

CHAPTER-III TAXES ON VEHICLES, GOODS AND PASSENGERS

3.1 Tax administration

The receipts of the Transport Department (Department) are regulated under the provisions of the Motor Vehicles Act, 1988 (MV Act), Central Motor Vehicles Rules, 1989 (CMV Rule), Uttar Pradesh Motor Vehicles Taxation Act, 1997 (UPMVT Act), Uttar Pradesh Motor Vehicles Taxation Rules, 1998 (UPMVT Rules), Carriage by Road Act, 2007(CBR Act), Carriage by Road Rules, 2011 (CBR Rules) and Notifications, Circulars and G.Os issued by Government and Department from time to time.

The Principal Secretary, Transport, Uttar Pradesh is the administrative head at Government level. The entire process of assessment and collection of taxes and fee is administered and monitored by the Transport Commissioner (TC) Uttar Pradesh, who is assisted by two Additional Transport Commissioners at Headquarters and six Deputy Transport Commissioners (DTCs), 19 Regional Transport Officers (RTOs) and 75 Assistant Regional Transport Officers (ARTOs) (Administration) in the field. RTOs perform the overall work of issue and control of permits regarding transport vehicles and ARTOs perform the work of assessment and levy of taxes and fee regarding transport vehicles and other than transport vehicles. Overall administration of Sub-Regional Transport Offices is administered by respective RTOs.

3.2 Results of audit

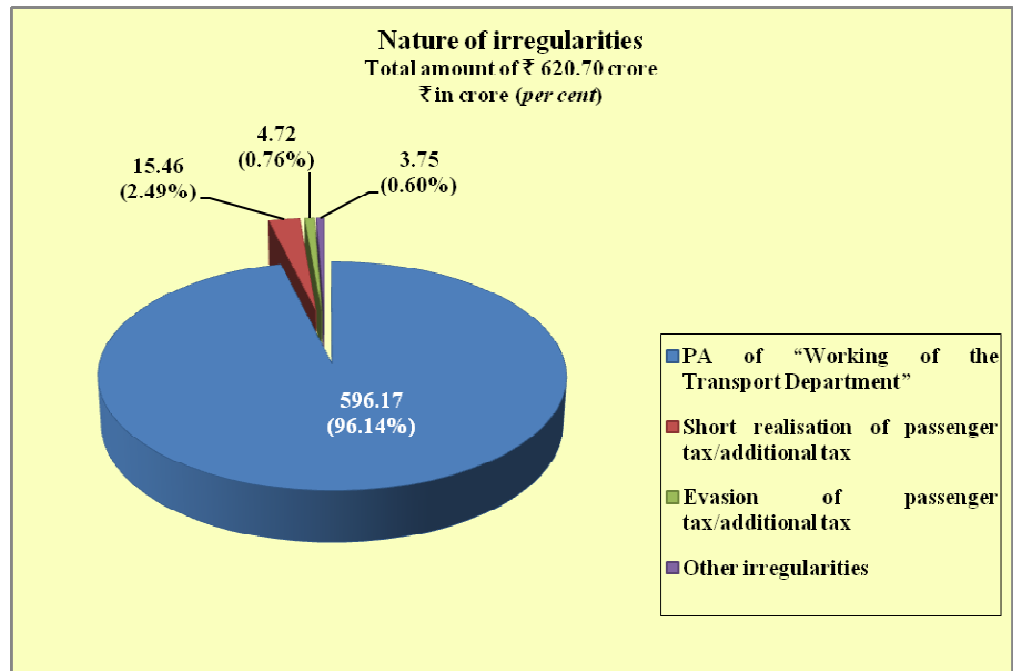
In 2015-16, the Department realised revenue of ₹ 4,410.53 crore. We planned audit of 44 annual units and one biennial unit out of the total 76 units of Transport Department during 2015-16 and test checked all the above planned units. The basis of selection was collection of revenue and past audit reports of units. We found short assessment of tax and other irregularities involving ₹ 620.70 crore in 325 cases, which fall under the following categories as mentioned in **Table 3.1**.

Table 3.1
Results of Audit

(₹ in crore)			
Sl. No.	Categories	Number of cases	Amount
1.	PA of "Working of the Transport Department"	1	596.77
2.	Short realisation of <ul style="list-style-type: none"> • Passenger tax/additional tax • Goods tax 	65	15.46
3.	Evasion of tax <ul style="list-style-type: none"> • Passenger tax/additional tax • Goods tax 	100	4.72
4.	Other irregularities	159	3.75
Total		325	620.70

Source: Information available in the Audit office.

Chart 3.1



During the year 2015-16 the Department accepted underassessment and other deficiencies of ₹ 569.81 crore in 52 cases of which 44 cases involving ₹ 569.76 crore were pointed out in 2015-16 and rest in earlier years. An amount of ₹ 34.06 lakh was realised in 39 cases of which 31 cases involving ₹ 29.41 lakh was pointed out in 2015-16 and rest pertains to earlier years.

Performance Audit of **“Working of the Transport Department”** involving ₹ 596.77 crore and a few illustrative cases of compliance deficiency involving ₹ 15.69 crore are discussed in the following paragraphs.

3.3 Performance Audit of “Working of the Transport Department”

Highlights

- Onetime tax of ₹ 26.79 crore was short levied on 26,592 light four wheeler goods vehicles and school maxi cabs between November 2009 and March 2016.

(Paragraphs 3.3.9 & 3.3.10)

- Additional tax and penalty of ₹ 25.77 crore was not levied on 721 JnNURM buses found plying outside the Municipal Corporation area and Additional tax of ₹ 360.33 crore including penalty of ₹ 174.42 crore not levied on UPSRTC buses between November 2009 and March 2016.

(Paragraphs 3.3.14)

- Fitness fee of ₹ 4.56 crore including penalty was not levied on 9,942 vehicles which plied without valid fitness certificates between February 2014 and March 2016. Plying of such vehicles also compromised public safety.

(Paragraphs 3.3.15)

- Not creating the Uttar Pradesh Road Transport Accident Relief Fund (UPRTARF) by the Department led to ₹ 109.06 crore not being credited for accident victims between April 2012 and March 2016.

(Paragraphs 3.3.17)

- The Compounding Fees amounting to ₹ 4.76 crore on violation of permit conditions was not realised on contract and stage carriage vehicles between October 2012 and March 2016.

(Paragraphs 3.3.18)

- Department did not impose penalty amounting to ₹ 2.58 crore under Carriage by Road Act in 839 cases for different categories of vehicles which were seized for overloading during the period from July 2014 to March 2016.

(Paragraphs 3.3.19)

- The transport offices had no database/information of vehicles plying with or without PUC certificate as well as absence of infrastructure for testing of pollution of vehicles.

(Paragraphs 3.3.22)

- There were 12,41,085 vehicles involving cost amounting to ₹ 43,564.38 crore hypothecated to banks. The Department did not get inspected hypothecated documents from Stamp and Registration Department with a view to ascertain actual amount of stamp duty. Thus, the Government was deprived of revenue of ₹ 162.70 crore.

(Paragraphs 3.3.26)

- The inspection of field offices was not done as per norms fixed. Acute shortage of ancillary staff against the sanctioned strength led to excess workload and adversely effected collection/recovery of revenue.

(Paragraphs 3.3.29 & 3.3.31)

3.3.1 Introduction

The receipts of the Transport Department (Department) are regulated under the provisions of the Motor Vehicles Act, 1988 (MV Act), Central Motor Vehicles Rules, 1989 (CMV Rule), Uttar Pradesh Motor Vehicles Taxation Act, 1997 (UPMVT Act), Uttar Pradesh Motor Vehicles Taxation Rules, 1998 (UPMVT Rules), Carriage by Road Act, 2007 (CBR Act), Carriage by Road Rules, 2011 (CBR Rules) and Notifications, Circulars and G.Os issued by Government and Department from time to time.

The main function of the Department is to issue Driving Licence, Certificate of Registration, Certificate of Fitness, Trade Certificate, National Permit, Contract Carriage Permit, Stage Carriage Permit etc. to ensure greater control, quick monitoring and provide better citizen services.

Motor vehicles tax in respect of other than transport vehicles is realised as One Time Tax (OTT) for 15 years, whereas tax and additional tax from transport vehicles is realised monthly/quarterly/annually at the rates specified in the UPMVT Act.

