



CHAPTER – IV
TAXEX ON VEHICLES

EXECUTIVE SUMMARY

What we have highlighted in this Chapter	<p>In this Chapter, we present a paragraph on "Working of National Permit System and Bilateral Agreements Regulating Inter-state vehicular traffic including Information Technology Aspect" involving revenue implication of ₹ 2.23 crore and a few illustrative cases of ₹ 19.71 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>
Trend of receipts	<p>In 2012-13, the collection from taxes on vehicles increased by 12.83 <i>per cent</i> over the previous year which was attributed by the Department due to speedy adoption of computerisation.</p>
Status of compliance to outstanding Inspection Reports (2007-08 to 2011-12)	<p>During the period from 2007-08 to 2011-12, we had pointed out non/short levy, non/short realisation of tax, application of incorrect rate of tax etc., with revenue implication of ₹ 114 crore in 2,53,801 cases. Of these, the Department/Government had accepted audit observations in 16,676 cases involving ₹ 80.90 crore and had since recovered ₹ 12.19 crore in 5,266 cases.</p>
Status of Compliance to Inspection Reports 2012-13	<p>In 2012-13, we test checked the records of 36 units relating to taxes on motor vehicles and found under-assessment of tax and other observations involving ₹ 31.70 crore in 8,51,964 cases.</p> <p>The Department accepted under assessment and other deficiencies of ₹ 7.32 crore in 1,777 cases, which were pointed out by us during the year 2012-13. An amount of ₹ 23.75 lakh was recovered in 118 cases during the year 2012-13.</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 Principal Secretary (Transport). Issue of driving license and levy and collection of tax/fee/penalty on vehicles is administered and monitored by the Transport Commissioner (TC). He is assisted by one Additional Transport Commissioner (Enforcement), two joint Transport Commissioners (Administration/Finance), three Deputy Transport Commissioners and an internal audit wing at headquarters level. There are 10 Divisional Deputy Transport Commissioners, 10 Regional Transport Offices, (RTOs), 10 Additional Regional Transport Offices (ARTOs) and 30 District Transport Offices (DTOs) at the field level. The Additional Transport Commissioner (Enforcement) monitors the computerisation activities in the Department. 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

According to para A-15 read with para 6.6.1 of Madhya Pradesh Budget Manual (Manual), 2012 the estimates of revenue receipts should include/project the actual demand including arrears due for the past years and probability of their realisation during the year. According to Rule 192 of Madhya Pradesh Financial Code, the Finance Department is required to prepare the estimates of revenue after obtaining necessary information/data from the respective Department/Government.

Actual receipts from taxes on vehicles during the period 2008-09 to 2012-13 along with the total tax receipts during the same period are exhibited in the table no 4.1:

Table No. 4.1

(₹ in crore)

Year	Revised 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
2008-09	1,000.00	772.56	(-) 227.44	(-) 22.74	13,613.50	5.68
2009-10	900.00	919.01	(+) 19.01	(+) 2.11	17,272.77	5.32
2010-11	1,130.00	1,198.38	(+) 68.38	(+) 6.05	21,419.33	5.59
2011-12	1,285.00	1,357.12	(+) 72.12	(+) 5.61	26,973.44	5.03
2012-13	1,500.00	1,531.25	(+) 31.25	(+) 2.08	30,581.70	5.01

(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 2008-09 to 2012-13, the percentage of variation between the REs and the actual receipts ranged between (-) 22.74 per cent and (+) 6.05 per cent.

In 2012-13, the collection from taxes on vehicles increased by 12.83 per cent over the previous year which was attributed by the Department to speedy adoption of computerisation.

4.3 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 2010-11, 2011-12 and 2012-13 along with the relevant all-India average percentage of expenditure on collection for the previous year are mentioned in the table no. 4.2:

Table No. 4.2

(₹ in crore)

Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average percentage of expenditure on collection for the year
2010-11	1,198.38	32.90	2.75	3.07
2011-12	1,357.12	40.40	2.97	3.71
2012-13	1,531.25	40.07	2.62	2.96

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

We appreciate that the cost of collection had been below the all-India average.

4.4 Working of internal audit wing

The Internal Audit Wing in the Department was constituted in 1992 under the direct control of TC. The Internal Audit is being conducted under the supervision of JTC (Finance) 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.

Internal audit is a vital component of Internal Control. It is generally defined as the control of all controls to enable an organisation to assure itself that the prescribed systems are functioning reasonably well.

During the period (2009-10 to 2012-13) internal audit wing had planned audit of 236 units, out of which only 105 units were audited. The low percentage of inspection of units indicates that the Department does not have proper planning for the inspection of units and working of the IAW needs strengthening.

