

## CHAPTER –5

### Taxes on Vehicles, Goods and Passengers

#### 5.1 Tax administration

The overall charge of the Transport Department vests with the State Transport Commissioner (STC), Punjab, and Chandigarh. There are 20 districts, each headed by a District Transport Officer (DTO) who monitors due observance of the Punjab Motor Vehicles Taxation Act, 1924 and the Rules made thereunder and maintains the records of receipt of motor vehicles taxes and various fee. Besides, there are four Regional Transport Authorities (RTAs) for regulating the transport vehicles in the State in conformity with the Act and collection of motor vehicles taxes in respect of buses of other States.

#### 5.2 Analysis of Budget

Scrutiny of Budget records of the Department revealed that the actual receipts were ₹ 850.06 crore as against the revised Budget Estimates of ₹ 710.00 crore for the year 2011-12.

#### 5.3 Trend of receipts

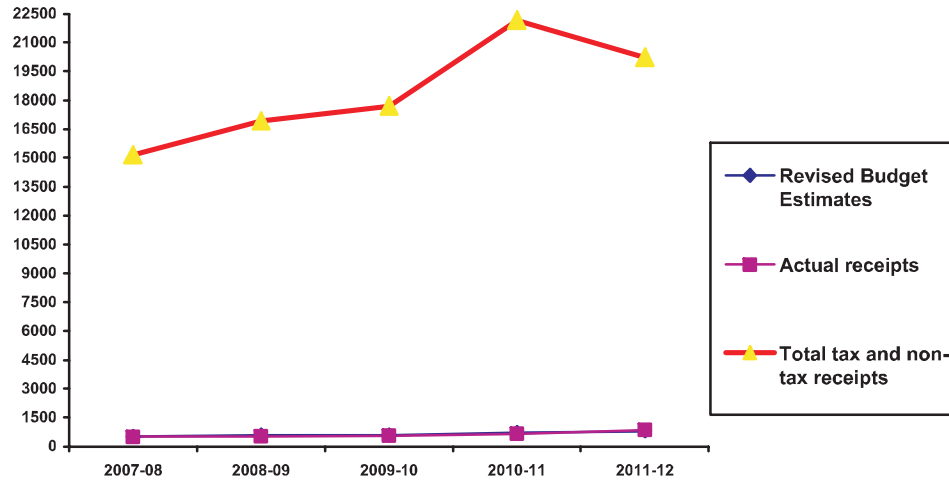
Actual receipts from Taxes on Vehicles during the period 2007-08 to 2011-12 alongwith the total tax/non-tax receipts during the same period are exhibited in the following table.

(₹ in crore)

Year	Revised Budget estimates	Actual receipts	Variation excess (+)/shortfall (-)	Percentage of variation	Total tax and non-tax receipts of the State	Percentage of actual receipts vis-à-vis total tax and non-tax receipts
2007-08	524.00	499.45	(-) 24.55	(-) 4.69	15,153.14	3.30
2008-09	576.00	524.09	(-) 51.91	(-) 9.01	16,934.10	3.09
2009-10	585.00	554.74	(-) 30.26	(-) 5.17	17,692.18	3.14
2010-11	700.00	653.91	(-) 46.09	(-) 6.58	22,158.35	2.95
<b>2011-12</b>	<b>800.00</b>	<b>850.06</b>	<b>(+) 50.06</b>	<b>(+) 6.26</b>	<b>20,239.46</b>	<b>4.20</b>

Actual receipts increased from ₹ 499.45 crore to ₹ 850.06 crore and the percentage of the revenue receipts from taxes on motor vehicles to the total receipts collected by the State had also increased marginally.

The trend of actual receipts vis-a-vis budget estimates during 2007-08 to 2011-12 is depicted in the following graph.



#### 5.4 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2012 were ₹ 104.62 crore, out of which ₹ 43.76 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	67.72	111.58
2008-09	111.58	109.20
2009-10	109.20	107.86
2010-11	107.86	106.73
2011-12	106.73	104.62

#### 5.5 Cost of collection

The gross collection, expenditure on collection and the percentage of such expenditure to gross collection in respect of the major revenue receipts, during the year 2007-08 to 2011-12 along with the relevant all India average percentage of expenditure on collection are mentioned below:

(₹ in crore)

Head of Revenue	Year	Collection	Expenditure on collection	Percentage of expenditure to gross collection	All India average percentage over the previous year
Taxes on Vehicles	2007-08	499.45	7.66	1.53	2.47
	2008-09	524.09	9.20	1.76	2.58
	2009-10	554.74	9.19	1.66	2.93
	2010-11	653.91	10.92	1.67	3.07
	2011-12	850.06	15.85	1.86	3.71

The cost of collection of motor vehicles taxes/fee had increased since 2007-08 but was lower than the All India average percentage of expenditure on collection. The percentage of expenditure to gross collection increased due to revision of pay scales of the employees and payment of arrears.

