

## CHAPTER V EXECUTIVE SUMMARY

**Trend of receipts in respect of Taxes on Vehicles** The revenue collection under motor vehicle tax increased by 126.44 *per cent* in 2012-13 as compared to 2008-09.

**Trend of receipts in respect of State Excise** The revenue collection under State Excise increased by 110 *per cent* in 2012-13 as compared to 2008-09.

**Revenue impact of Audit Reports in respect of Taxes on Vehicles** During the last five years, 2007-08 to 2011-12, we had pointed out cases of under-assessments, loss of revenue, non/short levy/ recovery and other irregularities with revenue implication of ₹ 11.05 crore in 6,153 cases. Of these, the Department had accepted audit observations in 5,529 cases involving ₹ 8.95 crore and had recovered ₹ 1.80 crore in 1,325 cases.

**Revenue impact of Audit Reports in respect of State Excise** During the last five years, 2007-08 to 2011-12, we had pointed out cases of under-assessments, loss of revenue, non/short levy/ recovery and other irregularities with revenue implication of ₹ 100.94 crore in 884 cases. Of these, the Department had accepted audit observations in 740 cases involving ₹ 35.51 crore and had recovered ₹ 0.99 crore in 280 cases.

**Results of audit in respect of Taxes on Vehicles** We reported under assessments, non/short levy, non-recovery, etc. of revenue and other similar cases amounting to ₹ 45.23 crore in 2,909 cases on the basis of test check of the records of the motor vehicle Department conducted during the year 2012-13.

During the year 2012-13 as well as during earlier years, the Department accepted underassessments, short levy etc. and recovered ₹ 1.01 crore in 730 cases out of which 114 cases involving ₹ 14.53 lakh were pointed out during 2012-13 and the rest in earlier years.

**Results of audit in respect of State Excise** We reported under assessments, non/short levy, non-recovery, etc. of revenue and other similar cases amounting to ₹ 3.56 crore in 240 cases on the basis of test check of the records of the State Excise Department conducted during the year 2012-13.

During the year 2012-13 as well as during earlier years, the Department accepted under assessments, short levy, etc. and recovered ₹ 4.56 crore in 208

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	cases out of which 61 cases involving ₹ 16.66 lakh were pointed out during 2012-13 and the rest in earlier years.
<b>What we have highlighted in this Chapter</b>	<p>Motor vehicle tax amounting to ₹ 1.72 crore was not recovered from 1,033 transport vehicle owners.</p> <p style="text-align: right;"><b>(Paragraph 5.3.1)</b></p> <p>Motor vehicle tax was not recovered in cash in 148 cases of dishonoured cheques which resulted in non-realisation of revenue amounting to ₹ 53.29 lakh.</p> <p style="text-align: right;"><b>(Paragraph 5.3.4)</b></p> <p>Misappropriation of ₹ 1.60 lakh was noticed by audit and in the light of the audit observation, the Department verified the accounts and found misappropriation of ₹ 12.56 lakh.</p> <p style="text-align: right;"><b>(Paragraph 5.3.5)</b></p>

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## CHAPTER V TAXES ON VEHICLES AND STATE EXCISE

### SECTION A – TAXES ON VEHICLES

#### 5.1 Introduction

##### 5.1.1 Tax administration

Levy and collection of taxes and other receipts under the Motor Vehicles sector are regulated by the Central Motor Vehicles Act, 1988, the Bombay Motor Vehicle Tax Act, 1958, and the Bombay Motor Vehicles Transportation of Passengers Act, 1958, and the Rules made thereunder. These Acts and Rules are implemented by the Transport Commissioner under the overall control of the Principal Secretary (Transport) to the Government in Home Department, assisted by an Additional Commissioner, a Joint Commissioner, Deputy Commissioners and Regional and Deputy Transport Officers. The motor vehicles receipts mainly comprise of taxes on motor vehicles and taxes on goods and passengers.