4.5 Impact of audit

4.5.1 Status of Compliance of Audit Reports (2007-08 to 2011-12)

In the Audit Reports 2007-08 to 2011-12, we had pointed out non/short levy, non/short realisation, application of incorrect rate of tax etc., with revenue implication of ₹ 72.86 crore in 37 paragraphs. Of these, the Department/Government had accepted audit observations in 30 paragraphs involving ₹ 51.66 crore and had since recovered ₹ 12.11 crore. The details are shown in the table no. 4.3:

Table No. 4.3

(₹ 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 31.03.13
2007-08	11	21.18	9	18.28	6	2.89
2008-09	7	20.22	7	19.79	7	3.40
2009-10	8	11.49	8	6.21	8	4.86
2010-11	7	10.49	3	4.56	3	0.79
2011-12	4	9.48	3	2.82	2	0.17
Total	37	72.86	30	51.66	26	12.11

The percentage of recovery as compared to the accepted cases has been low during the last five years as the recoveries under high value objections have not been made.

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

4.5.2 Status of Compliance of outstanding Inspection Reports (2007-08 to 2011-12)

During the period 2007-08 to 2011-12, through our Inspection Reports, we had pointed out non/short levy, non/short realisation, application of incorrect rate of tax etc., with revenue implication of ₹ 114 crore in 2,53,801 cases. Of these, the Department/Government had accepted audit observations in 16,676 cases involving ₹ 80.90 crore and had since recovered ₹ 12.19 crore (as on 31 March 2013). The details are shown in the table no. 4.4:

Table No. 4.4

(₹ 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	
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	1,949	4.86	93.64
2010-11	26	3,845	11.46	1,849	4.56	534	0.79	17.32
2011-12	17	2,31,335	13.04	642	2.88	108	0.17	5.90
Total		2,53,801	114.00	16,676	80.90	5,266	12.19	

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

4.5.3 Status of compliance to Inspection Reports (2012-13)

Test check of the records of 36 units involving total revenue of ₹ 1089.69 crore out of 51 units relating to taxes on vehicles during the year 2012-13 revealed underassessment of tax and other irregularities involving ₹ 31.70 crore in 8,51,964 cases which fall under the following categories in the table no. 4.5:

Table No. 4.5

(₹ in crore)

Sl. No.	Category	No. of cases	Amount
1.	"Working of National Permit System and Bilateral Agreements Regulating Inter-state vehicular traffic including Information Technology Aspect"	1	2.23
2.	Non/Short levy of vehicles tax and penalty on public service vehicles	1,928	12.59
3.	Non/Short levy of vehicle tax and penalty on goods vehicles	1,772	6.05
4.	Other	8,48,263	10.83
		8,51,964	31.70

During the course of the year, the Department accepted underassessment and other deficiencies of ₹ 7.32 crore in 1,777 cases, which were pointed out in audit during the year 2012-13 and reported realisation ₹ 23.75 lakh in 118 cases.

A paragraph on "Working of National Permit System and Bilateral Agreements Regulating Inter-state vehicular traffic including Information Technology Aspect" involving revenue implication of ₹ 2.23 crore and a few illustrative audit observations involving ₹ 19.71 crore highlighting important audit findings are mentioned in the following paragraphs.

4.6 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 have been pointed out in earlier Audit Reports. Reference to paragraphs included in this Report and having similar observations raised earlier is given in **Annexure-I**, but not only do these irregularities continue to persist, these remain undetected till audit is conducted. There is need for the Government to improve the internal control system so that such omissions can be avoided.

4.7 Working of National Permit System and Bi-lateral Agreements Regulating Inter-state vehicular traffic including Information Technology Aspect

4.7.1 Introduction

Inter-state Vehicular traffic of goods between States is regulated by National Permit Scheme and Bilateral Agreements under the provisions of Motor Vehicles Act, 1988 (MV Act) and the Rules made thereunder. With a view to expedite the economic development of the country, by encouraging long distance inter-State travel and transport of goods by road, the States are allowed to enter into Bilateral Agreements for vehicular traffic with other States, on reciprocal basis. The assessment and levy of taxes, fees and imposition of penalty on motor vehicles, plying on interstate routes in Madhya Pradesh is regulated by the provisions of Madhya Pradesh *Motoryan Karadhan Adhiniyam (Adhiniyam)* 1991 and the rules made thereunder.

Madhya Pradesh *Motoryan Karadhan Niyam*, 1991 rule 8(5) provides that a Motor vehicle covered with National Permit granted under sub-section (12) of section 88 of the MV Act 1988 by the Transport Authority of other States with a valid authorisation to ply in Madhya Pradesh, shall pay tax at the transport check-post at the time of entry in Madhya Pradesh. The payment shall be made in cash or through a crossed bank draft payable to the Transport Commissioner, Madhya Pradesh at Gwalior and the same shall be endorsed by the Officer in charge of the check-post in the authorisation and such endorsed authorisation shall always be carried with the goods carriage and produced for inspection on demand by any officer of the Transport Department not below the rank of an Assistant Transport Sub-Inspector. The drafts so received from different check posts/flying squads and taxation authorities in State Transport Authority (STA) on account of composite tax are to be deposited into Government account. Realisation of revenue under National Permit Schemes is watched by the STA of the State concerned, under the overall supervision and control of the Transport Department of the State Government. The types of vehicles normally covered under the scheme/agreements are stage carriages, contract carriages/tourist taxis and goods carriages.

