extended by the Department in providing necessary information and records for facilitating audit. We conducted an entry conference (May 2011) which was attended by the Financial Commissioner-cum-Principal Secretary to Haryana Government (Excise and Taxation Department) and other officers wherein the audit objectives, methodology and selection of districts were explained. The suggestions of the Department were also kept in view at the time of selection of districts and conducting audit. An exit conference was held (October 2012) with the Principal Secretary to Haryana Government (Excise and Taxation Department) and other officers where the findings of the performance audit were discussed. The replies furnished and views of the Department/Government during exit conference and at other times have been appropriately incorporated in the performance audit.

5.2.8 Trend of revenue receipts

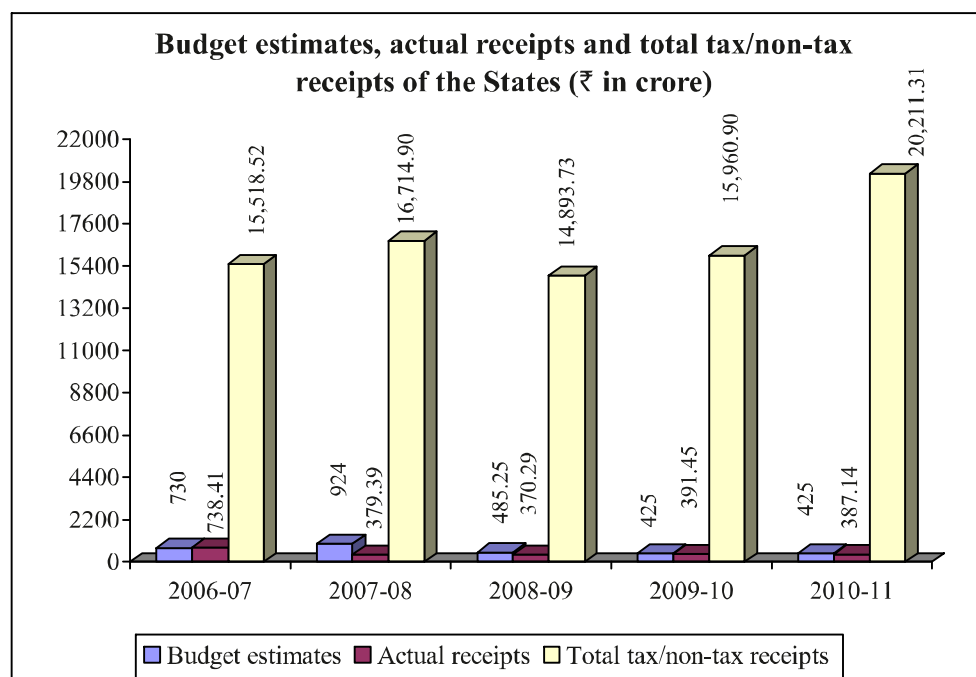
The BEs and actual receipts realised by way of PGT during the years 2006-07 to 2010-11 in the State vis-a-vis the total tax/non-tax receipts during the same period are exhibited in the succeeding table and graph:

¹ Hisar, Jagadhari, Kurukshetra and Rewari.

² Ambala, Faridabad (East), Faridabad (West) and Gurgaon.

(₹ in crore)

Year	Budget estimates of collection of PGT	Actual receipts	Variation excess(+)/shortfall (-)	Percentage of variation	Total tax/non-tax receipts of the State	Percentage of actual receipts vis-a-vis total tax/non-tax receipts
2006-07	730.00	738.41	(+) 8.41	(+) 01	15,518.52	5
2007-08	924.00	379.39	(-) 544.61	(-) 59	16,714.90	2
2008-09	485.25	370.29	(-) 114.96	(-) 24	14,893.73	2
2009-10	425.00	391.45	(-) 33.55	(-) 8	15,960.90	2
2010-11	425.00	387.14	(-) 37.86	(-) 9	20,211.31	2