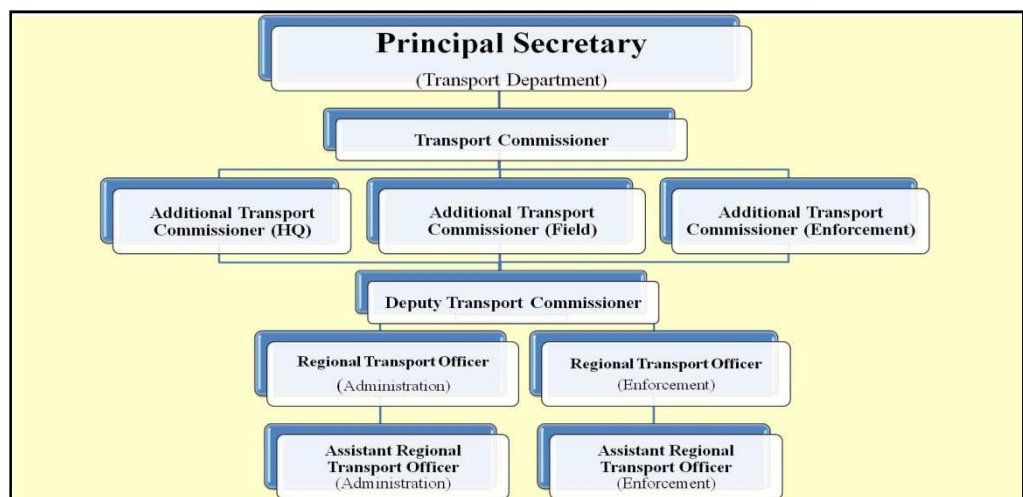
3.3.2 Organisational setup

The Principal Secretary, Transport, Uttar Pradesh is the administrative head of the Transport Department at Government level. The entire process of assessment and collection of taxes and fees is administered and monitored by the Transport Commissioner (TC) Uttar Pradesh who is assisted by two Additional Transport Commissioners at Headquarters and three Additional Transport Commissioners in field.

There are six Deputy Transport Commissioners (DTCs) in zones, 19 Regional Transport Officers (RTOs) in regions and 75 Assistant Regional Transport Officers (ARTOs) (Administration) in sub-regions at the field levels. RTOs perform the overall work of issue of permit and its control regarding transport vehicles and ARTOs perform the work of assessment and levy of taxes and fees regarding transport vehicles and other than transport vehicles. Overall administration of sub-regional transport offices is with respective RTOs.

The organisational chart of the Department is as under:

Chart 3.2 Organisational setup



There are 114 Enforcement squads consisting of one ARTO (Enforcement), one supervisor and three Enforcement constables in the State attached to the Headquarters and deployed at district level. Two special Enforcement squads are posted at Headquarters and 09 Regional Transport Officers (E) are posted at district level, under the control and supervision of an Additional TC (Enforcement) at the headquarters and six Deputy TCs at zonal¹ level.

3.3.3 Audit objectives

The Performance Audit was conducted with a view to ascertain whether:

- the provisions of Acts/Rules for levy and collection of revenue were complied with and credited timely into Government Account;
- working of Enforcement Wing was effective to check/control the leakage of revenue as well as vehicular pollution; and
- adequate internal controls existed for proper budgeting/fixing of targets for the realisation of revenue and for arresting pilferage/leakage of revenue.

3.3.4 Audit criteria

The audit criteria were drawn from:

- Motor Vehicles Act, 1988 (MV Act),
- Central Motor Vehicles Rules, 1989 (CMV Rules),
- Carriage by Road Act, 2007 (CBR Act),
- Carriage by Road Rules 2011 (CBR Rules),
- Uttar Pradesh Motor Vehicles Taxation Act, 1997 (UPMVT Act),
- Uttar Pradesh Motor Vehicles Taxation Rules, 1998 (UPMVT Rules), and;
- Circulars and Notifications issued by the Department and Government from time to time.

3.3.5 Audit scope

The Performance Audit covering the working of Transport Department with a view to ascertain the efficiency and effectiveness of the Transport Department in ensuring levy/collection of the taxes/fees in accordance with the provisions of the Act/Rules during the period 2011-12 to 2015-16 was conducted between October 2015 and May 2016. We selected 19 out of 75 District Transport Offices (DTO's) (RTOs/ARTOs) along with office of the Transport Commissioner, Uttar Pradesh, Lucknow, for scrutiny in performance audit.

For the purpose of the Performance Audit we segregated the units into high, medium and low risk² on the basis of average annual revenue realised by the RTOs/ARTOs covering the period from 2011-12 to 2015-16. In 19 DTO's, nine³ out of 13 DTO's of high risk, eight⁴ out of 31 DTO's of medium risk and

¹ Agra, Bareilly, Kanpur Nagar, Lucknow, Meerut and Varanasi.

² High risk : where the revenue collection was above ₹ 50 crore annually.

Medium risk : where the revenue collection ranged between ₹ 20 crore and ₹ 50 crore.

Low risk : where the revenue collection was below ₹ 20 crore.

³ RTO Agra, Allahabad, Bareilly, Ghaziabad, Kanpur Nagar, Lucknow, Varanasi and ARTO Gautam budh Nagar, and Mathura,

two⁵ out of the remaining 31 DTO's of low risk which were the basis of selection on random sampling.

3.3.6 Audit methodology

We test checked taxation registers, registration registers, files, permit registers, certificate of fitness registers, etc. in sampled districts offices and in the office of the TC. Further, we obtained the computerised data of the sampled DTO's. The computerised data was cross-checked with manual records maintained in the districts offices.

An entry conference was held with the Government and the Department on 20 January 2016 in which Special Secretary Transport represented the Government and Transport Commissioner represented the Department. They were apprised of the scope and methodology of Performance Audit. An exit conference was held on 16 August 2016 with the Government and the Department in which audit findings were discussed with the Deputy Secretary Transport, Government of Uttar Pradesh and Transport Commissioner. The response of the Government/Department has been incorporated in the relevant paragraphs.

3.3.7 Trend of revenue receipt

The budget estimates and actual receipts under the head (0041 and 0042) Taxes on vehicles, goods and passengers during the period 2011-12 to 2015-16 are given in **Table 3.2**:

Table 3.2

Variations between budget estimates and actual

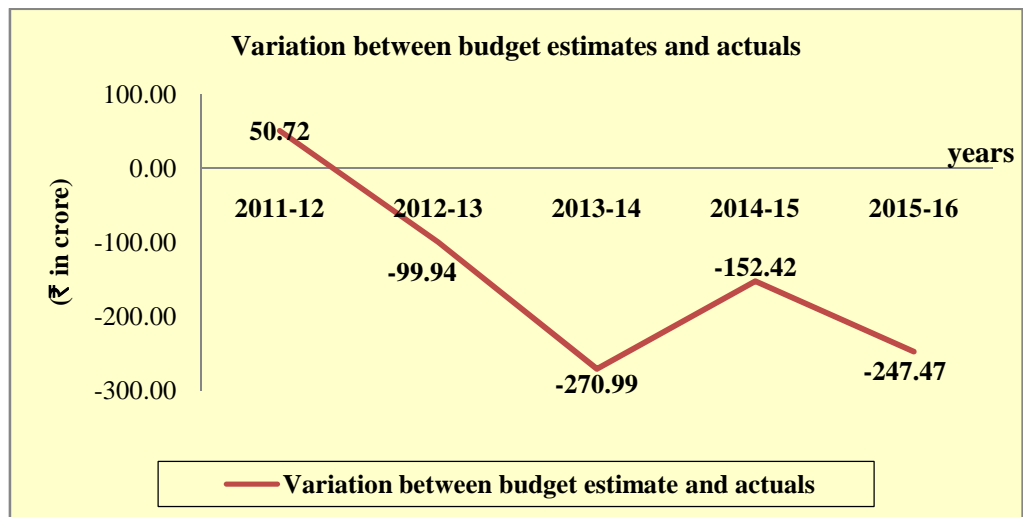
(₹ in crore)				
Year	Budget estimates	Actual Receipts	Variation between budget estimate and actuals	Percentage of shortfall
2011-12	2,329.95	2,380.67	50.72	2.18
2012-13	3,093.90	2,993.96	-99.94	-3.23
2013-14	3,713.00	3,442.01	-270.99	-7.30
2014-15	3,950.00	3,797.58	-152.42	-3.86
2015-16	4,658.00	4,410.53	-247.47	-5.31

Source: Finance Accounts of the Government of Uttar Pradesh

⁴ RTO Jhansi, and ARTO Balia, Firojabad, Hardoi, Jalaun, Raebareli, Shahjahanpur, and Unnao.

⁵ ARTO Hathrash and Mau.

Chart 3.3



The above chart shows that the Department could not achieve the budget estimates except in 2011-12.

During exit conference, the Department accepted our observation and stated that reason for the difference between Budget Estimates and actual receipt is due to finalisation of budget estimates five months prior to the next financial year. We do not agree with the reply of the Department because the preparation of budget estimates was not realistic. The Department could not achieve the budget estimates fixed in any year except in 2011-12.