A New national permit system introduced by Government of India, Ministry of Road Transport and Highways in May 2010 enabled the permit holders to operate throughout the country on payment of prescribed consolidated fee.

4.7.2 Audit objectives

We conducted the audit to ascertain whether:

- Adequate internal control and monitoring mechanism relating to levy/realisation of taxes/penalties in respect of vehicle plying on Bi-lateral Agreements existed and the enforcement wing has been strengthened to detect vehicles (plying on countersigned permits) without valid documents and tax liability;
- The New National Permit System implemented by the Department as per Central Motor Vehicle (Amended) Rules, 2010 and the guidelines issued by Ministry of Road Transport & Highways (May 2010) for

implementing electronic mode of grant/renew of National Permit for goods carriage have been followed; and

- Rules and procedures prescribed in the Act for issue of permits were followed.

4.7.3 Audit criteria

Audit criteria were derived from the following while conducting the audit:

- The Motor Vehicles (MV) Act, 1988;
- Central Motor Vehicle (CMV) Rules, 1989;
- Madhya Pradesh *Motoryan Karadhan Adhinyam, (Adhinyam)* 1991;
- Madhya Pradesh *Motoryan Karadhan Niyam. (Niyam)*, 1991;
- Madhya Pradesh Motor Vehicles Rules, 1994 (MPMV Rules) and notifications/instructions issued thereunder; and
- Central Motor Vehicles (Amendment) Rule 2010 notified on May 2010 by Ministry of Road Transport and Highways.

4.7.4 Scope of Audit and Methodology

For the study of the subject, we test checked the records between May 2013 and July 2013 for the year 2008-09 to 2012-13 in six¹ units out of 20 units selected in Audit Plan 2013-14 which were selected by way of random sampling. An entry conference was held on 21 June 2013 to discuss the objectives, scope and methodology of audit. The Department was represented by the Transport Commissioner and other executives. An exit conference with Additional Transport Commissioner was held on 29 October 2013 and the replies have been appropriately incorporated in the paragraphs.

4.7.5 Acknowledgement

The Indian Audit and Accounts Department acknowledges the co-operation of the Transport Department in providing necessary information and records to audit.

¹ RTO-Indore, Jabalpur, Gwalior, Morena, ARTO-Dhar and Guna

Audit findings:

System deficiencies:

4.7.6 Lack of monitoring and co-ordination between the Transport Commissioner Office and unit offices in collection of tax in respect of Public Service Vehicles (PSVs²) of other States in Madhya Pradesh plying on Bi-lateral Agreements

Section 88(1) of the Motor Vehicles Act, 1988 (iv of 1988), provides that a permit shall be countersigned in accordance with the terms and conditions of the Bilateral Agreement concluded between the states. Further, section 69(2) of the MV Act 1988 specifies that vehicle owner shall apply for the countersignature of the permit to the State Transport Authority (STA) of that region along with the required documents. After, countersigning the permit, the STA has to direct the vehicle owner to pay tax in a specified destination (RTO/ARTO/DTOs) in future and to report the matter to the taxation authority (TA) of that destination to ensure collection of tax.

We examined the documents³ for the period (2008-09 to 2012-13) (June 2013) furnished by State Transport Authority (STA) in the Transport Commissioner office relating to payment of tax in respect of PSVs of other States plying in Madhya Pradesh on Bi-lateral Agreements. We found that STA had directed the taxation authorities i.e. RTO (Jabalpur, Morena) and ARTO (Guna) to ensure collection of taxes in respect of 13 vehicles plying on bilateral

agreement, but on cross verification in these three field offices⁴, it was observed that neither of these 13 vehicles owners were paying tax in these offices nor any record in respect of these vehicles was maintained. It clearly indicates lack of monitoring and co-ordination between transport commissioner office and field offices and failure of TC office to pursue the matter with the field offices.

The Department during exit conference agreed to the audit observation and assured that adoption of new software System Requirement Specification (SRS) would enable creation of database of tax payment by vehicle owners of other states and database under consideration/development /implementation and adoption of new SRS would ensure control over dues collection at district level.

Till such time the new software is put in operation, the Government may consider prescribing a mechanism for consolidating the centrally available data regarding plying of traffic under bilateral arrangements

Payment of tax on Public Service Vehicles plying on bilateral agreements could not be ensured due to lack of monitoring and co-ordination by Transport Commissioner Office and field offices.