The actual receipts of PGT to the total tax/non-tax receipts of the State during the period 2006-07 to 2010-11, ranged between two to five *per cent*. The Department attributed the reasons for decreasing trend in receipts of tax with reference to BEs to reduction in rate of tax of co-operative buses, private school buses and passengers tax. We observed that BEs had been increased by 27 *per cent* for the year 2007-08 over 2006-07 and thereafter decreased for the years 2008-09 to 2010-11. The HLADT Act was declared unconstitutional by Hon'ble Punjab and Haryana High Court resulting in sharp decrease in revenue under PGT. Thus, BEs set up by the Finance Department were not realistic. During an exit conference (October 2012), the Principal Secretary, Excise and Taxation Department assured that realistic budget estimates would be prepared.

The Department had the following arrear of revenue awaiting collection during the period 2006-2011.

Year	Amount of arrear (₹ in crore)	Percentage increase over previous year
2006-07	42.32	-
2007-08	48.55	15
2008-09	55.75	15
2009-10	58.99	6
2010-11	59.41	1

The Department admitted the facts for 2010-11.

Audit findings

System deficiencies

5.2.9 Absence of instructions regarding auto rickshaws

As per procedure prevalent in the Department, levy and collection of passengers tax was the responsibility of DETC (PGT) of the concerned district while road tax was levied and collected by the RTA concerned. As per instructions issued in January 2009 responsibility for levy and collection of passengers tax including road tax was entrusted to RTA of the district concerned. RTA was further directed to deposit the element of passengers tax under PGT head.

Test check of records of the office of DETCs revealed that details of the owners of such registered auto rickshaws which had arrears of passengers tax to be paid were not transferred in eight³ out of the 10 districts. However, details of arrear outstanding were sent to the respective RTAs by the DETC Kurukshetra and Jagadhari between January 2010 and June 2011 but no action was taken by the RTAs.

The Department in exit conference (October 2012) accepted the viewpoint of audit and assured for remedial action.

5.2.10 Non-assessment of cases

Rule 21 of the PPGT Act provides that if the assessing authority is satisfied without requiring the presence of the owner or the production by him of an evidence that the returns furnished under Rule 17(3) of the Act in respect of any period are correct and complete it (may at any time during the year and shall at the close of the year) or after the closure of business, if it take place during the year, assess the amount of tax due from the owner on the basis of such returns.

We noticed during the scrutiny of the records of the offices of DETCs, Kurukshetra and Faridabad (East) during the year 2007-08 to 2010-11 and DETC Gurgaon for the year 2008-09 and 2010-11 that not even a single case was assessed by the assessing authority. No reasons were recorded for non-assessment of the cases. We observed that no system exists as to the number

³ Ambala, Faridabad (East), Faridabad (West), Gurgaon, Hisar, Jhajjar, Panipat and Rewari.

of cases to be assessed by the assessing authority. No target in this regard was fixed by the ETC. Loss, if any, to the State exchequer due to non-assessment of the cases could not be quantified in audit.

The Department during exit conference (October 2012) admitted the absence of any assessments and assured of action. They also stated that assessment had been made in the year 2011-12 in the districts.

We suggest that the Department may set up a system where the number of cases required to be assessed are determined every year scientifically.

5.2.11 Deficiency in Rules

PGT Rules prescribe the rates of Passenger Tax to be charged from owners of five seater taxies and seven to 12 seater maxi cabs. However, there is no provision in the Act to charge the tax on six seater maxi cab/taxi.

We noticed that passengers tax on six seater maxi cab/taxi was being charged at the rate of ₹ 100 per month per seat i.e. ₹ 1,800 per quarter in eight⁴ district offices. DETC, Gurgaon charged tax on six seater taxi at the rate of ₹ 1,800 per quarter and ₹ 2,100 per quarter while DETC, Hisar charged at the rate of ₹ 2,700 per quarter. The Department had not issued any instructions for levying Passengers Tax on this category of vehicles.

The Department admitted the facts during exit conference.

Compliance deficiencies

5.2.12 Non-registration of vehicles

Section 9 of the PPGT Act requires that the owner of a motor vehicle should register his vehicle with the assessing authority of the district concerned within fifteen days of the date of purchase of motor vehicle or the date of incurring the liability to pay the tax under the Act, whichever is earlier. In case of default, interest and penalty are leviable under the Act.