3.3.8 Acknowledgement

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

Audit findings

Provision of Acts/Rules not complied with

No transport vehicle of State Transport Undertaking/transport vehicles/other than transport vehicles shall be used in any public place in Uttar Pradesh unless additional tax/tax and various fees have been paid. Our findings on violation of various sections of Act and rules involving tax effect of ₹ 420.65 crore have been mentioned in the following paragraphs.

3.3.9 Short levy of onetime tax on light four wheeler goods vehicles

Onetime tax of ₹ 24.73 crore on 25,435 light four wheeler goods vehicles was short levied.

Section 4 sub-section (1), provided for onetime tax at the rate of 7 per cent of the cost of the vehicle with unladen weight exceeding 1000 kgs but not exceeding 5000 kgs to be levied on the four wheeler Goods vehicles. The Department violating the provisions of Section 4(1), levied onetime tax of ₹ 7,600 per metric ton on the four wheeler Goods vehicles instead of 7 per cent of the cost of the vehicle. Section 4(1-A), of UPMV Taxation Act, provides for levy of onetime tax ₹ 7,600 for every metric ton of the gross

vehicles weight of the vehicle or part thereof on the three wheeler motor cab and goods vehicles carrying total weight of 3,000 kg.



We examined the vehicles files, vehicles database, receipt books and cash-books of sampled RTOs/ARTOs and observed that 25,435 out of 54,636 four wheeler goods vehicles were registered during from April 2011 to March 2016. The Department, violating the

provisions of Section 4(1), levied onetime tax of ₹ 7,600 per metric ton on the four wheeler Goods vehicles instead of 7 per cent of the cost of vehicle. As a result, the onetime tax amounting to ₹ 24.73 crore was short levied.

During exit conference the Department stated that provision of Section 4(1-A) are applicable to all the vehicles having GVW not exceeding 3000 kgs.

We do not agree with reply of the Department because the provision 4(1-A) are applicable only on three wheeler goods vehicles whereas our observation is on four wheeler goods vehicles for which provision of Section 4(1) is applicable.

3.3.10 Short levy of tax on school maxi cab vehicles

Tax of ₹ 2.06 crore on school maxi cab vehicles was short levied due to levy of onetime tax instead of the rates prescribed for such vehicles.

Under Section 4(2) of the UPMVT Act, no transport vehicle shall be used in any public place in Uttar Pradesh unless prescribed tax has been paid. The rate of tax applicable to motor cab (excluding three wheelers motor cab) and maxi cab was ₹ 550 per seat/per quarter upto 7 November 2010 and ₹ 660 per seat per quarter from 8 November 2010. It was also provided that rate of tax on motor vehicles, which is exclusively used for the conveyance of pupils of educational institution and employees of factory to and from the institutions shall be half the rate of ₹ 550 and ₹ 660.

We examined the vehicles files, vehicles database, receipt books and cash-books of sampled RTOs/ARTOs and observed that in 13 RTOs/ARTOs⁶, 1,057 out of 2,209 vehicles were registered (November 2009 to October 2015) for the conveyance of pupils of educational institution and employees of factory but Department levied onetime tax instead of the rates prescribed for such vehicles as per Section 4(2) of UPMVT Act. As a result, due to application of incorrect rates of tax amounting to ₹ 2.06 crore was short levied (Appendix- XI).

During exit conference the Department did not give specific reply relating to levy of tax applicable to maxi cabs.

⁶ RTO Agra, Ghaziabad, Lucknow, Varanasi and ARTO Firozabad, GB Nagar, Hardoi, Hathras, Jalaun, Mathura, Rebareli, Shahjahanpur, Unnao

3.3.11 Registration of other than transport (private) vehicles not renewed

Re-registration fee, penalty, fitness fee, certificate fee and green tax amounting to ₹ 72.77 lakh was not realised from 5,597 other than transport vehicles whose registration had expired.

Under Section 39 of the MV Act, every vehicle is required to be registered. Section 41 (7) of the Act ⁷ provides that registration of other than transport vehicle is valid for the period of 15 years and registration can be renewed for subsequent period of five years. Fitness is also required to be checked and issue certificate for the same at the time of re-registration of vehicle for which ₹ 200 as fitness fee and ₹ 100 for issue of certificate is leviable. Re-registration fee for other than transport light motor vehicle is ₹ 200 and in case of delay ₹ 100 is also leviable as penalty under Section 177 of the Act.

As per G.O. dated 27 January 2015 no motor vehicle other than a transport ⁸ vehicles shall be used in any public place after expiry of validity of registration under the MV Act unless a green tax at the rate 10 per cent of due onetime tax at time of registration has been paid in respect thereof. As per Section 192 of the MV Act, if the Enforcement wing finds that any vehicle is used in contravention of the provisions of the Section 39 it shall be punishable for the first offence with a fine which may extend to five thousand rupees but shall not be less than two thousand rupees.

We examined the vehicles files, vehicles database, receipt books and cash-books of sampled RTOs/ARTOs and observed that in 16 RTOs/ ARTOs 5,597 out of 15,276 other than transport light motor vehicles were registered during January 1990 to February 2001 for the period of 15 years. The registration of the said vehicles lapsed between January 2005 and March 2016. In none of these cases, change of address of the owners under relevant Act or the cancellation of registration under section 55 of MV Act 1988 was found on records but none of these vehicles were re-registered and the Enforcement wing failed to detain the vehicle in police custody. Also Demand, Collection and Balance (DCB)/other registers were not being reviewed periodical by the Department. As a result, re-registration fee, penalty, fitness fee, certificate fee and green tax amounting to ₹ 72.77 lakh was not realised (**Appendix-XII**).

During exit conference the Department stated that generally when the vehicles owners come for re-registration after inspection by the registration authority all the dues are levied. However, the contention of the Department is not tenable as we did not find levy of fee and tax in any of the case test checked.

Government may consider periodic review of registered other than transport vehicles (private vehicles) to identify vehicles whose validity of registration has expired.

⁷ Other than transport vehicle/private vehicles do not used for public purpose.

⁸ Transport vehicles used for public purposes.

3.3.12 Registration mark not assigned to vehicles of other States

Vehicles arrived from other States were not assigned registration mark of State as such, assignment fee amounting to ₹ 7.70 lakh was not realised from 1,621 other State vehicles which were found plying on roads.

Under Section 47 (1) of the MV Act, and Rule 81 of CMV Rules, when a motor vehicle registered in one State has been kept in another State for a period exceeding twelve months, the owner of the vehicle shall apply to the registering authority, within the jurisdiction of that State for the assignment of a new registration mark and shall present the certificate of registration to that registering authority. The fees payable for assignment of new registration in case of heavy, medium, light and other than transport vehicle is ₹ 600, ₹ 400, ₹ 300 and ₹ 200 respectively.

We examined the data base and files of vehicles of sampled RTOs/ARTOs and observed that in 11⁹ RTOs/ARTOs, 1,621 out of 2,461 vehicles registered in other States brought and registered into Uttar Pradesh (UP) (January 2011 to March 2015) were plying in UP for a period of more than one year. Though the owners of the vehicles were paying tax in UP for more than one year, they had not applied for assignment of new registration marks. The Department did not issue notices for new assignment of registration marks and Enforcement wing did not detain these vehicles. Thus, the Government remained deprived of revenue of ₹ 7.70 lakh.

During exit conference the Department accepted our observation and stated that the vehicle wise details are being prepared in the district.

3.3.13 Tax/additional tax from surrendered vehicles not realised

The taxation officers did not realise the tax/ additional tax amounting to ₹ 1.18 crore from 458 out of 2,433 vehicles which were surrendered for the period beyond three calendar months.

Rule 22 of the UPMVT Rules, provides that when the owner of a transport vehicle withdraws his motor vehicle from use for one month or more, the certificate of registration, tax certificate, additional tax certificate, fitness certificate and permit, if any, must be surrendered to the taxation officer. The taxation officer shall not accept the intimation of not using of any vehicle for more than three calendar months, within a calendar year, however, the period beyond three calendar months may be accepted by the RTO of the region concerned, if the owner makes an application with requisite fee to the taxation officer. If any such vehicle remains surrendered for more than three calendar months during a year without extension of acceptance of surrender by RTO, it shall be deemed to be revoked and the owner shall be liable to pay tax and additional tax, as the case may be. Further, subject to the provision of sub-rule (4), the owner of a surrendered vehicle in respect of which intimation of not using the vehicle has already been accepted, shall be liable to pay tax and additional tax for the period beyond three calendar months during any

⁹ RTO Allahabad, Ghaziabad, Varanasi and ARTO Ballia, Firozabad, Hardoi, Hathras, Jalaun, Mathura, Mau, and Raebareli.

calendar year, whether the possession of the surrendered documents have been taken from the taxation officer or not.