² Public Service Vehicles (Commercial vehicles)

³ List/Registers and case files of countersigned permits

⁴ RTO Jabalpur, Morena and ARTO Guna

and effective coordination between the concerned units to avoid leakage of tax revenue.

4.7.7 Realisation of Bank Drafts collected by check posts

According to Rule 7(1) of Madhya Pradesh Treasury Code and instructions issued by Transport Commissioner (March 2000), bank drafts received by the taxation authorities/ check posts on account of composite tax are to be sent to the STA for depositing into Government account. STA is required to maintain a register in the prescribed form depicting the full particulars of bank drafts received from check posts/ flying squad and taxation authorities. The STA shall further examine all the bank drafts so received are regularly and promptly realised and duly credited in Government Account.

During test check in the office of Transport Commissioner, it was observed that STA wing had not complied with the Transport Commissioner's instructions (March 2000) in which STA was required to maintain bank draft register in the prescribed form depicting the full particulars of the bank draft received.

We further noticed from challan registers of STA wing for the period from 2008-09 to 2009-10 (prior

to introduction of New National Permits Scheme in May 2010) that drafts collected towards payment of composite tax by taxation authorities/check posts were shown remitted into the banks. During verification of the realisation of the drafts remitted with the treasury records, we found that drafts valued at ₹ 1.38 crore reported as remitted into the banks were not actually credited into the government account.

Had the Department undertaken reconciliation of the deposits into bank with actual credit given by banks, corrective action to realise the Government revenue could have been initiated.

The Department during exit conference agreed with the audit observation and stated that sufficient care would be taken during development of new software to ensure accounting and matching of demand drafts received at entry points for submission to banks for collection and also assured that MIS report would be generated by the computer to review drafts not deposited/credited to the Government Account.

Non-reconciliation of deposits into bank on account of composite tax by the Department resulted in non-realisation of ₹ 1.38 crore

4.7.8 Short-realisation of consolidated fee for grant of authorisation of National Permits and non-compliance of orders of Government of India, Ministry of Road Transport and Highways

Government of India, Ministry of Road Transport & Highways through notification dated 7 May 2010 introduced a New National Permit System. Electronic system of grant of national permit was developed in consultation with an NIC and implemented with effect from 15 September 2010 in the state. The new system enabled the permit holders to operate throughout the country on payment of ₹ 15000 towards consolidation fee, which was enhanced to ₹ 16500 per annum per vehicle w.e.f. 1 April 2012 and a consolidated report on number of National Permits issued and payment of consolidated fee was to be sent to Ministry by 5th of succeeding month by the Transport Commissioner which would facilitate early distribution of funds to the States.

As per Government of India Ministry of Road Transport and Highways notification dated 7 May 2010 relating to implementation of a new National Permit System, permit was to be given to vehicle owners on payment of ₹ 15,000. The fee was enhanced to ₹ 16,500 from 1 April 2012. The new system enabled the permit holder to operate throughout the country.

(i) We scrutinised (June 2013) the national permit registers, authorisation registers and computer database available in five offices⁵ and found that the consolidated fee for authorisation of National Permits in respect of 391 vehicles/cases during the period April 1 to April 26, 2012 was realised short due to application of the pre revised rate of ₹ 15,000 instead of the

applicable rate of ₹ 16,500. This resulted in short realisation of ₹ 5.87 lakh.

The Department during exit conference agreed to the audit observation and assured to recover the short consolidated fee.

(ii) We further noticed (July 2013) that the Department did not comply with the guidelines issued by the Ministry relating to sending of Monthly report on number of National Permits issued, payment of consolidated fee to the Ministry of Road Transport and Highways by 5th of the succeeding month.

The Department during exit conference stated that monthly returns were sent by the private agency entrusted with the responsibility of issuing permit. The reply is not in conformity with the guidelines issued by the Ministry of Road Transport and Highways (May 2010), under which the Department was required to send monthly consolidated report on number of national permits issued, payment of consolidated fee etc., to the Ministry by 5th of the succeeding month.

Failure of Department to update the software, resulted in short realisation of consolidated fees in 391 cases.

Non-compliance of guidelines relating submission of monthly report to the Ministry.

⁵ RTO – Gwalior, Indore, Jabalpur, Morena and ARTO - Guna

Compliance deficiencies:**4.7.9 Non levy of tax and penalty in respect of goods vehicles plying on National Permits**

According to the provisions of Madhya Pradesh *Motoryan Karadhan Adhiniyam (Adhiniyam)*, 1991, a tax shall be levied on every vehicle used or kept for use in the State at the quarterly rates for use in the State as specified in the first schedule of the *Adhiniyam*. If the owner of the vehicle defaults in making payment of advance quarterly 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.