### 5.6 Evasion of Tax

The details of cases of evasion of tax detected by the Department, cases finalised and the demand for additional tax raised at the end of each year during 2007-08 to 2011-12 as reported by the Departments is given below:-

Sr. No.	Revenue Head	Year	No. of cases pending at the beginning of the year	Cases detected during the year	Total	No. of cases in which assessment / investigation completed and Addl. Demand including penalty etc. raised		No. of cases pending at the end of year
						Cases	Amount ₹ in crore	
1.	Taxes on vehicles	2007-08	54	128	182	--	--	182
		2008-09	182	79	261	42	0.86	219
		2009-10	219	13	232	6	48.74	226
		2010-11	226	--	226	160	32.10	66
		2011-12	66	--	66	43	6.31	23

### 5.7 Impact of Audit Reports

#### 5.7.1 Revenue impact

During the last five years, Audit had pointed out non/short levy etc. involving revenue implication of ₹ 93.79 crore in 9510 cases. Out of these, the Department/Government had accepted ₹ 13.90 crore involved in 4801 cases and recovered ₹ 7.66 crore in 395 cases. The details are shown in the following table:

(₹ in crore)

Year	Number of units audited	Amount objected		Amount accepted		Amount recovered	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
2006-07	49	585	54.75	368	0.73	88	1.33
2007-08	51	762	5.05	645	4.18	82	0.78
2008-09	84	1276	12.40	514	2.25	107	1.71
2009-10	61	901	9.56	652	0.54	52	2.73
2010-11	72	5986	12.03	2622	6.20	66	1.11
<b>Total</b>	<b>317</b>	<b>9510</b>	<b>93.79</b>	<b>4801</b>	<b>13.90</b>	<b>395</b>	<b>7.66</b>

In the context of large scale pendency of audit objections, Government may ensure holding of Audit Committee Meetings regularly for expeditious settlement of the pending paragraphs. As regards insufficient recovery against accepted cases, Department may review the cases to ensure recoveries.

### 5.8 Working of internal audit wing

Internal audit is intended to examine and evaluate the level of compliance with the rules and procedures so as to provide a reasonable assurance on the adequacy of the internal control. Effective internal audit system both in the

manual as well as computerised environments are a pre-requisite for the efficient functioning of any Department. However, no internal audit wing exists in the Department.

### **5.9 Results of audit**

Test check of the records of 26 units relating to taxes on vehicles during 2011-12 revealed irregularities involving ₹ 6.56 crore in 1894 cases, which fall under the following categories:

(₹ in crore)			
Sl. No.	Categories	No. of cases	Amount
1.	Non-short recovery of MVT	1177	5.64
2.	Other irregularities	717	0.92
<b>Total</b>		<b>1894</b>	<b>6.56</b>

During the year 2011-12, the Department accepted ₹ 4.82 crore involved in 1459 cases and recovered ₹ 1.50 crore in 40 cases pertaining to earlier years.

An illustrative case involving ₹ 1.65 crore is discussed in the succeeding paragraph.

### 5.10 Compliance audit observations on implementation of MV Act and Rules

*During the audit of Motor Vehicles Department, Audit noticed several cases of non-observance of the provisions of the Acts/Rules resulting in non/ short levy of tax, penalty and interest as mentioned in the succeeding paragraphs in this chapter. These are illustrative based on a test check carried out by audit. Audit points out such omissions repeatedly, but not only the irregularities persist, they also remain undetected till we conduct audit. The Government needs to improve the internal control system to avoid occurrence of such cases in future.*

### 5.11 Non-observance of the provisions of Acts/Rules

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

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

*Non-adherence to some of the provisions of the Acts/Rules by the registering authorities at the time of registration of vehicles are mentioned in the paragraph 5.11.1.*