5.2.12.1 The PAC of Haryana Vidhan Sabha in its 67th Report on the Report of the Comptroller and Auditor General of India for the year 31 March 2006 (Revenue) had directed that all out efforts be made to recover the balance amount and the Committee informed accordingly.

Despite these recommendations, we noticed during test check of records of registration maintained in nine DETCs, 368 vehicles escaped from paying passenger tax but were registered with RTA. The evasion of passenger tax amounted to ₹ 91.93 lakh.

5.2.12.2 We further noticed that in seven⁵ districts, out of 2,453 school buses only 1,148 buses were registered. 1,305 buses were neither registered nor brought into account in the books of DETC offices from April 2006 to March 2011. Loss on this account to the State exchequer could not be ascertained as no survey was conducted to ascertain the amount of bus charges collected from the students. Matter was also not taken up with the concerned RTAs by

⁴ Ambala, Faridabad (East), Faridabad (West), Jagadhari, Jhajjar, Kurukshetra, Panipat and Rewari.

⁵ Ambala, Gurgaon, Hisar, Jagadhari, Kurukshetra, Panipat and Rewari.

the DETCs. Four⁶ DETCs stated that matter would be taken up with the RTAs. Further progress report and reply from remaining three DETCs were awaited (October 2012).

During the exit conference held in October 2012, the Principal Secretary, Excise and Taxation Department stated that vehicle owner can get his vehicle registered anywhere in the State. The reply is not tenable as vehicle owner has to apply for registration under the PPGT Act to the assessing authority of the district concerned.

We are of the opinion that absence of co-ordination between DETCs and RTAs office resulted in evasion of tax.

5.2.13 Non/short realisation of passengers tax

5.2.13.1 Maxi seater cab and taxi car

Under Section 9 of the PPGT Act and rules framed thereunder, passengers tax on five seater taxi car is leviable at the rate of ₹ 3,000 per annum and on seven to 12 seater maxi cab at the rate of ₹ 100 per seat per month. Tax is payable in equal quarterly instalments within 30 days of the commencement of the quarter to which payment relates. In case of default, penalty and interest are leviable.

During test check of the records of 10⁷ offices of DETC (PGT), we noticed that passengers tax in respect of 309 maxi seaters and taxi car had not been paid by the taxi owners. No demand notices had been issued. This resulted in non/short realisation of tax of ₹ 69.95 lakh was including interest of ₹ 20.07 lakh.

The Department in exit conference (October 2012) agreed to the audit observation.

5.2.13.2 Transport co-operative societies buses

Under the scheme of privatisation of passenger road transport, the permit holder of the buses plying on link routes of the State are required to pay lump sum passengers tax, based on the seating capacity of the bus monthly at the rate of ₹ 12,000 for 52/54 seater and ₹ 6,000 for 30 seater bus and in case their routes extended upto 24 kilometers at the rate of ₹ 16,000 for 52/54 seater and ₹ 10,000 for 30 seater bus with effect from March 2007. In case of default, penalty and interest are leviable under the Act.

Test check of the records of four offices⁸ of DETC (PGT) for the period 2009-10 to 2010-11 revealed that in 11 cases, the owners of the co-operative societies buses did not deposit the monthly passenger tax either in full or in part during the years 2009-10 and 2010-11. There was nothing on record to show that the Department had raised the demand to realise tax from the defaulting societies. This resulted in non/short realisation of tax of ₹ 19.79 lakh (including interest of ₹ 2.71 lakh).

⁶ Ambala, Jagadhari, Kurukshetra and Panipat.

⁷ Ambala, Faridabad (West), Faridabad (East), Gurgaon, Hisar, Jagadhari, Jhajjar, Kurukshetra, Panipat and Rewari.

⁸ Ambala, Hisar, Panipat and Rewari.

During the exit conference (October 2012), the Department agreed to the audit observation.