We examined the surrender registers, vehicles files, passenger tax registers and goods tax registers of sampled RTOs/ARTOs and observed that in 16 RTOs/ARTOs, 458 out of 2,433 vehicles were surrendered for periods beyond three calendar months in a year during the period from January 2014 to November 2015. Though extension of acceptance of surrender beyond three months was not granted by concerned RTO, the taxation officers did not initiate any action to realise the tax/additional tax due thereon, and the Enforcement wing failed to detain the vehicle in police custody. As a result, tax/addition tax amounting to ₹ 1.18 crore was not realised (**Appendix-XIII**).

During exit conference the Department accepted our observation and stated that all the RTOs/ARTOs have been directed to initiate action in such cases.

3.3.14 Additional tax not levied on *JnNURM* and UPSRTC buses

3.3.14.1 Additional tax on *JnNURM* buses not levied

Additional tax of ₹ 25.77 crore was not levied on 721 *JnNURM* buses under City Transport Services Limited found plying outside the municipal corporation area.

No transport vehicle of State Transport Undertaking shall be used in any public place in Uttar Pradesh unless additional tax prescribed under sub-section (1) of Section 6 of UPMVT Act, has been paid. Motor Vehicles of State Transport undertaking operating within the limits of Municipal Corporation or Municipality shall be exempted from the payment of additional tax.



We examined the route and tax files returns and challan submitted by the Uttar Pradesh State Road Transport Corporation (UPSRTC) in sampled RTOs/ARTOs and found that in six¹⁰ RTOs/ARTOs, 721 out of 1,020 Jawaharlal Nehru National Urban Renewal Mission

(*JnNURM*) buses under City Transport Services Limited were plying outside the municipal corporation area between November 2009 and March 2016 and were liable for payment of additional tax of ₹ 25.77 crore. The transport officers did not initiate any action i.e. issue notice to deposit the additional tax, detain the vehicle in police custody by Enforcement wing of the Department or issue RCs for not depositing of additional tax on these vehicles. As a result, additional tax of ₹ 25.77 crore was not levied.

¹⁰ RTO Agra, Allahabad, Kanpur Nagar, Lucknow, Varanasi and ARTO Mathura.

During exit conference the Department accepted our observation and directed all transport officers to initiate action against such buses which are found plying outside the municipal corporation area.

3.3.14.2 Additional tax and penalty on UPSRTC buses not levied

Additional tax of ₹ 185.91 crore and penalty of ₹ 174.42 crore not levied on UPSRTC buses.

No transport vehicle of State Transport Undertaking shall be used in any public place in Uttar Pradesh unless additional tax prescribed as per Section 6(1) of UPMVT Act read with Rule 9 and 24 of UPMVT Rules has been paid. Principal Secretary vide letter 20 February 2006 directed Managing Director, UPSRTC to remit the total additional tax due directly to the treasuries and to submit the original challan to the headquarters office. In case of delayed payment of tax or addl. tax made after 15th of a month, penalty at the rate of five *per cent* of the due tax/additional tax was to be leviable.



We examined the records of tax/additional tax files, tax returns and challans of sampled RTOs/ARTOs and TC office and observed that tax/additional tax should be assessed and levied by Motor Vehicle Department as per UPMVT Act 1997 and

the order of Principal Secretary was applicable to remit tax only upto March 2007. UPSRTC was not authorised to assess and remit the tax into treasury after March 2007. But in these cases additional tax on buses plying on road is assessed and deposited by UPSRTC against the provisions of the Act and subsequently created a pendency of ₹ 745.27 crore for recovery upto March 2011. Due to continuous short assessment/payment of additional tax on the 44,674 buses plying on road during April 2011 to March 2016, the additional pendency of recovery amounted to ₹ 185.91 crore. Besides, penalty of ₹ 174.42 crore was also imposable. Even after lapse of ten years the Department made no effort to assess and recover the additional tax from the vehicles plying under UPSRTC. As a result, besides imposition of penalty of ₹ 174.42 crore, additional tax of ₹ 185.91 crore was not levied. The details are shown in **Table 3.3**.

Table 3.3

Additional tax and penalty on UPSRTC Buses not levied

(₹ in crore)						
Sl. No.	Year	Total number of vehicles	Addl. Tax due during the year	Addl. Tax deposited during the year	Addl. Tax balance during the year	Penalty due as on 31.03.2016
1.	2011-12	8,325	222.61	124.00	98.61	98.61
2.	2012-13	8,634	220.95	176.16	44.79	44.79
3.	2013-14	9,318	230.84	200.54	30.30	30.30
4.	2014-15	9,128	227.43	227.22	00.21	00.12
5.	2015-16	9,269	225.00	213.00	12.00	00.60
Total		44,674	1,126.83	940.92	185.91	174.42

Source: Information available on the basis of audit findings

During exit conference the Department assured us of issuing notices for realisation of additional tax and penalty from UPSRTC buses.

Government may institute a mechanism for periodic review of DCB register to monitor collection of revenue from defaulter vehicles/vehicles plying under UPSRTC and ensure strict adherence to provisions of Acts/Rules.

3.3.15 Fitness certificate of vehicles not renewed

There is no system in the Department to check whether there is valid fitness certificate while accepting payment of tax due. As a result 9,942 vehicles plied without valid fitness certificates and were liable for levy of fitness fee of ₹ 57.69 lakh and imposition of penalty of ₹ 3.98 crore.

Under Section 56 read with 84 and 86 of MV Act, and Rule 62 of CMV Rules, 1989 made there under, a transport vehicle shall not be deemed to be validly registered unless it carries a certificate of fitness. A fitness certificate granted in respect of a newly registered transport vehicle is valid for two years and is required to be renewed every year and in case of failure his permit is likely to be cancelled or suspended for a certain period. Payment of the prescribed test fee of ₹ 100, ₹ 200, ₹ 300 and ₹ 400 for three wheelers, light, medium and heavy vehicle respectively is required to be made. In addition to this, renewal fee of ₹ 100 for issuing certificate of fitness is also leviable for all category of vehicles. In case of default, an additional amount equal to the prescribed fee is also leviable. Plying a vehicle without certificate of fitness is compoundable under Section 192 of the MV Act, 1988 at the rate of ₹ 4,000 vide notification dated 25 August 2010.

We examined the tax registers, vehicles files, vehicles database, receipt books and cash-books in sampled RTOs/ARTOs and observed that 9,942 out of 30,457 vehicles plied between February 2014 and March 2016 without valid fitness certificate although the tax due was realised. In VAHAN software information regarding expiry of fitness was available but Department failed to identify such cases. Specific feature to prevent vehicle owners to pay tax where fitness had expired was not available. The Department neither initiated any action to issue notices for cancelling the permit of these vehicles whose fitness certificate had become overdue nor levied any fine on defaulting vehicle owners as per provisions of the MV Act. It was the responsibility of ARTO (Administration) to identify and stop these vehicles with the help of

Enforcement wing. Plying of such vehicles also compromised public safety. These vehicles were liable for levy of fitness fee of ₹ 57.69 lakh and imposition of penalty of ₹ 3.98 crore (**Appendix-XIV**).

During exit conference the Department accepted our observation and stated that the vehicle wise position is being prepared and penalty would be levied on vehicles found plying without fitness. Thus the Department was aware of such defaulting vehicles but failed to prevent them from plying on road which could compromise public safety.

Department should take immediate steps to verify the fitness of all vehicles while accepting payments towards tax due, to avoid loss of revenue and in the interest of public safety.

3.3.16 Irregularities in permit

3.3.16.1 Permit fee, application fee and penalty not levied on vehicles plying without permit

Permit fee, application fees and compounding fee amounting to ₹ 45.43 lakh was not realised from 625 vehicles found plying on roads without renewal of permit.

Section 66 of the MV Act provides that no owner of a motor vehicle shall use or permit the use of the vehicle as a transport vehicle in any public place without permit. As per Section 81 of MV Act a permit other than a temporary permit is valid for a period of five years. Rule 125 of the UPMVT Rules, prescribed rates for issue of new permit and its renewal and application fees. Plying a vehicle without permit is compoundable under Section 192 of the MV Act, at the rate of ₹ 4,000.

We examined vehicle files, permit registers, receipt books and cash-books of sampled RTOs/ARTOs and observed that in TC office and five¹¹RTOs, 625 out of 10,358 contract carriage, auto/three wheeler vehicles, stage carriage, school vehicles and goods vehicles were plying on roads (February 2010 to March 2016) without renewal of permit even after expiry of validity period. In VAHAN software information regarding expiry of permit was available but Department failed to identify such cases. The Department neither realised permit fees, application fee and penalty nor initiated any action i.e. issue notices to permit holders for cancellation of permit to seize and detain these vehicles under section 66(1), 192 of MV Act and rule 125 of CMV Rules. As a result, permit fees application fee and penalty amounting to ₹ 45.43 lakh was not realised.