##### 5.1.2 Trend of receipts

The actual receipts from motor vehicle tax, etc., during the years 2008-09 to 2012-13 and the total tax receipts of the State during the same period are exhibited in the following table:

(₹ in crore)

Year	Budget estimates <sup>1</sup>	Actual receipts <sup>1</sup>	Variation excess (+)/shortfall (-)	Percentage of variation	Total tax receipts of the State	Percentage of actual receipts vis-à-vis total tax receipts
2008-09	2,426.18	2,220.22	(-) 205.96	(-) 8.49	52,029.94	4.27
2009-10	2,600.00	2,682.30	(+) 82.30	(+) 3.17	59,106.33	4.54
2010-11	2,860.00	3,532.90	(+) 672.90	(+) 23.53	75,027.09	4.70
2011-12	4,000.00	4,137.42	(+)137.42	(+)3.44	87,608.46	4.72
2012-13	4,200.00	5,027.42	(+)827.42	(+)19.70	1,03,448.52	4.86

As can be seen from the above table, the revenue collection from motor vehicles increased by 126.44 *per cent* in 2012-13 as compared to 2008-09. The increase was mainly due to increase in receipts under State Motor Vehicles Taxation Acts.

##### 5.1.3 Cost of collection

The gross collection in respect of motor vehicle tax receipts, the expenditure incurred on their collection and the percentage of such expenditure to the gross

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<sup>1</sup> Source: Finance Accounts

collection during the years 2010-11 to 2012-13 along with the relevant all India average percentage of expenditure on collection to gross collection for the corresponding preceding years are mentioned in the following table:

(₹ in crore)

Year	Gross collection	Expenditure on collection <sup>2</sup>	Percentage of expenditure to gross collection	All India average percentage for the corresponding preceding years
2010-11	3,532.90	90.62	2.56	3.07
2011-12	4,137.42	92.22	2.28	3.71
2012-13	5,027.42	105.76	2.13	2.96

As can be seen from the above table, the overall cost of collection of taxes on motor vehicles for the year 2010-11 to 2012-13 is lower than the all India average for the corresponding preceding years.

#### 5.1.4 Impact of Audit Reports

##### Revenue impact

During the last five years i.e. 2007-08 to 2011-12 we had pointed out under-assessments, loss of revenue, non/short levy/recovery and other irregularities with revenue implication of ₹ 11.05 crore in 6,153 cases. Of these, the Department had accepted audit observations in 5,529 cases involving ₹ 8.95 crore and had recovered ₹ 1.80 crore in 1,325 cases. The details are shown in the following table:

(₹ in crore)

Year	Amount objected		Amount accepted		Amount recovered	
	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
2007-08	633	0.91	633	0.91	200	0.16
2008-09	1,080	1.47	1,080	1.47	335	0.33
2009-10	3,196	4.50	2,703	4.15	329	0.67
2010-11	765	3.25	635	1.61	231	0.30
2011-12	479	0.92	478	0.81	230	0.34
<b>Total</b>	<b>6,153</b>	<b>11.05</b>	<b>5,529</b>	<b>8.95</b>	<b>1,325</b>	<b>1.80</b>

As seen from the above table, the recovery position is low, as the recovery made towards accepted cases was only 20 per cent.

**The Government may consider issuing instructions to the Department to recover the amount involved in accepted cases on priority basis.**

<sup>2</sup> Source: Information furnished by the Department.

### 5.1.5 Results of audit

We reported underassessments, non/short levy, non-recovery, etc. of revenue and other similar cases amounting to ₹ 45.23 crore in 2,909 cases as shown below, on the basis of test check of the records of taxes on motor vehicles conducted during the year 2012-13:

(₹ in crore)

Sl. no.	Category	No. of cases	Amount
1	Non/short levy of tax due to application of incorrect rates	2,114	41.62
2	Short levy of tax due to incorrect exemption/classification	67	0.71
3	Excess refund/miscellaneous	728	2.90
<b>Total</b>		<b>2,909</b>	<b>45.23</b>

In response to our observations in the local audit reports during the year 2012-13 as well as during earlier years, the Department concerned accepted the underassessments, short levy, etc. and recovered ₹ 1.01 crore in 730 cases, out of which 114 cases involving ₹ 14.53 lakh were pointed out during the year 2012-13 and the rest during the earlier years.

A few audit observations involving ₹ 2.72 crore are included in the succeeding paragraphs.