5.2.13.3 City bus operators

Section 9 (2E) of the PPGT (Haryana Amendment) Rules, 2004, as inserted with effect from 24 February 2004, provides that the holders of permit for plying buses on the roads within the municipal corporation limit in Gurgaon and Faridabad districts are required to pay passengers tax at the rates prescribed for ordinary half body and ordinary full body buses at ₹ 4,200 and ₹ 7,000 per month respectively. Ordinary full body buses having compressed natural gas as fuel are levied passenger tax at the rate of ₹ 8,000 per month.

Test check of the records of offices of DETC (PGT), Faridabad (East) and Gurgaon revealed that 23 private bus operators who were granted permits for plying buses in city areas did not deposit the monthly passengers tax for different period between April 2010 and March 2011. The Department did not take action to realise the tax from the defaulting bus owners. No demand notices were issued by the Department. This resulted in non/short realisation of tax of ₹ 11.18 lakh including interest of ₹ 1.19 lakh.

The Department in the exit conference agreed to the audit observation.

5.2.14 Non-recovery of Goods Tax

Goods tax is leviable in lump sum on public or private carriers used at the prescribed rates on the basis of registered load as per Motor Vehicles Act, 1988. In terms of Section 22 of the PPGT Act, 1952 read with Rule 9 of the PPGT Rules, 1952, the rates are ₹ 4,000 per annum (not exceeding 16.2 tons), ₹ 5,600 per annum (exceeding 16.2 tons but not exceeding 25 tons) and ₹ 12,000 per annum (exceeding 25 tons).

Test check of the records of 10 DETC offices revealed that in a sample size of 10,321 cases obtained by random sampling method, goods tax of ₹ 4.33 crore including interest of ₹ 1.18 crore were not received in 2,630 cases. However, no demand notices were issued and the assessing authority failed to review demand and collection registers (DCRs).

The Department in exit conference (October 2012) agreed to audit observation and assured that recoveries would be made.

5.2.15 Non/short recovery due to non-assessment of cases

PPGT Act envisages that if the assessing authority is satisfied without requiring the presence of the owner or the production by him of evidence that the return furnished under rule in respect of any period are correct and complete, it may at any time during the year and shall at the close of the year or after the closure of business if it takes place during the year, assess the amount of tax due from the owner on the basis of such returns. Further, if at the close of the year or at any time during the year, the assessing authority without requiring the presence of an owner or the production of evidence by him is not satisfied with the returns furnished or the tax paid in respect of any period, by him, it shall serve on such owner, a notice requiring him on date and at place be furnished therein, either to attend in person or cause to be

produced any evidence on which such owner may reply in support of such returns.

We noticed in offices of DETCs Ambala, Gurgaon and Rewari that Passenger Tax worth ₹ 21.05 lakh besides interest of ₹ 13.23 lakh was not recovered in 81 cases out of 560 cases assessed. No demand notices were issued by the Department.

The Department concurred and assured recovery would be made.

5.2.16 Internal control mechanism

5.2.16.1 Inadequate internal controls and monitoring

To have an effective internal control, the Department prescribed eight statements/returns to be furnished by the DETCs (PGT) to ETC every month.

Scrutiny of records in the office of the ETC, Haryana revealed that ETC office prescribed returns for submission by district offices. Returns were not compiled to review the performance during 2009-10 and 2010-11. No action was taken on the returns received during 2006-09 by ETC office. No separate meetings were held to review the performance. The Department stated in July 2011 that in general meetings, these points were discussed. However, minutes of meetings and dates of meetings were not made available to audit. Thus, internal checks and monitoring at Directorate level were inadequate.

During Exit Conference, the Principal Secretary, Excise and Taxation Department admitted the facts.

5.2.16.2 Working of internal audit

Internal audit is a tool in the hands of management to assure itself that the prescribed systems are functioning well. The Department stated in May 2011 that they had 10 Accounts Officers and Section Officers (against 15 sanctioned posts) at headquarters besides Section Officers in the district level offices who conducted internal audit in respect of the levy and collection of PGT.