During exit conference the Department stated that penalty would be imposed and realised only when the vehicle is found plying on road without permit and it is not imposable on the basis of not renewing permit by the vehicle owner.

The fact remains that the audit noticed and assessed on the basis of records available that 625 vehicles were plying on roads without renewal of permit even after expiry of validity period. Despite the information being available with the Department, it failed to provide data of such vehicles to Enforcement

¹¹ RTO Agra, Ghaziabad, Kanpur Nagar, Lucknow and Varanasi

Wing. As a result, the Enforcement Wing failed to carry out its duty to detain such vehicles and impose penalty.

3.3.16.2 Authorisation of National Permit and All India Tourist Permit not renewed

Section 81 of MV Act provides that a permit is valid for five years. As per Rule 83 and 87 (3) of CMV Rules, authorisation for All India Tourist permit and National Permit is for one year. As per orders of TC (February 2000) the authorities concerned shall issue notice to the permit holder within 15 days of expiry of authorisation calling his explanation as to why the permit should not be cancelled if the authorisation was not renewed and cancel the permit in case no explanation being received within the prescribed time.



- **Authorisation of National Permit was not renewed**

Composite and authorisation fees amounting to ₹ 68.78 lakh was not realised from 393 goods vehicles found plying on roads without renewal of authorisation of national permit.

The Composite fee of ₹ 16,500 per annum for authorisation along with application fee amounting to ₹ 1,000 was to be deposited in the Government account for authorisation of national permit.

We examined the vehicle files, permit registers, receipt books and cash-books of sampled RTOs/ARTOs and observed that in eight¹² RTOs, 393 out of 3,150 goods vehicles covered under national permit were plying on roads (March 2015 to March 2016) without renewal of authorisation of national permit even after expiry of validity period. All this information was also available in VAHAN software which was required to be analysed at State level by an officer not below the rank of Deputy Transport Commissioner and at RTO level by ex-officio Secretary of the Regional Transport Authority of the Transport Department as per rule 55(7), 56(7) of UPMV Rules 1998. However the Enforcement wing of the Department neither traced these vehicles as provided under section 192 of MV Act nor did the Department issue notices to those permit holders for cancellation of permits. The physical check of records and scrutiny of digital data was absent. Thus there was absence of mechanism for monitoring of the subsequent authorisation during currency of national permits in those RTOs. As a result, composite fee and authorisation fee amounting to ₹ 68.78 lakh were not realised.

¹² RTO Agra, Allahabad, Bareilly, Ghaziabad, Jhansi, Kanpur Nagar, Lucknow and Varanasi

• **Authorisation of All India Tourist Permit not renewed**

Authorisation fee and court fees amounting to ₹ 6.57 lakh was not realised from 938 tourist vehicles found plying on roads without renewal of authorisation.



The authorisation fee of ₹ 500 per annum for authorisation along with court fee amounting to ₹ 200 was to be deposited in the Government account for authorisation of all India tourist permit.

We examined the vehicle files, permit registers, receipt books and cash-books of sampled RTOs and observed that in

five¹³RTOs, 938 out of 6,000 tourist vehicles covered under all India permit were plying on roads (June 2014 to March 2016) without renewal of authorisation of all India permit even after expiry of validity period. All this information was also available in VAHAN software which was required to be analysed at State level by an officer not below the rank of Deputy Transport Commissioner and at RTO level by ex-officio Secretary of the Regional Transport Authority of the Transport Department as per rule 55(7), 56(7) of UPMV Rules 1998. However the Enforcement wing of the Department could neither trace these vehicles under provision of section 192 of MV Act nor could the Department issue notices to these permit holders for cancellation of permits. The physical check of records and scrutiny of digital data was also absent. Thus there was on absence of any mechanism to monitor of the subsequent authorisation of the All India permits in those RTO's. As a result authorisation fee and court fee amounting to ₹ 6.57 lakh was not realised.

During exit conference the Department accepted our audit observation.

3.3.17 Accident Relief Fund not established and its impact

Due to not creating of Uttar Pradesh Road Transport Accident Relief Fund (UPRTARF) by the Department, ₹ 109.06 crore could not be credited for accident victims between April 2012 to March 2016.

As per provisions of Section 8(1) of UPMVT Act, 1997 as amended in 2009, for the purpose of providing relief to the passengers or to heirs of such passengers or other persons or other persons suffering casualty in any accident in which a public service vehicle is involved, the State Government shall establish a fund to be known as the Uttar Pradesh Road Transport Accident Relief Fund (UPRTARF). The amount equivalent to two *percent* of the tax

¹³RTO Bareilly, Ghaziabad, Kanpur Nagar, Lucknow and Varanasi.

levied under Section 4 and two *percent* of the additional tax levied under Section 6 shall be credited to the said fund.

We examined the Monthly statement of revenue receipts of the office of the Transport Commissioner and found that the Department had realised a sum of ₹ 5,453.04 crore as tax and additional tax from goods and passenger vehicles during the period between April 2012 and March 2016. Two *per cent* of this amount ₹ 109.06 crore was to be credited to the UPRTARF but could not be credited to the fund by the Department as no such funds had been established. We further noticed that compensation amounting to ₹ 49.02 lakh was paid from the budget major head “2235 Social Safety and Welfare” during the year 2012-13 to 2015-16 to the passengers or heirs of such passengers against 334 cases of accident from public service vehicles. The failure to create a fund negated the very purpose of the provision of the Act and the compensation had to be paid out of revenue budget of the State.

During exit conference the Government/Department accepted our observation and stated that process of amendment in Rules for creation of UPRTARF is in progress.

Effectiveness of Enforcement wing

The regulatory functions of the Enforcement Wing in the State comprise of checking of offences for plying of unregistered vehicles/vehicles without permit/driving license/certificate of fitness/norms of pollution/overload vehicles/evade tax and violation of Act/Rules. The deficiencies found in working of Enforcement Wing on the above functions involving ₹ 8.85 crore have been discussed in the following paragraphs.

3.3.18 Compounding fee not levied on contract and stage carriage vehicles

3.3.18.1 Compounding Fee not levied on contract carriage vehicles in violation of permit conditions

Compounding fee amounting to ₹ 4.10 crore was not realised from 10,241 contract carriage vehicles found plying on roads in violation of permit conditions.

Under Rule 70 of the UPMV Rules, the owner of the contract carriage vehicle other than motor cab is liable for submission of passenger’s list and quarterly abstract of the vehicle log book as required under the terms and conditions of the permit issued by the competent authority. Section 192A of MV Act defines the penalty for violation of conditions of permit which attracts imposition of compounding fee of ₹ 4,000.

We examined the files and database of vehicles of contract carriage of sampled RTOs/ARTOs and observed that in TC office and five¹⁴ RTOs/ARTOs, 10,241 out of 11,983 contract carriage vehicles were covered under contract carriage permit and were plying during the period October 2012 to March 2016 but no vehicle owner submitted passenger list and logbook as

¹⁴ RTO Bareilly, Ghaziabad, Kanpur Nagar, Lucknow and Varanasi

per above provisions. As a result, compounding fees amounting to ₹ 4.10 crore was neither levied nor realised by the Department.

During exit conference the Department stated that not producing of log book and/or passengers list does not attract penalty as this is not a violation of permit conditions.

We do not agree with the reply of the Government as all the vehicles were plying and paying tax regularly without submitting passenger's list and quarterly abstract of the vehicle log book violating the condition of permit, but the Department did not impose penalty on these vehicles.

3.3.18.2 Compounding Fee not levied on stage carriage vehicles in violation of permit conditions

Compounding fee amounting to ₹ 65.92 lakh was not levied in violation of permit conditions by 1,648 stage carriage vehicles.

Section 72 of MV Act, provides different conditions for grant of stage carriage permit. Sub section 2(iii) *ibid* specifies that the minimum and maximum number of daily trips to be provided in relation to any route or area generally or on specified days and occasions may be provided after issue of such permit. Further as per Rule 17 of the UPMVT Rules, every operator of the stage carriage shall within seven days of coming into force of the Act or being possessed of the vehicle, as the case may be, furnish to the Taxation Officer a table regulating timing of arrival and departure of his stage carriage, as well as the number of single trips made in a quarter and such other particulars connected with this business, as the Taxation Officer may by order, from time to time require. Violation of permit condition attracts imposition of compounding fee ₹ 4,000 per case.