## **5.2 Audit observations**

*Scrutiny of the records of Regional Transport Offices (RTOs)/Dy. Regional Transport Offices (Dy. RTOs) revealed several cases of non-observance of provisions of the Bombay Motor Vehicles Tax Act, 1958, as mentioned in the succeeding paragraphs of this chapter. These cases are illustrative and are based on a test check carried out in audit. Such omissions are pointed out in audit every year, but not only the irregularities do persist; these remain undetected till an audit is conducted. There is need for the Government to improve the internal control system so that recurrence of such instances can be avoided.*

## **5.3 Non-observance of the provisions of the Acts/Rules**

*The Bombay Motor Vehicles Tax Act, 1958, (BMVT Act) provides for levy and collection of tax on motor vehicles. The vehicle registering authorities did not observe the provisions prescribed in the Acts, Rules, etc., and also the procedure for maintenance of vehicle records in cases as mentioned in the following paragraphs 5.3.1 to 5.3.5.*

### **5.3.1 Non-recovery of Motor Vehicle Tax (MVT)**

#### **Eight<sup>3</sup> RTOs, 15<sup>4</sup> Dy. RTOs**

Under Section 4 of the BMVT Act, and the rules made thereunder, tax at the prescribed rate is payable on all vehicles used or kept for use in the State, as per their registered laden weight (RLW) or seating capacity. The details of recoveries to be made from the vehicle owners, issue of demand notices, etc., is maintained in the cash balance review register (CBRR).

During scrutiny of the CBRR of above offices between December 2008 and December 2012, we noticed that MVT amounting to ₹ 1.72 crore in respect of Transport Series vehicles was not

recovered from 1,033 transport vehicle owners for periods ranging from three to 33 months between February 2006 and February 2013. Action was taken by the Department only in July 2013 by handing over the list of defaulters to the flying squad in one office whereas in other offices, it was stated (July 2013) that the cases are being pursued by concerned Inspectors of the Motor Vehicle Department. This resulted in non-realisation of MVT of ₹ 1.72 crore. Further, interest at the prescribed rate was also leviable.

After we pointed out these cases the Department accepted the observations and communicated recovery of ₹ 34.67 lakh from 279 vehicle owners between January 2009 and April 2013. Report on recovery of the balance amount is awaited.

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<sup>3</sup> RTOs: Andheri, Aurangabad, Dhule, Kolhapur, Latur, Nanded, Parbhani and Pune.

<sup>4</sup> Dy. RTOs: Ahmednagar, Ambejogai, Akluj, Baramati, Hingoli, Jalgaon, Kalyan, Nandurbar, Osmanabad, Pimpri-Chinchwad, Ratnagiri, Satara, Shirampur, Solapur and Vashi.

We reported the matter to the Government in May and June 2013; their reply is awaited (January 2014).

### 5.3.2 Short-levy of One Time Tax (OTT) on imported vehicles

#### RTO Kolhapur and Dy. RTO Baramati, Pune

As per the provisions of BMV Tax Act, 1958, the rates of OTT leviable on motor car imported into India and used or kept for use in the State is leviable at twice the rate applicable for domestic vehicles.

During test check of Form 20 and data available on computerized application system i.e. VAHAN (software which deals with registration of vehicles)

between January 2012 and April 2012, we noticed that six<sup>5</sup> vehicles registered under the non-transport category during the years 2010-11 and 2011-12, were declared as imported vehicles by Automotive Research Association of India (ARAI). However, the owners of these vehicles paid OTT at domestic rates instead of rates applicable to imported vehicles. This resulted in short-realization of OTT by ₹ 16.48 lakh. Besides, interest at the prescribed rate was also leviable.

We reported the matter to the Department in February 2012 and May 2012. Further progress in the matter is awaited.

We reported the matter to the Government in May 2013; their reply is awaited (January 2014).