For checking receipts of PGT, the Department has not codified the internal audit procedures, etc. The internal audit wing issued 13 Inspections Reports containing 63 paras and settled only seven paras during 2008-09 to 2010-11.

The Department stated that in each district, SOs were regularly conducting audit under PGT Act. However, we noticed SOs posted at the district merely pointed out the arithmetical errors in receipts.

During the Exit Conference, the Principal Secretary, Excise and Taxation Department admitted the facts and Excise and Taxation Commissioner assured that training will be imparted to Section Officers in due course for their capacity building to enable them to discharge their duties in an effective manner.

5.2.17 Conclusions

PGT constituted between two and five *per cent* of the tax revenue of the Government during the period under Performance Audit. We noticed that:

- the Department had not fixed target for assessment of cases;
- the Department had not reviewed DCRs and did not issue any demand notices wherever required;
- there was lack of co-ordination between RTAs and DETCs offices which resulted into evasion of tax;
- the Internal Control Mechanism and internal audit were weak; and
- the Department did not follow the provision of the Act/Rules and instructions issued by the Government.

5.2.18 Recommendations

Government may consider the following suggestions for implementations:-

- BEs should be made realistic;
- Demand and collection registers should be reviewed periodically and demand notices should be issued wherever required;
- Rate of tax to be charged on six seater maxi cab /taxi should be determined and added under PPGT Act/rules;
- Steps should be taken to effectively co-ordinate with RTAs to prevent evasion of tax; and
- Internal control mechanism and internal audit should be strengthened and made more effective.

Other audit observation

5.3 Non-observance of the provisions of Acts/Rules

The Punjab Motor Vehicles Act, 1924 (PMVT Act)/Haryana Motor Vehicle Rules, 1993 provides for:-

- (i) *payment of motor vehicles tax/token tax/permit fee by the owners of vehicles at the prescribed rate; and*
- (ii) *token tax to be paid in advance and within the prescribed period.*

We noticed that the Transport Department did not observe the provisions of the Acts/Rules in the cases for levy and collection of token tax and permit fee as mentioned in the paragraph 5.3.1. This resulted in non/short realisation of bid money of ₹ 33.51 lakh.

5.3.1 Non/short realisation of bid money on stage carriage permits

Under the provisions of the Motor Vehicles Act, 1988 and Rules framed there under, “Private Bus Service Scheme in Haryana-Year 2001” was introduced for the grant of stage carriage permits to the existing transport co-operative societies under the 1993 scheme, general public and to the new co-operatives of unemployed youths on certain routes. The permits and rights of operation were to be given to the operators on lease for a period of five years by inviting bids and the route was to be allotted to the highest bidder. The bid money was required to be deposited before 10th of each month. In case of non-payment of bid money, the authority could initiate action for suspension/ cancellation of permit and imposition of penalty.

During test check of the records relating to Demand and Collection Register (DCR) of five⁹ Regional Transport Authorities (RTAs) between May 2010 and September 2011 for the years 2009-10 and 2010-11, we noticed that 20 transport co-operative societies which were granted permits between November 2001 and January 2002 for a period of five years were renewed as per conditions laid down under this scheme. These co-operative societies were required to deposit bid money in equal monthly instalments. The bid money was neither deposited regularly nor demanded by the Department. No action was taken either to suspend/cancel the permit or to levy penalty. This resulted in non/short realisation of bid money of ₹ 33.51 lakh for the period between April 2009 and March 2011.

After we pointed out these cases between May 2010 and September 2011, all the five RTAs stated in September 2012 that a sum of ₹ 17.55 lakh had been recovered in 12 cases between June 2011 and August 2012 and efforts would be made to recover the balance amount of ₹ 15.96 lakh.

The matter was reported to the Government between June 2010 and June 2012. The Government accepted the audit observation during the exit conference held in September 2012.

⁹ Ambala, Bhiwani, Faridabad, Hisar and Jind.

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Similar cases were also noticed during the years 2006-07 to 2007-08 in five districts involving recovery of ₹ 50.17 lakh, of which ₹ 5.33 lakh had been recovered till date.