

CHAPTER - IV

EXECUTIVE SUMMARY

What we have highlighted in this Chapter	<p>In this Chapter, we present illustrative cases of ₹ 9.48 crore selected from observations noticed during our test check of records relating to assessment and collection of tax/fee/penalty on motor vehicles in the office of the Transport Commissioner (TC) and the Regional Transport Officers (RTOs), where we found that the provisions of the Acts/Rules were not observed.</p> <p>It is a matter of concern that similar omissions have been pointed out by us repeatedly in the Audit Reports for the past several years, but the Department has not taken corrective action.</p>
Tax collection	<p>In 2011-12, the collection from taxes on vehicles increased by 13.25 <i>per cent</i> over the previous year which was attributed by the Department to effective computerisation.</p>
Very low recovery by the Department of observations pointed out by us in earlier years	<p>During the period from 2006-07 to 2010-11, we had pointed out non/short levy, non/short realisation of tax, application of incorrect rate of tax etc., with revenue implication of ₹ 121.01 crore in 24,404 cases. Of these, the Department/Government had accepted audit observations in 17,972 cases involving ₹ 98.07 crore and had since recovered ₹ 12.59 crore in 5,530 cases. The recovery position as compared to acceptance of objections was very low ranging from 5.29 <i>per cent</i> to 18.23 <i>per cent</i> except in the year 2009-10.</p>
Results of audit conducted by us in 2011-12	<p>In 2011-12, we test checked the records of 17 units relating to taxes on motor vehicles and found under-assessment of tax and other observations involving ₹ 13.04 crore in 2,31,335 cases.</p> <p>The Department accepted under assessment and other deficiencies of ₹ 2.88 crore in 642 cases, which were pointed out by us during the year 2011-12. An amount of ₹ 16.51 lakh was recovered in 108 cases during the year 2011-12.</p>
Our conclusion	<p>The Department did not adhere to the roster fixed for internal audit. It 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 of tax and penalty pointed out by us, more so in those cases where it has accepted our contention.</p>

CHAPTER - IV TAXES ON VEHICLES

4.1 Tax administration

The Transport Department functions under the overall charge of the Additional Chief Secretary (Transport). The levy and collection of tax/fee/penalty on vehicles is administered and monitored by the Transport Commissioner (TC). He is assisted by three Deputy Transport Commissioners (DTC), 10 regional transport offices (RTOs), 10 additional regional transport offices (ARTOs) and 30 district transport offices (DTOs) at the field level. Taxes on vehicles are collected under the provisions of the following Acts and Rules and notifications issued thereunder:

- The Motor Vehicles (MV) Act, 1988;
- Central Motor Vehicles (CMV) Rules, 1989;
- Madhya Pradesh *Motoryan Karadhan Adhiniyam (Adhiniyam)*, 1991; and
- Madhya Pradesh *Motoryan Karadhan Niyam (Niyam)*, 1991.