We examined the route files of stage carriage vehicles of sampled RTOs/ARTOs and observed that in 13 RTOs/ARTO¹⁵s, all 1,648 stage carriage vehicles test checked were covered under stage carriage permit and plying during the period from September 2011 to March 2016 but none of the vehicle owners submitted their time table for arrival and departure of vehicle as required under Rule. Thus, due to this the Department not only remained deprived of compounding fee amounting to ₹ 65.92 lakh but also in case of any accident in the absence of details of trips and passengers the Department will not be able to work out the actual victims, the compensation payable to them and it will also affect the law and order issues.

During exit conference, the Department accepted our observation and stated that in the cases of violation of permit conditions, if the owner of the vehicle applies for compounding the charges, at his request the compounding fee is imposed and in case where the vehicle owner does not turn-up, cases are referred to court.

We do not agree with the reply of the Government as the Enforcement wing was entrusted with identification and penalisation for violation of permit conditions. Audit noticed that all the vehicles were plying and paying tax

¹⁵ RTO Agra, Allahabad, Ghaziabad, Jhansi, Kanpur Nagar, Lucknow, Varanasi and ARTO Firozabad, G B Nagar, Jalaun, Mathura, Mau, and Unnao.

regularly without submitting time table and number of trips but not a single vehicle for violating the conditions of permit was identified and detained by the Enforcement wing.

3.3.19 Penalty under Carriage by Road Act not imposed

The Department did not impose penalty amounting to ₹ 2.58 crore under Carriage by Road Act on 839 vehicles which were seized for overloading.

Section 5 (3) of Carriage by Road Act, stipulates that if the registering authority or any other authority so authorised under the MV Act, has received proof of such violation of provision of sub-section (8) of Section 4¹⁶, it shall be competent to impose the penalty prescribed under Section 194 of the MV Act, on the common carrier, notwithstanding the fact that such penalty has already been imposed on and realised from the driver or the owner of the goods vehicle or the consignor, as the case may be.

Section 18 (1) of Carriage by Road Act, regarding not registering common carrier provides that if any one contravenes the provisions of Section 3, Section 13 or notification issued under Section 14 shall be punishable for the first offence with fine which may extend to four thousand rupees, and for the second or subsequent offence with fine which may extend to seven thousand five hundred rupees.

We examined the prosecution books, crime and seizure registers and files in sampled RTOs/ ARTOs and observed that 839 out of 8,161 cases of different categories of vehicles were seized for overloading during the period from July 2014 to March 2016. The Department levied penalty of ₹ 2.25 crore under Section 194 of the MV Act, and released the vehicles. In all the 839 cases the Department did not initiate any action under Section 5(3) of the CBR Act to impose penalty of ₹ 2.25 crore. Further penalty amounting to ₹ 33.08 lakh under Section 18 (1) of the Act for failure to register would have also been imposed on 839 cases but, the Department imposed penalty under Section 18(1) only on 12 cases. This shows that the Department was aware of the provision but the ARTO Enforcement failed to impose penalty of ₹ 2.58 crore which would have been avoided if the RTO (Enforcement) could have taken action against those officers because they were not competent to exercise their discretion (**Appendix-XV**).

During exit conference the Department accepted our observation and stated that penalty would be imposed on common carrier, as information from the Regional Offices was being called for to identify these common carriers to workout actual dues.

The Government may consider initiating disciplinary proceedings against the errant officers in case of negligence and/or connivance.

¹⁶ As per provision of section 4(8) of CBR Act, a common carrier shall not load the motor vehicle beyond the gross vehicle weight mentioned in the registration certificate whose registration number is mentioned in the goods forwarding note or goods receipt and the common carrier shall not allow such vehicle to be loaded beyond the gross vehicle weight.

3.3.20 Tax and additional tax from seized vehicles not realised

Under Section 22 of the UPMVT Act, a motor vehicle seized by the Enforcement wing of the Department, the vehicle owners are liable to pay dues and compounding fee imposed thereon and get it released. Where owners of vehicles did not turn up to pay dues, these vehicles may be auctioned after 45 days from the date of seizure and revenue realised should be adjusted towards the tax, additional tax, penalty and the expenses of such auction. The balance, if any, shall be refunded to the owner of the vehicle.

3.3.20.1 Revenue not realised due to not auctioning of seized vehicles

The Department could not realise ₹ 1.05 crore due to not auctioning 258 seized vehicles.

We examined the seizure registers and concerned files of sampled RTOs/ARTOs and observed that in 11 RTOs/ARTO¹⁷s, 258 out of 297 vehicles were seized under the provisions of the UPMVT Act during the period from July 2008 to November 2015 against which dues of ₹ 1.05 crore was to be realised. The owners of these vehicles did not pay the dues within 45 days from the date of seizure. The concerned offices also did not initiate action to realise the dues of ₹ 1.05 crore from seized vehicles through auction of these vehicles despite the lapse of five months to seven years eight months from the date of seizure.

During exit conference the Department accepted our observation and stated that the officers have been directed to auction the seized vehicles from time to time.

3.3.20.2 Short realisation of revenue from auction of seized vehicles

There was short realisation of ₹ 30.16 lakh by the Department from the auction of 124 seized vehicles.

We examined the seizure registers and concerned files of sampled RTOs/ARTOs and observed that in five¹⁸ RTOs/ARTOs, 124 out of 284 test checked vehicles were seized by the Enforcement wing from May 2006 to September 2014 under the provisions of the UPMVT Act for not depositing dues of ₹ 43.04 lakh. The defaulters failed to deposit the due amount within the prescribed period of 45 days. The Department auctioned the seized vehicles between February 2014 and March 2016 and recovered an amount of ₹ 12.88 lakh against the due amount of ₹ 43.04 lakh. Thus, an amount of ₹ 30.16 lakh could not be recovered from seized vehicles. The concerned offices did not issue recovery certificates for realisation of the balance amount of ₹ 30.16 lakh.

During exit conference the Department accepted our observation and stated that in cases of vehicles where the amount is short realised the process of recovery is under process.

¹⁷RTO Bareilly, Ghaziabad, Kanpur Nagar, Lucknow, Varanasi and ARTO GB Nagar, Hathras, Jalaun, Mathura, Shahjahanpur, and Unnao.

¹⁸RTO Agra, Allahabad, Ghaziabad and ARTO G B Nagar and Hardoi.

3.3.20.3 Excess amount received from auction of seized vehicles not refunded to owners

Owners were not refunded excess amount of ₹ 10.90 lakh received from the auction of 128 seized vehicles.

We examined the seizure registers and concerned files of sampled RTOs/ARTOs and observed that in five¹⁹RTOs/ARTOs, 128 out of 284 test checked vehicles were seized by the Enforcement wing from January 2009 to August 2014 under the provisions of the UPMVT Act for not depositing dues of ₹ 11.33 lakh. The defaulters failed to deposit the due amount within the prescribed period of 45 days. The Department auctioned the seized vehicles between January 2014 and February 2015 and recovered an amount of ₹ 22.23 lakh against the due amount of ₹ 11.33 lakh. Thus excess amount of ₹ 10.90 lakh recovered from the auction of seized vehicles was not refunded to owners.

During exit conference the Department accepted our observation and stated that instruction has been issued to concerning district officers to refund excess amount received in auction to owners of vehicles.

3.3.21 Commercial use of vehicles registered as private/agriculture vehicles

Tax and fine amounting to ₹ 16.04 lakh was not realised from 93 tractors engaged in commercial activities.

Under Section 4(2) of UPMVT Act, on tractors used for commercial purposes other than agriculture purposes, tax is leviable at the rate of ₹ 500 per quarter or ₹ 1,800 per year upto 18 October 2012 and ₹ 525 per quarter or ₹ 1,890 per year from 19 October 2012, for every metric ton of the unladen weight of the vehicle or part thereof. Further under Section 66(1) read with 192 of the MV Act, use of a motor vehicle in contravention of provisions shall be punishable for the first offence with a fine of ₹ 2,500 which was raised to ₹ 4,000 with effect from 25 August 2010.

We examined the seizure registers and concern files of sampled RTOs/ARTOs and observed that in six²⁰ RTOs/ARTOs, 93 tractors registered for agricultural purposes engaged in commercial activities of transporting sub-mineral (sand and ordinary soil). This fact was verified from relevant records of respective District Mines Officers. We observed from the prosecution registers, that the Department did not initiate any action for the levy and collection of the differential rate of tax from these vehicles being put to commercial use and also did not impose fines for violation of provision of Act. As a result, the tax and fine amounting to ₹ 16.04 lakh were not realised.

During exit conference the Department accepted our observation and stated that notice has been issued in one out of six ARTOs.

¹⁹ RTO Agra, Ghaziabad, Jhansi and ARTO Hathras, and Unnao.