We examined (June 2013) National Permit/authorisation register, vehicle surrender register, NOC issuance register and computer database in five offices⁶ where such registers were maintained. We observed that vehicle tax amounting to ₹ 40.75 lakh in respect of 145 cases, out of 437 vehicles test checked, for the period between April 2009 and March 2013 was neither paid by vehicle owners nor

Non-pursuance by the Department in recovering outstanding dues resulted in non realisation of revenue in 145 cases.

any action was taken by the Taxation Authorities (TA) to recover the unpaid tax. Besides, penalty of ₹ 28.03 lakh though leviable, was not levied. This resulted in non realisation of Government revenue of ₹ 68.78 lakh. The Department did not maintain Demand and Recovery Register which led to non-pursuance in recovery of outstanding dues. The Taxation Authorities also had not issued the demand notices as per Section (15)(1) of the *Adhiniyam*.

The Department during exit conference stated (October 2013) that short recovery of tax was leviable only for remaining quarters of a particular financial year and not for entire permit period of five years as recovery is ensured before renewal of authorisation every year. It was further stated that in cases where renewal was not sought despite continuation of permit the tax default might not arise due to non-plying of vehicle.

The reply is not in conformity with the provisions of MP *Motoryan Karadhan Adhiniyam* 1991, which clearly provides payment of advance quarterly tax in respect of goods vehicles plying on National Permit. The Department justified its failure in recovery of tax due on the plea that the vehicle owners might not be plying their vehicle even though they had permit without providing any evidence in support of its reply. As tax was recoverable against permits even if renewal of annual authorisation was not sought by the vehicle owners, the Department should have taken action to recover the tax due.

⁶ RTO – Gwalior, Indore, Jabalpur, Morena and ARTO - Guna

4.7.10 Non levy of vehicle tax and penalty on goods carriages of other states plying on Bi-lateral agreement in Madhya Pradesh

According to the provisions of the *Adhiniyam* 1991, a tax shall be levied on every goods carriage of other states plying in the state of Madhya Pradesh under bilateral agreement at the rate of 85 *per cent* of the rate specified in the *Adhiniyam*. If the tax due has not been paid to the designated authority, the owner shall be liable to pay a 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. Further, according to section 8 of the *Adhiniyam* vehicle owner is required to submit a declaration form in support of their payment of tax.

During examination of demand and collection register and information furnished by RTO Gwalior, we noticed that vehicle tax of ₹ 70 lakh was neither paid by the vehicle owners nor was recovered by TA in respect of 178 goods vehicles plying on bilateral agreements pertaining to four states⁷ between October 2008 and March 2013. Besides, penalty of

Department did not recover vehicle tax on goods carriages plying in Madhya Pradesh on bi-lateral agreements in 178 cases.

₹ 78.26 lakh was also leviable. This resulted in non recovery of tax ₹ 148.26 lakh including penalty.

The Department during exit conference (October 2013) agreed to the audit observation and assured to propose to the Government to develop a system to obtain a one time tax.

4.7.11 Conclusion

Lack of co-ordination between STA and the unit offices was noticed resulting in non-payment of taxes relating to vehicles plying on Bi-lateral Agreements. Instances of non-maintenance of demand and recovery register led to non-pursuance in recovery of outstanding taxes on vehicles plying on Bi-lateral Agreement were also noticed. The Department failed to verify the realisation of bank draft collected from vehicle owners with treasury record. The Government did not follow the guidelines issued by Ministry of Road Transport and Highways (May 2010) regarding submission of monthly consolidated report on number of National Permits issued, payment of consolidated fee to the Ministry by 5th of succeeding month to facilitate the timely distribution of funds.

⁷ Delhi, Haryana, Rajasthan and Uttar Pradesh

4.8 Non realisation of tax and penalty on vehicles

According to the Section 3(1) of 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/she shall be liable to pay penalty at the rate of four *per cent* per month as per Section 13 on the unpaid amount of tax which shall not be more than twice the amount of tax. Further, according to Section 22 of the *Adhiniyam* and Rules there under, 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. Further, the Transport Commissioner instructed to all RTOs/DTOs vide circular no. 10/12 dated 15.12.1992 that a RTO/DTO must inspect his office twice in a year.

4.8.1 We scrutinised (between March 2012 and February 2013) the records⁸ and found that tax amounting to ₹ 7.52 crore was not paid by the vehicle owners in respect of 2,487 vehicles out of 24,756 vehicles test checked, for the period between June 2005 and March 2012. 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 ₹ 5.31 crore though

leviable was not levied. We also observed that demand and collection registers were not maintained/updated in nine offices⁹. The inspection of all offices except Ujjain (2010-11) was conducted by the TAs, but the omission was not detected by them which indicated that the inspection was ineffective. This resulted in non-realisation of Government revenue of ₹ 12.83 crore as mentioned in the table no. 4.6:

⁸ Demand and collection register, NOC issuance register, vehicle surrender register, permit surrender register, as well as computerised database