#### 5.11.1 Non/short realisation of motor vehicle tax

Under Section 3 of the Punjab Motor Vehicle Taxation Act, 1924, as amended in November 2007, tax shall be levied on every motor vehicle on year to year basis which shall be payable from such date, in such manner and at such rate determined by the Government from time to time. The Government specified Motor Vehicle Tax (MVT) in respect of stage carriage big buses registered in the State of Punjab at the rate of ₹ 2.25 per kilometer (Km) per vehicle per day for the permitted Kms payable at the end of every month. Under Section 4 (1), the owner of the transport vehicle is required to make declaration in the prescribed form stating the prescribed particulars of payment of MVT. The Government under section 13(3) allowed exemption of 50 days during the year, for all stage carriage buses registered in the Punjab State only. Further, under Section 8 (4) failure to pay the tax, penalty not exceeding ₹ 5,000/- but not less than ₹ 1,000 is leviable provided that before imposing such penalty a reasonable opportunity of being heard shall be given to the person concerned. Under Section 11(1) simple interest at the rate of 1.5 per cent per month from the due date till the default continues is also leviable.

Audit noticed in 12 DTOs<sup>1</sup> from the records relating to MVT Registers and lists of permitted kilometers that in respect of 27 transport companies, motor vehicle tax (MVT) of only ₹ 1.23 crore collected against the amount of ₹ 2.70 crore worked out on the basis of permitted kilometers operated by the transport companies during the period between April 2010 and March 2011.

It was noticed that to avoid the payment of Government revenue, the transporters had not paid/short paid the due MVT. The Department had neither opened the accounts in respect of ten transport companies under the control of six DTOs<sup>2</sup> nor took any action to recover the due MVT/differential MVT by impounding the vehicles of the defaulter transporters and to levy interest and impose penalty as required under the PMVT Act. Thus, there was non/short realisation of MVT of ₹ 1.65 crore including non-levy of interest of ₹ 0.15 crore and penalty of ₹ 0.03 crore.

On being pointed out by audit, the DTO, Amritsar accepted the objection and recovered ₹ 1.25 lakh against due MVT of ₹ 2.50 lakh. The DTO Barnala also accepted the audit objection and stated that out of due MVT of ₹ 3.37 lakh in respect of one company, ₹ 2.34 lakh for the period 8/2010 to 11/2010 was non leviable. The DTO, Sangrur also accepted the objection and recovered ₹ 46.32 lakh against recoverable tax of ₹ 57.66 lakh in one case and committed to recover the balance tax. In the remaining two cases the DTO, Sangrur stated that route permit was not operative in one case and MVT was deposited by the other with DTO, Barnala which was outrightly denied by DTO Barnala. On cross verification of record from DTO Barnala, it was stated that no MVT was deposited in respect of the said transport company at Barnala. Now DTO Sangrur stated that the said transport company has been transferred to Ludhiana. Reply of the Department is not accepted because route permit issued by competent authority was neither cancelled by RTA nor surrendered by the transport company and MVT of only one transport company was deposited at DTO, Barnala. The DTOs, Faridkot and Patiala also accepted the audit objection and issued the demand notice for the recovery of due MVT. The DTO, Mansa stated that the route permit No. 869 alongwith bus in the case of one transport company was already transferred to Barnala. The reply was not accepted as the objection relates to permit No. 403 and 15/8 of the same transporter and was based on the list of permitted kilometer issued by RTA Bathinda. The objection in another case was accepted by this DTO as notice of demand was issued to the transporter. The DTO, Bathinda stated that an amount of ₹ 624353/- has been recovered from one transport company and in rest of the cases, account will be opened after verification of records and recovery will be made. DTO, Gurdaspur also accepted the objection and issued notice to the transporter for recovery of

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<sup>1</sup> Amritsar, Barnala, Bathinda, Faridkot, Ferozpur, Gurdaspur, Jalandhar, Mansa, Moga, Mukatsar, Patiala and Sangrur.

<sup>2</sup> Bathinda, Jalandhar, Mansa, Mukatsar, Patiala and Sangrur.

₹ 5.83 lakh, out of which a sum of ₹ 1.46 lakh had been recovered and the balance was stated to be recovered through instalments. Rest of the DTOs<sup>3</sup> stated that amount will be recovered by issuing demand notice. Final outcome of the cases were awaited.

Audit reported the matter to the Department and the Government whose replies were awaited.



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<sup>3</sup> Firozpur, Jalandhar, Moga and Mukatsar.