²⁰ ARTO Ballia, Firozabad, Hathras, Mathura, Shahjahanpur and Unnao

3.3.22 Vehicular Pollution

3.3.22.1 Lack of information of polluting vehicles

Transport offices had no database/information of vehicles plying with or without PUC certificate.

Under the provisions of Rule 115(7) of the CMV Rules, after the expiry of a period of one year from the date on which the motor vehicles was first registered every such vehicle shall carry a valid 'Pollution Under Control' (PUC) certificates issued by an agency authorised for this purpose by the State Government. The validity of the certificate shall be for six months. Under rule 115(2) if the standard of pollution of vehicles is found within the prescribed limit the pollution testing centers will issue PUC certificate on payment of prescribed fee.



We examined the records related to pollution in sampled RTOs/ARTOs and TC office and observed that the Department had authorised 787 private pollution testing centers in 70 RTOs/ARTOs of the State and the rest five ARTOs had no centre. There were 507 pollution testing centers in sampled

RTOs/ARTOs. The TC and RTOs/ARTOs offices did not have any database/information regarding vehicles plying with or without PUC in VAHAN software, which has been confirmed by the Department in their reply stating that information from field offices are being collected.

3.3.22.2 Absence of infrastructure for testing of pollution of vehicles

We examined the records in sampled RTOs/ARTOs and TC office and observed that in eight RTOs/ARTOs the necessary equipments for checking of smoke emission of vehicles were out of order. There was no such equipments in 10 out of remaining 11 RTOs/ARTOs and 19 Enforcement wings. In the absence of infrastructure testing of pollution of vehicles could not be carried out in accordance with the prescribed norms.

During exit conference the Department accepted our observation and stated that the detailed information is being called for from the districts.

Government may consider deployment of adequate traffic personnel along with required equipments to ensure the implementation of pollution standards.

Internal Control mechanism

The Department should develop an effective internal control mechanism to ensure proper implementation of Act/Rules. This also helps in the creation of reliable financial and management information system for prompt and efficient decision making and adequate safeguard against short collection and evasion of revenue. This should also be reviewed and updated from time to time to maintain their effectiveness. Our findings on the efficacy of internal controls in the Department involving ₹ 167.27 crore have been mentioned in the following paragraphs.

3.3.23 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2016 amounted to ₹ 118.11 crore. The **Table 3.4** depicts the position of arrears of revenue during the period 2011-12 to 2015-16:

Table 3.4
Analysis of arrears of revenue

Year	Opening balance of arrears	Addition during the year	Amount collected during the year	(₹ in crore)
				Closing balance of arrears
2011-12	29.67	786.76	786.74	29.69
2012-13	47.44	949.83	943.43	53.84
2013-14	87.94	1125.91	1088.21	125.64
2014-15	124.94	1187.74	1175.87	136.81
2015-16	146.70	1180.81	1209.40	118.11

Source: Information provided by the Department

We observed that there was an arrear of ₹ 29.67 crore against private parties at the beginning of 2011-12 which increased to ₹ 118.11 crore (298 *per cent*) in 2015-16. The detail of arrears outstanding for more than five years is not available with the Department. This shows that the Department did not take concerted efforts to reduce the arrears. Opening balance of a year must tally with the figures of closing balance of the previous year, which did not as the above table shows. The opening balance of each year differs from the closing balance of the preceding year. Thus, it can be inferred that the information maintained by Department regarding arrears was incorrect and that the Department was unaware of the actual amount of arrears that needed to be recovered.

During exit conference the Department accepted our audit observation and stated that the reason for variation in year to year is due to digitisation of old vehicular records. The details of arrears outstanding for more than five years are still not available with the Department, hence they could not furnish stages under which recovery is pending.

3.3.24 Realisation of arrears

Under the provisions of Section 20 of the UPMVT Act, 1997 arrears of any tax or additional tax or penalty shall be recoverable as arrears of land revenue. The taxation officer shall raise a demand in the form as may be prescribed from the owner or operator, as the case may be, for the arrears of tax and additional tax and penalty of each year, which shall also include the arrears of tax, additional tax or penalty, if any of preceding years and RRCs will be

initiated within 45 days from the date of expiry of the period of the notice of 30 days.

Section 22 authorises the taxation officer to seize and detain the vehicle and to get the dues recovered by auction of the vehicle if the dues are not paid within 45 days from the date of seizure or detention of the vehicle.

3.3.24.1 Absence of monitoring and follow up mechanism for realisation of arrears

Due to the absence of follow up and monitoring, revenues amounting to ₹ 2.21 crore were not realised in 336 cases.

We examined the RCs registers and files of vehicles of sampled RTOs/ARTOs and observed that in 13²¹RTOs/ARTOs, there were arrears of tax/additional tax amounting to ₹ 2.21 crore in 336 cases for which Recovery Certificates (RCs) were issued during the period November 2012 to July 2015. We noticed that these RCs were issued with the delay of one month to 14 year six months after the date when revenues become due and recovery of these outstanding dues could not be made. No evidence of regular follow up with the revenue authorities for the recovery of these outstanding RCs was seen on files. The taxation officers of the districts did not initiate any action for seizing the vehicles of the owner who had defaulted on their dues under Section 22. We noticed that no provision for a time frame regarding issue of RCs was made in the rules and the Department also had no system to monitor the issue of the RCs within a specified time frame. In the absence of follow up and monitoring mechanism, revenue amounting to ₹ 2.21 crore was not realised (**Appendix-XVI**).

During exit conference the Department accepted our observation and stated the efforts of recovery of such arrears are being made.

3.3.24.2 Return of Recovery Certificate without realisation of revenue

Recovery Certificate amounting to ₹ 1.86 crore in 179 cases were returned without realisation of revenue.

We examined the tax registers, arrear registers, recovery certificate issue registers and vehicles files of sampled RTOs/ARTOs and observed that in 12 RTOs/ARTO²²s, there were arrears of tax/additional tax amounting to ₹ 1.86 crore in 179 out of 727 cases for which Recovery Certificates (RCs) were issued during the period October 2007 to December 2015 to concern District Magistrate (DM) for recovery of outstanding dues. Audit noticed that after laps of one to nine years of issue of RCs, the dues could not be recovered and the RCs were return by DM to Department with the comment of incorrect address /death /no-property /father's name of defaulter not mentioned whereas it was the responsibility of the RTOs/ARTOs to maintain full details. Further, as per rule the Department should have examined the reason of its return and

²¹ RTO Agra, Allahabad, Bareilly, Ghaziabad, Lucknow and ARTO Ballia, Firozabad, GB Nagar, Hathras, Mathura, Mau, Shahjahanpur, and Unnao.

²² Major defaulting RTOs/ARTOs: Firozabad, Ghaziabad, G.B. Nagar and Unnao.

make active efforts for reissuance. Audit noticed that in none of the case of return of RCs the concerned RTOs/ARTOs examined the reason and made any further correspondence with the respective District authority.

Department failed to re-issue R.C.s for recovery of the outstanding dues and did not take any action against the defaulters. Thus, due to ineffective follow-up as per act and rules the recovery of dues amounting to ₹ 1.86 crore could not be recovered (**Appendix-XVII**).

During exit conference the Department accepted our observation and stated the efforts of recovery of such arrears are being made.

3.3.25 Delayed compliance of office order

Revenue amounting to ₹ 49.75 lakh was short levied due to delayed compliance of office order.

Under Rule 115 (7) of CMV Rules, the TC vide letter dated 23 September 1993, prescribed ₹ 20 as fee for pollution certificate of various Diesel/Petrol vehicles. Of which ₹ 2 (10 per cent) was to be remitted to Government Treasury by the Private Pollution Test Centers. Further these rates were as well as format of PUC were revised vide order no. 109 pravi./2013-01/sa.su./2012 dated 21 January 2013. The new rates were ₹ 30 for two/three Petrol/CNG/LPG vehicles, ₹ 40 for four wheeler Petrol vehicles and ₹ 50 for Diesel vehicles. Similarly an amount equal to 10 per cent of the fee was to be remitted to the Government Treasury vide order 4 December 2013.

We examined the records relating to the pollution certificates viz receipts and issue registers, payment registers in TC Office and observed that the Department continued to realise the fees at pre-revised rates and issued certificates in old format upto 31 December 2013 for Petrol vehicles and upto 24 January 2014 for Diesel vehicles. A total of 20,96,000 certificates for Petrol vehicles and 9,59,500 certificates for Diesel vehicles (Total 30,55,500 certificates) were issued to Private Pollution Test Centers and on these certificates an amount of ₹ 61,11,000 (at the rate of ₹ 2 for each certificate) was remitted to Government Treasury whereas ₹ 1,10,85,500 (at the rate of minimum ₹ 3 for each Petrol vehicle and at the rate of ₹ 5 for each Diesel vehicle) should have been remitted as per office order dated 21 January 2013. As a result, there was a short levy of ₹ 49.75 lakh.