### 5.3.3 Delay in remittances resulting in loss of interest

As per the Rule 8(1) of the Maharashtra Treasury Rule, 1968, all money received by or tendered to the Government Offices on account of the revenues of Maharashtra State, shall without undue delay and that at any rate within two days of the receipt of the money be paid in full into the treasury or into the Bank and shall be included in the treasury accounts. Further, as per the instructions issued by Reserve Bank of India (February 2006), the banks authorised to collect Government revenue should credit the revenue so collected in the Government Account within three days after its realisation, failing which interest at two *per cent* above bank rate (six *per cent*) be chargeable annually. As per para 5.11(B) of the Memorandum of Instructions: Accounting and Reconciliation – State Government Transactions issued by the RBI, it is the duty of the Pay and Accounts Office/treasuries to raise demand for payment of penal interest on delayed remittances.

Mention was made in paragraph 5.3.3 of the Report of the Comptroller and Auditor General of India on the Revenue Receipts of the Government of Maharashtra for the year ending 31 March 2012 regarding delayed remittances of Government revenue into the Government account. No action has been taken in this regard (January 2014) even though

<sup>5</sup> Five BMW X1 S-Drive and one Range Rover Sports.

the irregularity continues as discussed below.

During scrutiny of the Personal Ledger Account (PLA) and cash book of RTO (Andheri) Mumbai along with reconciliation statements for 2011-12 during September 2012, we noticed that in 137 instances there were delays ranging from two to 21 days in remittance of revenue by the State Bank of India on account of motor vehicle tax aggregating ₹ 89.03 crore. Interest at the prescribed rate on such delays was recoverable from the defaulting bank as per RBI instructions.

The interest so recoverable from the bank worked out to ₹ 15.96 lakh at the rate of eight *per cent* during the year 2011-12. The Department did not take any action for the levy and recovery of the amount from the defaulting bank. This resulted in non-recovery of interest of ₹ 15.96 lakh.

We pointed out the matter to the Department in October 2012; their reply is awaited.

We reported the matter to the Government in May 2013; their reply is awaited (January 2014).

#### **5.3.4 Non-recovery of MVT in cases of dishonoured cheques**

**RTOs Andheri (West), Vashi (Navi Mumbai) and Thane; Dy. RTO Kalyan**

According to the provisions of Section 3 read with section 4 of the BMVT Act, 1958, there shall be levied and collected a tax in advance at rates prescribed by the Government from time to time and credited to Government account. Further, as per provisions under Rule 100(b) of the Maharashtra Treasury Rules, 1968, in the event of the cheque being dishonoured by the collecting bank for any reasons whatsoever the Department has to recover the dues in cash immediately along with interest from the defaulters and also initiate action under the provisions of section 138 of Negotiable Instruments Act (Amended), 1988 (NI Act) i.e. imprisonment up to two years and/or fine up to twice the amount of the cheque.

During scrutiny of the cheque/dishonoured cheque register of the above four offices between November 2010 and September 2012, we noticed that in 148 cases cheques issued by vehicle owners for payment of MVT amounting to ₹ 53.29 lakh were dishonoured by concerned banks during various periods between 2009-10 and 2011-12. These amounts were to be recovered in cash along with interest. The Department neither took any action to recover the amount from the

defaulters nor initiated proceedings as contemplated under the NI Act. This resulted in non-realisation of revenue amounting to ₹ 53.29 lakh and interest thereon.

After we pointed out the cases between December 2010 and October 2012, the Department accepted the observation and communicated recovery of ₹ 2.08

lakh in eight cases between January 2011 and April 2013. A report on recovery of the balance amount is awaited.

We reported the matter to the Government in May 2013; their reply is awaited (January 2014).

### 5.3.5 Misappropriation of Government money

#### RTO Dhule

Our scrutiny in November 2011 of applications for registration of motor

As per the provision under Rule 98(2) of the Maharashtra Treasury Rules, 1968, (i) every officer receiving money on behalf of the Government should maintain a cash book in Form MTR 4, and (ii) all monetary transactions should be entered in the cash book as soon as they occur and should be attested by the head of the office in token of check.

vehicles in Form 20 with the cash book revealed that the following three transactions aggregating ₹ 1,59,816 were not entered in the cash book on the respective dates:

Sl. No	Motor vehicle no.	Receipt no.	Date	Amount (₹)
1	MH18W 5520	570388	25/03/2011	46,279
2	MH18W 5933	504856	12/05/2011	84,027
3	MH18W 6181	559216	14/07/2011	29,510
<b>Total</b>				<b>1,59,816</b>

Further scrutiny in February 2012 revealed that the computerised receipts attached with applications in Form 20 had actually been cancelled and the numbers were reused as manual receipt numbers for which there were no entries in the cash book.