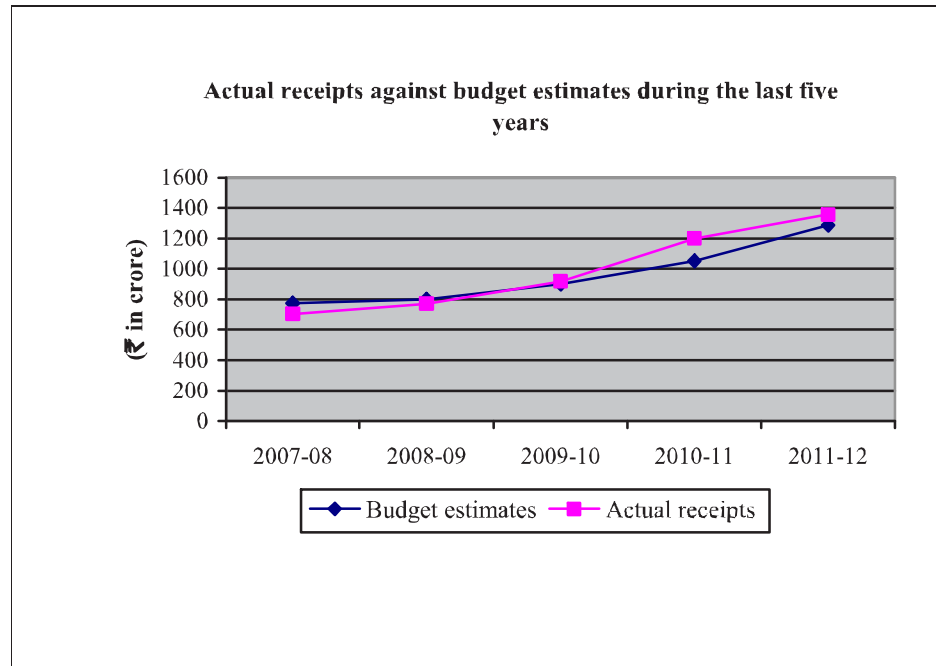
4.2 Trend of receipts

Actual receipts from taxes on vehicles during the period 2007-08 to 2011-12 along with the total tax receipts during the same period are exhibited in the following table and line graph:

(₹ in crore)

Year	Budget estimates	Actual receipts	Variation excess (+)/ shortfall (-)	Percentage of variation	Total tax receipts of the State	Percentage of actual tax receipts vis-a-vis total tax receipts
2007-08	775.00	702.62	(-) 72.38	(-) 9.34	12,017.64	5.85
2008-09	800.00	772.56	(-) 27.44	(-) 3.43	13,613.50	5.68
2009-10	900.00	919.01	(+) 19.01	(+) 2.11	17,272.77	5.32
2010-11	1,050.00	1,198.38	(+) 148.38	(+) 14.13	21,419.33	5.59
2011-12	1,285.00	1,357.12	(+) 72.12	(+) 5.61	26,973.44	5.03

(Source: Budget estimates and Finance Accounts of the Government of Madhya Pradesh)



It may be seen that though there was an increasing trend in receipts during the years from 2007-08 to 2011-12, the percentage of variation between the BEs and the actual receipts ranged between (-) 9.34 per cent and (+) 14.13 per cent.

In 2011-12, the collection from taxes on vehicles increased by 13.25 per cent over the previous year which was attributed by the Department to effective computerisation.

4.3 Impact of audit

4.3.1 Position of Inspection Reports (IRs)

During the period 2006-07 to 2010-11, through our IRs, we had pointed out non/short levy, non/short realisation, application of incorrect rate of tax etc., with revenue implication of ₹ 121.01 crore in 24,404 cases. Of these, the Department/Government had accepted audit observations in 17,972 cases involving ₹ 98.07 crore and had since recovered ₹ 12.59 crore (as on 30 November 2012). The details are shown in the following table:

(₹ in crore)

Year of Inspection Report	No. of units audited	Objected		Accepted		Recovered		Percentage of recovery to amount accepted
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	
2006-07	18	1,938	20.05	1,938	20.05	394	1.06	5.29
2007-08	19	7,125	49.18	7,125	49.18	1,253	2.89	5.88
2008-09	28	5,962	21.88	4,851	19.09	1,422	3.48	18.23
2009-10	27	5,534	18.44	2,209	5.19	1,927	4.37	84.20
2010-11	26	3,845	11.46	1,849	4.56	534	0.79	17.32
Total		24,404	121.01	17,972	98.07	5,530	12.59	

The percentage of recovery as compared to the accepted cases has been low over the last five years except in the year 2009-10. We brought this issue to the notice of the Head of the Department as well as the Finance Secretary of the Government (January 2013).