⁹ RTO – Hoshangabad, Jabalpur, Morena, Rewa, Ujjain, ARTO – Guna, DTO - Bhind, Dewas and Sehore

Table No. 4.6

(₹ in crore)

Sl. No.	No. of offices	Category of vehicles No. of vehicles	Period involved	Tax not paid	Penalty leviable	Total
1	27 ¹⁰	Goods vehicles 1,144	4/06 to 3/12	2.43	1.76	4.19
2	26 ¹¹	Public service vehicles kept as reserve 520	2/06 to 3/12	2.48	1.43	3.91
3	18 ¹²	Public service vehicles plying on regular stage carriage permits 173	6/05 to 3/12	1.31	1.16	2.47
4	25 ¹³	Maxicab/Taxicab 650	4/08 to 3/12	1.30	0.96	2.26
	Total	2,487		7.52	5.31	12.83

After we pointed out the cases (between March 2012 and February 2013), seven TA¹⁴ stated (between September 2012 and May 2013) that an amount of ₹ 19.27 lakh had been recovered in 75 cases and demand notices had been issued to the defaulters in 478 cases.

4.8.2 We scrutinised (between December 2011 and September 2012) the records¹⁵ in seven District/Regional Transport offices¹⁶ and found that vehicle tax in respect of 93 motor vehicles out of 988 vehicles test checked, was paid by the owners during the period between December 2006 and March 2012 after delays ranging from one to 30 months. However, penalty was neither paid by the owners along with tax, nor was it demanded by the TAs. Further, we observed that demand and collection registers were not maintained/updated by the RTO-Rewa. The inspection of all offices was conducted by the TAs, but the omission was not detected by them which indicated that the inspection was ineffective. This resulted in non-realisation of penalty of ₹ 10.42 lakh.

¹⁰ Regional Transport Officer (RTO) - Hoshangabad, Jabalpur, Morena, Rewa, Shahdol and Ujjain (2), Additional Regional Transport Officer (ARTO) – Chhindwara, Dhar, Guna, Katni, Khandwa, Khargone, Mandsaur and Seoni and District Transport Officer (DTO) – Bhind, Dewas, Panna, Raisen, Rajgarh, Sehore, Shajapur, Sheopur, Shivpuri, Sidhi, Tikamgarh, Umaria, and Vidisha.

¹¹ RTO - Hoshangabad, Jabalpur, Morena, Rewa, Shahdol and Ujjain, ARTO – Chhindwara, Dhar, Guna, Katni, Khandwa, Khargone, Mandsaur and Seoni and DTO – Bhind, Dewas, Panna, Raisen, Rajgarh, Sehore, Shajapur, Sheopur, Shivpuri, Sidhi, Umaria, and Vidisha.

¹² RTO - Hoshangabad, Jabalpur, Morena, Rewa, Shahdol and Ujjain (2), ARTO – Guna, Katni, Khargone and Mandsaur and DTO – Bhind, Dewas, Panna, Raisen, Rajgarh, Shajapur, Sheopur and Shivpuri

¹³ RTO – Bhopal, Hoshangabad, Jabalpur, Morena, Shahdol and Ujjain (2), ARTO – Chhindwara, Dhar, Guna, Katni, Khandwa, Khargone, Mandsaur and Seoni and DTO – Bhind, Dewas, Panna, Raisen, Rajgarh, Sehore, Shajapur, Shivpuri, Sidhi, Tikamgarh and Vidisha.

¹⁴ RTO – Morena, Rewa ARTO – Chhindwara, Guna, Khargone, DTO – Sehore and Vidisha.

¹⁵ Demand and collection register, NOC issuance register, as well computerised database

¹⁶ RTO - Rewa, Shahdol, ARTO-Chhatarpur, DTO-Narsinghpur, Raisen, Sheopur, and Shivpuri

After we pointed out (between December 2011 and September 2012), the TA, Chhatarpur stated (March 2012) that an amount of ₹ 15,138 had been recovered in six cases and demand notices had been issued in three cases and three TAs¹⁷ stated (between December 2011 and April 2012) that demand notices were being issued/recovery would be intimated/action for recovery was in progress.

We reported the matter to the Government and the Department in June 2013; their replies have not been received (January 2014).

4.9 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 rates 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 scrutinised (between March 2012 and February 2013) the records¹⁸ in 22 District/Regional Transport offices¹⁹ and found that tax in respect of 331 motor vehicles out of 3,842 vehicles test checked, for the period between July 2007 and March 2012 was paid short by the vehicle owners due to application of incorrect rate of tax.

Further, we observed that demand and collection registers were not maintained/updated by seven TAs²⁰. The inspection of all offices except Ujjain (2010-11) was conducted by the TAs, but the omission was not detected by them which indicated that the inspection was ineffective. This resulted in short realisation of tax of ₹ 37.37 lakh. Besides, penalty of ₹ 29.90 lakh leviable on the unpaid amount of tax was also not levied.