After this being pointed out, the Department accepted (February 2013) the observation and recovered the full amount of ₹ 1,59,816. Action was also initiated by the Department against the concerned cashier. The Department further intimated that a verification of all manual entries for the period from January 2009 to March 2011 was carried out in the light of the audit observation and 19 more cases amounting to ₹ 12.56 lakh were traced and recovered.

We reported the matter to the Government in August 2013; their reply is awaited (January 2014).

**The Government may evolve a suitable mechanism to prevent re-use of cancelled computerised receipts and also exercise such checks in all RTO offices throughout the State of Maharashtra in order to detect and prevent such type of misappropriation and fraud.**

## SECTION B - STATE EXCISE

### 5.4 Introduction

#### 5.4.1 Tax administration

Levy and collection of state excise and other related receipts are regulated by the Bombay Prohibition Act, 1949 (BP Act), Bombay Prohibition (Privilege Fees) Rules, 1954 (BP(PF) Rules) and Maharashtra Potable Liquor (Periodicity and Fees for Grant, Renewal or Continuance of Licence) Rules, 1996 (MPL(PFGRCL) Rules). These Acts and Rules are implemented by the Commissioner of State Excise under the overall control of the Principal Secretary to the Government in Home Department, assisted by Joint Commissioners and Deputy Commissioners. At the district level he is assisted by the Superintendents of State Excise (SSE) working under the Regional Deputy Commissioners. The state excise receipts mainly comprise of excise duty leviable on spirits, fees on licences and privilege fees.

#### 5.4.2 Trend of receipts

The actual receipts from state excise etc., during the years 2008-09 to 2012-13 and the total tax receipts of the State during the same period is exhibited in the following table.

(₹ in crore)

Year	Budget estimates <sup>6</sup>	Actual receipts <sup>6</sup>	Variation excess (+)/ shortfall (-)	Percentage of variation	Total tax receipts of the State	Percentage of actual receipts vis-à-vis total tax receipts
2008-09	4,500.00	4,433.76	(-)66.24	(-)1.47	52,029.94	8.53
2009-10	4,800.00	5,056.63	(+)256.63	(+)5.35	59,106.33	8.56
2010-11	5,800.00	5,961.85	(+)161.85	(+)2.79	75,027.09	7.95
2011-12	8,500.00	8,605.47	(+)105.47	(+)1.24	87,608.46	9.82
2012-13	9,450.00	9,297.11	(-)152.89	(-)1.62	1,03,448.52	8.99

As can be seen from the above table, the revenue collection under State Excise increased by 110 per cent in 2012-13 as compared to 2008-09.

#### 5.4.3 Cost of collection

The gross collection in respect of state excise receipts, the expenditure incurred on their collection and the percentage of such expenditure to the gross collection during the years 2010-11 to 2012-13 along with the relevant all India average percentage of expenditure on collection to gross collection for the preceding years are mentioned in the following table:

<sup>6</sup> Source: Finance Accounts.

(₹ in crore)

Year	Gross collection	Expenditure on collection <sup>7</sup>	Percentage of expenditure to gross collection	All India average percentage for the corresponding preceding years
2010-11	5,961.85	62.68	1.08	3.64
2011-12	8,605.47	61.58	0.72	3.05
2012-13	9,297.11	109.95	1.16	2.98

As can be seen from the above table, the overall cost of collection of State Excise Duty for the year 2010-11 to 2012-13 is lower than the all India average for the corresponding preceding years.