4.3.2 Position of Audit Reports (ARs)

In the Audit Reports 2006-07 to 2010-11, we had pointed out non/short levy, non/short realisation, application of incorrect rate of tax etc., with revenue implication of ₹ 68.77 crore in 37 paragraphs. Of these, the Department/ Government had accepted audit observations in 21 paragraphs involving ₹ 50.50 crore and had since recovered ₹ 10.45 crore. The details are shown in the following table:

(₹ in crore)

Year of Audit Report	Number of paragraphs	Money value	No. of accepted paragraphs	Money value of accepted paragraphs	No. of paragraphs against which recovery made	Amount recovered upto 31.03.12
2006-07	4	5.39	1	5.05	1	1.96
2007-08	11	21.18	6	19.86	6	2.89
2008-09	7	20.22	6	18.45	6	3.38
2009-10	8	11.49	5	3.37	5	1.43
2010-11	7	10.49	3	3.77	3	0.79
Total	37	68.77	21	50.50	21	10.45

The percentage of recovery as compared to the accepted cases has been low during the last five years.

We recommend that the Government should take appropriate steps to improve the recovery position at least against the accepted cases.

4.4 Cost of collection

The gross collection in respect of taxes on vehicles, expenditure incurred on its 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 for the previous year are mentioned below:

(₹ in crore)

Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average percentage of expenditure on collection for the previous year
2009-10	919.01	28.42	3.09	2.93
2010-11	1,198.38	32.90	2.75	3.07
2011-12	1,357.12	40.40	2.97	3.71

(Source: Finance Accounts of the Government of Madhya Pradesh)

We appreciate that the cost of collection had been well below the all-India average during the year 2010-11 and 2011-12. The Department should ensure that this trend is maintained in the subsequent years also.

4.5 Working of internal audit wing

Internal audit wing (IAW) has been established in the Department with the objective of conducting internal audit of all subordinate offices and issuing instructions for taking proper corrective action on irregularities detected during such examination and avoiding the recurrence thereof. During the year 2011-12, internal audit of 50 districts was planned against which audit was conducted only in four districts. The Department did not inform the reasons for shortfall despite being requested (January 2013). We noticed that the IAW had scrutinised the records of monthly and quarterly tax in the four districts and issued instruction for corrective measures during 2011-12. Further details on the corrective action taken by the districts are awaited (March 2013).

4.6 Results of audit

Test check of the records of 17¹ units relating to taxes on vehicles during the year 2011-12 revealed underassessment of tax and other irregularities involving ₹ 13.04 crore in 2,31,335 cases which fall under the following categories:

(₹ in crore)

Sl. No.	Category	No. of cases	Amount
1.	Non/short levy of vehicle tax, penalty and composition fee on public service vehicles	1,243	6.40
2.	Non/short levy of vehicle tax and penalty on goods vehicles	1,275	4.19
3.	Other observations	2,28,817	2.45
	Total	2,31,335	13.04

During the course of the year, the Department accepted underassessment and other deficiencies of ₹ 2.88 crore in 642 cases, which were pointed out in audit during the year 2011-12 and realised ₹ 16.51 lakh in 108 cases.

A few illustrative audit observations involving ₹ 9.48 crore highlighting important audit findings are mentioned in the following paragraphs.

¹ Regional Transport Officer (RTO) - Bhopal, Gwalior, Indore, Jabalpur, Morena, Rewa and Sagar; Additional Regional Transport Officer (ARTO) - Chhatarpur, Khargone and Satna and District Transport Officer (DTO) - Balaghat, Barwani, Damoh, Dindori, Harda, Mandla and Narsinghpur.

4.7 Non realisation of tax and penalty on vehicles

According to the provisions of the Madhya Pradesh *Motoryan Karadhan Adhiniyam (Adhiniyam) 1991*, tax shall be levied on every vehicle used or kept for use in the State at the rates (monthly/quarterly) specified in the first schedule to the *Adhiniyam*. If the owner of the vehicle defaults in making payment of tax, he shall be liable to pay penalty at the rate of four *per cent* per month on the unpaid amount of tax which shall not be more than twice the amount of tax. As per the provisions of the *Adhiniyam*, the Taxation Authority (TA) is required to maintain a Demand and Collection register to watch the recovery of tax. He is also required to review the register at periodic intervals and issue demand notices to the defaulters.