After we pointed out the cases (between March 2012 and February 2013), three TAs²¹ stated (between September and May 2013) that an amount of ₹ 95,106 had been recovered in 29 cases and demand notices have been issued in 15 cases whereas nine TAs²² stated (between March and August 2012) that action for recovery would be intimated/effort for recovery was in progress.

We reported the matter to the Government and the Department in June 2013; their replies have not been received (January 2014).

¹⁷ DTO-Narsinghpur, Raisen and Shecopur

¹⁸ Demand and collection register, NOC issuance register, permit surrender register, vehicle surrender register, as well as computerised database

¹⁹ RTO-Hoshangabad, Jabalpur, Rewa, Shahdol and Ujjain, ARTO - Dhar, Katni, Khargone, Mandsaur, Seoni, DTO-Dewas, Panna, Raisen, Rajgarh, Sehore, Shajapur, Sheopur, Shivpuri, Sidhi, Tikamgarh, Umaria and Vidisha

²⁰ RTO-Hoshangabad, Jabalpur, Rewa, and Ujjain, DTO-Dewas, Sehore, Tikamgarh,

²¹ ARTO-Khargone, DTO-Sehore and Vidisha.

²² RTO-Rewa, Shahdol, ARTO-Katni, Seoni, DTO-Panna, Raisen, Shajapur, Shecopur and Sidhi.

4.10 Non realisation of tax and penalty on Earthmover/Harvester

According to notification dated 28 December 2007, rates of motor vehicles i.e. Crane, Loader, Earthmover, Harvester etc., tax were amended according to their unladen weight i.e. up to 7000 kg – ₹ 3700 per quarter and thereafter for each 1000 kg or part thereof ₹ 500 per quarter. 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 scrutinised (between March 2012 and February 2013) the records²³ in 19 District/Regional Transport offices²⁴ and found that tax in respect of 370 vehicles (harvester, earthmover, crane etc.) out of 2,455 vehicles test checked, for the period between April 2009 and March 2012 was not paid by the vehicle owners. Inspection of all the offices

was conducted by the TAs, but the omission was not detected by them which indicated that the inspection was ineffective. This resulted non-realisation of tax of ₹ 77.69 lakh. Besides, penalty of ₹ 47.48 lakh leviable on the unpaid amount of tax was also not levied. Further, we observed that demand and collection registers were not maintained/ updated by seven offices²⁵.

After we pointed out the cases (between May 2012 and February 2013), six TAs²⁶ stated (between September and May 2013) that an amount of ₹ 2.63 lakh had been recovered in six cases and demand notices have been issued in 109 cases to the defaulters whereas six TAs²⁷ stated (between June and November 2012) that recovery would be intimated to audit/effort was in progress to recover the amount.

We reported the matter to the Government and the Department in June 2013; their replies have not been received (January 2014).

²³ Demand and collection register, NOC issuance register, as well as computerised database

²⁴ RTO - Hoshangabad, Jabalpur, Morena, Rewa, Shahdol and Ujjain, ARTO - Chhindwara, Dhar, Katni, Khandwa, Khargone, Mandsaur and Seoni, DTO - Bhind, Rajgarh, Sehore, Shivpuri, Sidhi and Vidisha

²⁵ RTO-Hoshangabad, Jabalpur, Morena, Rewa, Ujjain, DTO – Bhind and Sehore

²⁶ RTO – Morena, Rewa, ARTO - Chhindwara, Khargone, DTO - Sehore and Vidisha

²⁷ RTO - Jabalpur, Shahdol, ARTO - Katni, Seoni, DTO - Bhind and Sidhi

4.11 Non/short realisation of trade fee

According to Rule 34 of the Central Motor Vehicles (CMV) Rules, 1989, an application for grant or renewal of a trade certificate shall be made by the dealer in form 16 and shall be accompanied by the appropriate fee (for motorcycle ₹ 50 and for others ₹ 200 per vehicle) as specified in Rule 81 *ibid*. The fee is chargeable for each vehicle sold by the dealer. Further, the Transport Commissioner issued an order dated: 27.01.2012 to recover trade fee as per rule.

We scrutinised (between March 2012 and January 2013) the trade fee register and returns submitted by the dealer (wherever available) and from information furnished by the TAs in 17 District/Regional Transport Offices²⁸ that 5,12,491 vehicles were registered under different categories between April 2008 and March 2012. 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 recovered the correct amount on account of trade fee. This resulted in non/short realisation of revenue of ₹ 3.95 crore.