#### 5.4.4 Impact of Audit Reports

##### Revenue impact

During the last five years i.e. 2007-08 to 2011-12 we had pointed out under-assessments, loss of revenue, non/short levy/recovery and other irregularities with revenue implication of ₹ 100.94 crore in 884 cases. Of these, the Department had accepted audit observations in 740 cases involving ₹ 35.51 crore and had recovered ₹ 0.99 crore in 280 cases. The details are shown in the following table:

(₹ in crore)

Year	Amount objected		Amount accepted		Amount recovered	
	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
2007-08	524	66.07	390	2.33	249	0.55
2008-09	20	0.19	18	0.18	15	0.18
2009-10	189	1.89	185	1.74	13	0.17
2010-11	1 <sup>8</sup>	31.36	1	29.89	0	0.00
2011-12	150	1.43	146	1.37	3	0.09
<b>Total</b>	<b>884</b>	<b>100.94</b>	<b>740</b>	<b>35.51</b>	<b>280</b>	<b>0.99</b>

As seen from the above table, the recovery position was low, as the recoveries against accepted cases was only 2.79 per cent.

**The Government may consider issuing instructions to the Department to recover the amount involved in accepted cases on priority basis.**

<sup>7</sup> Source : Information furnished by the Department.

<sup>8</sup> Actually consists of 333 cases.

### **5.4.5 Results of audit**

We reported underassessments, non/short levy, non-recovery, etc., of revenue and other similar cases amounting to ₹ 3.56 crore in 240 cases on the basis of test check of the records of taxes on state excise conducted during the year 2012-13 as shown below:

(₹ in crore)

Sl. no.	Category	No. of cases	Amount
1	Non-recovery of transport fee	2	0.11
2	Non/short recovery of licence/privilege fees/excise duty/application fee	76	2.13
3	Non-recovery of compounding fees/loss of revenue due to reduction in manufacturing costs, etc.	18	0.64
4	Non/short recovery of supervision charges/interest/bonus	81	0.54
5	Non-recovery of toddy instalments	63	0.14
	<b>Total</b>	<b>240</b>	<b>3.56</b>

In response to the observations in the local audit reports during the year 2012-13 as well as during earlier years, the Department accepted underassessments, short levy, etc. and recovered ₹ 4.56 crore in 208 cases, out of which 61 cases involving ₹ 16.66 lakh were pointed out during the year 2012-13 and the rest during the earlier years.

After issue of the draft paragraph in two cases, the Department communicated (September 2013) recovery of ₹ 3.78 lakh which has not been included in this Report.

An audit observation involving ₹ 19.50 lakh is included in the succeeding paragraph.

## 5.5 Audit observations

*Scrutiny of the records of SSEs/Excise Officers (EOs) revealed cases of non-observance of provisions of the BP Act as mentioned in the succeeding paragraph of this chapter. This case is illustrative and is based on a test check carried out in audit. Such omissions are pointed out in audit every year, but not only the irregularities do persist; these remain undetected till an audit is conducted. There is need for the Government to improve the internal control system so that recurrence of such instances can be avoided.*

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

*The BP Act, BP(PF) Rules and MPL(PFGRCL) Rules provide for levy and collection of licence fees and supervision charges at the rates notified from time to time by the Commissioner of State Excise. The State Excise authorities did not ensure that the correct rates of supervision charges were levied and recovered as mentioned in the succeeding paragraph 5.6.1.*

### 5.6.1 Non-recovery of supervision charges

#### **SSEs at Beed and Osmanabad.**

During test check of the supervision charges register maintained in the Excise

As per the provisions of section 58(A) of the BP Act, the cost of deputing the departmental staff at the premises of the licensee is recoverable at the rates prescribed by the Government from time to time. The rates of supervision charges are revised as and when there is revision in the pay scale/dearness allowance. The Government vide its GR dated 28 February 2009 had adopted the recommendation of the Sixth Pay Commission with effect from 1 January 2006.

Offices attached to two distilleries in two districts, between March 2011 and December 2011, we noticed that though the State Government had adopted the revision of pay structure as per the recommendations of the Sixth Pay Commission in February 2009, the revised supervision charges for deployment of the departmental staff at the premises of the licensees for the period from January 2006

to December 2010 had not been recovered. This resulted in non-recovery of supervision charges amounting to ₹ 19.50 lakh.

After we pointed out the cases, the Department accepted the audit observation and Excise Officer, Beed communicated recovery of ₹ 3.85 lakh in March 2012. A report on recovery of the balance amount is awaited.

We reported the matter to the Government in May 2013; their reply is awaited (January 2014).