We found (between November 2011 and March 2012) during review of the demand and collection register, permit register and vehicle surrender register, No Objection Certificate issuance register and computerised database (in 17 offices, where database was made available) that tax amounting to ₹ 4.03 crore was not paid by the vehicle owners in respect of 1,652 vehicles out of 15,000 cases test checked for the period between April 2006 and

March 2011. There was nothing on record to show that the vehicles were declared off road or were transferred to any other district/State. No action was taken by the TAs to recover the tax from the defaulting vehicle owners according to the provisions of *Adhiniyam* and the Rules made thereunder. Further, penalty of ₹ 3.13 crore though leviable was not levied. This resulted in non-realisation of Government revenue of ₹ 7.16 crore as mentioned below:

(₹ in crore)

Sl. No.	No. of offices	Category of vehicles No. of vehicles	Period involved	Tax not paid	Penalty leviable	Total
1	17 ²	Goods vehicles 1,053	4/06 to 3/11	1.87	1.48	3.35
2	17 ³	Public service vehicles kept as reserve 292	4/06 to 3/11	1.02	0.80	1.82
3	14 ⁴	Public service vehicles plying on regular stage carriage permits 130	12/06 to 3/11	0.80	0.56	1.36
4	13 ⁵	Maxicab 177	4/06 to 3/11	0.34	0.29	0.63
Total		1,652		4.03	3.13	7.16

² Regional Transport Officer (RTO)- Bhopal, Gwalior, Indore, Jabalpur, Morena, Rewa and Sagar, Additional Regional Transport Officer (ARTO)- Chhatarpur, Khargone and Satna and District Transport Officer (DTO)- Balaghat, Barwani, Damoh, Dindori, Harda, Mandla and Narsinghpur.

³ RTO- Bhopal, Gwalior, Indore, Jabalpur, Morena, Rewa and Sagar, ARTO- Chhatarpur, Khargone and Satna and DTO- Balaghat, Barwani, Damoh, Dindori, Harda, Mandla and Narsinghpur.

⁴ RTO- Bhopal, Gwalior, Indore, Jabalpur, Morena and Rewa, ARTO- Chhatarpur, Khargone and Satna and DTO- Balaghat, Barwani, Harda, Mandla and Narsinghpur.

⁵ RTO- Gwalior, Indore, Jabalpur and Morena, ARTO- Chhatarpur, Khargone and Satna and DTO- Barwani, Damoh, Dindori, Harda, Mandla and Narsinghpur.

After we pointed out the cases (between November 2011 and March 2012), eight TAs⁶ stated (between April and September 2012) that an amount of ₹ 13.88 lakh had been recovered in 56 cases and demand notices had been issued in 514 cases. In the other cases the remaining TAs stated (between January and March 2012) that action would be taken/recovery would be made after scrutiny of the cases.

We reported the matter to the Department and the Government between March and June 2012; their replies have not been received (March 2013).

4.8 Short-realisation of tax and non-levy of penalty on motor vehicles

According to section 3(1) of the *Adhiniyam*, tax shall be levied on every motor vehicle used or kept for use in the state at the rate specified in the First Schedule. In case of public/private service vehicle, tax will be calculated on the basis of the seating capacity of the vehicle and distance of the route allowed. If the tax due has not been paid within the prescribed period, penalty is also leviable at the rate specified under section 13 of the *Adhiniyam* *ibid*.

We found (between December 2011 and March 2012) during review of the demand and collection register, permit deposit register, vehicle surrender register and NOC issue register in thirteen District/Regional Transport offices⁷ that tax in respect of 267 motor vehicles for the period between January 2006 and March 2011 was paid short by the vehicle owners due to application

of incorrect rate of tax. Failure of the TAs to detect the application of incorrect rate of tax resulted in short realisation of vehicle tax of ₹ 21.36 lakh. Besides, penalty of ₹ 14.31 lakh leviable on the unpaid amount of tax was also not levied.