After we pointed out the cases (between March 2012 and January 2013), the TA, Seoni stated (June 2012) that trade tax is collected from the dealers under section 4 of *Adhiniyam* as per rates specified in the Third Schedule. The reply does not address the issue of non-recovery of trade fee prescribed under the CMV Rules, 1989 whereas 11 TAs²⁹ stated (between May 2012 and January 2013) that action would be taken after getting instruction from headquarters. We do not agree as the Transport Commissioner had issued an order that the trade fee would be recovered according to CMV Rules, 1989.

We reported the matter to the Government and the Department in June 2013; their replies have not been received (January 2014).

²⁸ RTO - Hoshangabad, Jabalpur, Morena, Shahdol and Ujjain(2), ARTO -Chhindwara, Guna, Katni, Khargone, Mandsaur and Seoni, DTO - Raisen, Rajgarh, Sehore, Sidhi, Tikamgarh and Vidisha

²⁹ RTO - Hoshangabad, Jabalpur, Ujjain, ARTO - Chhindwara, Guna, Katni, Khargone DTO - Rajgarh, Sehore, Sidhi and Vidisha

4.12 Short realisation of composition fees from goods vehicles carrying excess load

According to section 194 of the MV Act, 1988 the composition fees for carrying excess load by goods vehicles shall be a minimum of ₹ 2,000 and an additional amount of ₹ 1,000 for first tonne and thereafter ₹ 500 for per tonne or part thereof for excess load.

We scrutinised (between November 2012 and March 2013) the offence register with MPTC-6³⁰ in seven border check posts³¹ for the period between April 2007 and March 2012 and found that 2014 goods vehicles had carried excess load from one to 51 tonne

beyond the registered laden weight (RLW). The Officer-In-Charge (OIC) only levied and recovered composition fee of ₹ 29.68 lakh as against the recoverable fee of ₹ 69.96 lakh from vehicle owners. This resulted short-realisation of composition fee of ₹ 40.28 lakh.

After we pointed out the cases (between November 2012 and March 2013), five OIC³² stated (between November 2012 and March 2013) that recovery would be made according to MV Act in future. Whereas OIC Malthon stated (March 2013) that provision of punishment lies in section 194(1) of the MV Act, 1988 which was beyond its jurisdiction and vests with the Honorable Court. OIC Badwani stated (March 2013) that composition fee has been recovered as per rule. Both replies are not acceptable as MV Act, 1988 prescribes the rates at which composition fee is to be levied by the TAs.

We reported the matter to the Government and the Department in June 2013; their replies have not been received (January 2014).

4.13 Non realisation of 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 rate prescribed in the First Schedule of the *Adhiniyam*. 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 scrutinised (between March and December 2012) the records³³ in RTO, Jabalpur and DTO, Dewas and found that six operators did not pay vehicle tax in respect of nine public service vehicles out of 27 vehicles test checked,

plying on all India tourist permits for the period between July 2008 and March 2012. These vehicles were not declared off road and the said permits were also

³⁰ Madhya Pradesh Treasury Code - 6

³¹ Kaimaha, Majhgwa (Satna), Malthon (Sagar), Morena, Paharibandha, Sanjay Nagar (Chhatarpur) and Sendhwa (Badwani)

³² Kaimaha (Chhatarpur), Majhgwa (Satna), Morena, Paharibandha and Sanjay Nagar (Chhatarpur)

³³ Demand and collection register, NOC issuance register, vehicle surrender register, permit surrender, as well computerised database

not surrendered by the vehicle owners. The inspection of these offices was conducted by the TAs, but the omission was not detected by them which indicated that the inspection was ineffective. This resulted in non-realisation of tax of ₹ 17.37 lakh. Besides, penalty of ₹ 8.47 lakh was also leviable.

After we pointed out the cases (between March and December 2012), the TA, Jabalpur stated (December 2012) that an amount of ₹ 75,200 (only tax penalty due) had been deposited in two cases at the instance of audit.

We reported the matter to the Government and the Department in June 2013; their replies have not been received (January 2014).

4.14 Short realisation due to wrong assessment of seating capacity of sleeper/deluxe 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 rates specified in the First Schedule. If the tax due has not been paid within the prescribed period, penalty is also leviable at the rate of four *per cent* specified under Section 13 of the *Adhiniyam* *ibid*.

We scrutinised (December 2012) the registration records in RTO, Jabalpur and found that the seating capacity of three deluxe/sleeper vehicles (RTO Jabalpur, ARTO, Seoni and DTO, Narsinghpur) were registered as 35 and 36 excluding driver. Cross checking with records (*Panchnama*) of inspection

wing, the same vehicles seating capacity was found between 43 and 50. Irregular registration of seating capacity of these vehicles resulted in short realisation of revenue of ₹ 11.52 lakh. Besides, penalty of ₹ 12.73 lakh was also leviable.

After we pointed out the cases, the TA, Jabalpur stated (December 2012) that recovery would be made and intimated whereas reply is still awaited from other TAs (January 2014).

We reported the matter to the Government and the Department in June 2013; their replies have not been received (January 2014).