After we pointed out the cases (between December 2011 and March 2012), five TAs⁸ stated (between May and September 2012) that an amount of ₹ 2.63 lakh had been recovered in 52 cases and demand notices had been issued/action for recovery was in progress in 38 cases. In other cases the remaining TAs stated (between January and March 2012) that action would be taken/recovery would be made after scrutiny of the cases.

We reported the matter to the Department and the Government between March and June 2012; their replies have not been received (March 2013).

⁶ RTO- Morena and Sagar, ARTO- Chhatarpur, Khargone and Satna, DTO- Harda, Mandla and Narsinghpur

⁷ RTO- Bhopal, Gwalior, Indore, Jabalpur and Rewa, ARTO- Khargone and Satna, DTO- Balaghat, Damoh, Dindori, Harda, Mandla and Narsinghpur.

⁸ ARTO- Khargone and Satna, DTO- Harda, Mandla and Narsinghpur

4.9 Non/short realisation of trade fee

Rule 34 of the Central Motor Vehicles (CMV) Rules, 1989 provides that an application for the grant or renewal of a trade certificate shall be made by the dealer in form 16 and shall be accompanied by the appropriate fee as specified in Rule 81 *ibid*. The fee is chargeable for each vehicle sold by the dealer.

We found (between January and March 2012) during review of the trade fee register and returns submitted by the dealers (wherever available) and from information furnished by the TAs in six District/ Regional Transport offices⁹ that

2,28,682 vehicles were registered under different categories between April 2008 and March 2011. However, the dealers had not deposited the requisite trade fee or deposited less trade fee than that prescribed. The TAs also did not ascertain the actual number of vehicles sold against which trade certificates were issued and recover the correct amount of trade fee. This resulted in non/short realisation of revenue of ₹ 1.82 crore.

After we pointed out the cases (between January and March 2012), the TA, Gwalior stated (January 2012) that trade tax was collected from the dealers under Section 4 of *Adhinyam* as per rates specified in the Third Schedule whereas the TAs Bhopal, Rewa and Balaghat stated (between February and March 2012) that registered dealers had obtained trade certificate as per CMV Act and had deposited the appropriate trade fee payable for a block of seven vehicles or their multiple in the dealer's possession as per the *Adhinyam*. The reply does not address the issue of non-recovery of trade fee prescribed under the CMV Rules, 1989. Besides, the Department had also not prescribed a mechanism to verify the correctness of payments made by the dealers. This resulted in non/short realisation of trade fee.

We reported the matter to the Department and the Government between April and June 2012; their replies have not been received (March 2013).

The Government may consider prescribing a periodical return to be furnished by the dealers indicating sale of vehicles and trade fee payable thereon which may be cross checked with the records of registration of vehicles.

⁹ RTO- Bhopal, Gwalior, Jabalpur and Rewa and DTO- Balaghat and Damoh.

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

All India Tourist permit is granted by the State Transport Authority (STA) under Section 88(9) of the Motor Vehicles Act, 1988. Tax is payable at the rates prescribed in the First Schedule of the *Adhiniyam*, 1991. If the tax due has not been paid within the prescribed period, penalty is also leviable at the rate of four *per cent* as specified in the *Adhiniyam*.

We found (December 2011) during review of the demand and collection register, permit deposit register, vehicle surrender register, NOC issue register and computerised database in DTO, Narsinghpur that two operators did not pay vehicle tax in respect of three public service

vehicles plying on all India tourist permits for the period between April 2009 and October 2010. These vehicles were not declared off road and the said permits were also not surrendered by the vehicle owners. The TA failed to detect these vehicles to recover the tax with penalty according to the *Adhiniyam*. This resulted in non-realisation of tax of ₹ 7.28 lakh. Besides, penalty of ₹ 6.77 lakh was also leviable.

After we pointed out the cases (December 2011), the TA stated (July 2012) that demand notices had been issued to the defaulters.

We reported the matter to the Department and the Government between March and June 2012; their replies have not been received (March 2013).