During exit conference the Department accepted our observation and state that matter is under investigation and recovery will be ensured if due. The Department did not furnish any specific reason for delayed compliance of order.

3.3.26 Stamp Duty not levied on vehicles registered with hypothecation agreements

The Department did not get hypothecated documents inspected from Stamp and Registration Department for ascertaining actual amount of stamp duty. Thus, the Government was deprived of revenue of ₹ 162.70 crore.

As per provisions of Section 73 and Schedule 1-B (6) of Indian Stamp Act 1899, the pawn, pledge or hypothecation of movable property, where such pawn, pledge or hypothecation has been made by way of security for the repayment of money advanced by way of loan or an existing or future debt; 0.5 *per cent* of the amount secured subject to a maximum of 10 thousand towards stamp duty, shall be levied, if such loan or debt is repayable on demand or more than three months from the date of the instrument, evidencing the agreement. Further, every instrument has to be properly stamped as per the provisions of the Act. Also, every public officer shall at all reasonable time, permit any officer whose duty is to see that proper duty is paid, or any other person authorised in writing by the Collector to inspect for such purpose. Further, the Chief Secretary vide letter dated 9 June 2010 addressed to all Principal Secretaries, Commissioners, and District Magistrates emphasising that every Public Servant shall submit photo copy of all unregistered documents to Assistant Commissioner, Stamp for inspection of chargeability of stamp in prescribed format with all details, before the 10th day of every month.

We examined the data base and files of vehicles of all sampled RTOs/ARTOs and observed that 12,41,085 vehicles involving cost amounting to ₹ 43,564.38 crore were hypothecated to banks during the period April 2011 to March 2016 on which stamp duty was not levied. The Department neither got the hypothecated documents inspected nor submitted them to Stamp and Registration Department with a view to ascertain actual amount of stamp duty. As the amount of loan secured was not available in the vehicles registration files/data, audit adopted 80 *per cent* minimum which is normally allowed by the bank of the cost of the vehicles amounting to ₹ 34,851.51 crore as the total loan amount. As a result, the Government remained deprived of revenue of ₹ 162.70 crore (**Appendix-XVIII**).

During exit conference the Department accepted our observation and assured these directions would be issued to Regional Officer for inspection of hypothecated documents for levying stamp duty in future. Stamp and Registration Department has also circulated instructions to their Field Offices for levy of stamp duty on hypothecated vehicles.

3.3.27 Departmental manual not in existence

For the effective and efficient working of any Department, a manual prescribing duties and responsibilities of staff, procedures to be followed and details of different registers/returns to be maintained is essential.

We observed that no Departmental manual exists in the Department. The Department constituted a committee in August 2008 for preparation of a Departmental manual but even after a lapse of seven years from the date of

constitution of the committee; not a single meeting was held till March 2016. The absence of a laid down system of duties, responsibilities, procedures and internal control would result in the Department not being aware of weaknesses in areas of its functioning and inhibit its ability to take timely remedial action.

During exit conference the Department accepted our observation and stated that the meeting of the committee for preparation of Department manual is proposed to be held.

However the fact remains that even after a lapse of seven years, the Department had not made any concerted efforts for the preparation of Departmental manual.

Government may consider preparing and adopting a Departmental manual at the earliest.

3.3.28 Internal Audit

Compliance by the Department against the cases raised by the IAW is very low resulting in pendency of paras and amount year after year.

Internal Audit of an organisation is a vital component for effective internal control in an organisation and is generally defined as the control of all controls. It enables the organisation to assure itself that the prescribed systems are functioning reasonably well.

Internal Audit Wing (IAW) is controlled by Finance Controller. One Assistant Audit Officer and three Auditors have been posted against the sanctioned post of One Assistant Audit Officer and six Auditors in IAW.

The details of Internal Audit planning such as number of units planned for audit, number of units audited and shortfall are shown in **Table 3.5**.

Table 3.5

Audit planning by internal audit wing

Year	Total number of units available for IA	Number of units planned for IA	Number of units audited during the year	Short fall	Percentage of shortfall
2011-12	101	36	22	14	38.88
2012-13	101	40	19	21	52.50
2013-14	101	31	22	09	29.03
2014-15	101	31	27	04	12.90
2015-16	103	36	30	06	16.77

Source: Information provided by the Department.

This shows that the audit planning of the IAW is not realistic as shortfall in the number of units audited ranged between 12.90 *per cent* and 52.50 *per cent* during the year from 2011-12 to 2015-16.

The Internal Audit conducted by the IAW, number, amount of objection raised and settled during the year is shown in **Table 3.6**.

Table 3.6
Details of outstanding paras and amount

Year	(₹ in lakh)							
	Opening balance		Addition during the year		Clearance during the year		Closing balance	
	No. of cases	Amount involved	No. of cases	Amount involved	No. of cases	Amount involved	No. of cases	Amount involved
2011-12	4,582	2,283.00	204	81	0	0	4,786	2,364.00
2012-13	4,786	2,364.00	137	73	12	13	4,911	2,424.00
2013-14	4,911	2,424.00	198	54	19	21	5,090	2,457.00
2014-15	5,090	2,457.00	276	115	8	2	5,358	2,570.00
2015-16	5,358	2,570.00	157	58	10	26	5,505	2,602.00

Source: Information provided by the Department.

It is evident from the above table that on one hand the compliance made by the Department against the cases raised by the IAW is very low, whereas on the other hand pendency of paras and amount are increasing year to year.

During exit conference the Department accepted our observation stated that Department also realises the necessity of a strong IAW.

3.3.29 Inspection by Departmental officers

The inspection of field offices was not done as per norms fixed.

Inspection is an important part of the internal control for ensuring proper and effective functioning of a Department and for timely detection of loopholes and to stop their recurrences.

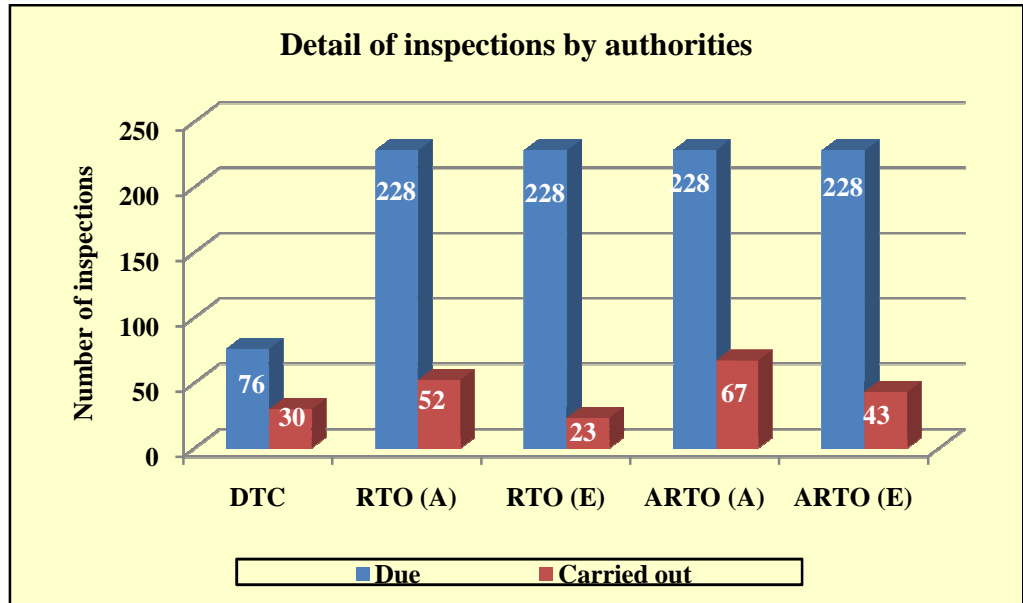
The Transport Commissioner of Uttar Pradesh vide instructions dated 2 May 2014 fixed the periodicity of inspection to be conducted by the DTC, RTO(A), RTO(E), ARTO(A) and ARTO(E) of their own and subordinate offices. The periodicity ranged between one month and six months of their own and subordinate offices. The details of inspection carried out are shown in **Table 3.7**.

Table 3.7
Details of inspection carried out of offices by higher authorities

Sl. No.	Name of officer	Number of Inspection			
		Due	Carried out	Shortfall	Percentage of shortfall
1.	Dy. Transport Commissioner	76	30	46	60.53
2.	Regional Transport Officer (Admn.)	228	52	176	77.19
3.	Regional Transport Officer (Enforcement)	228	23	205	89.91
4.	Asstt. Regional Transport Officer (Admn.)	228	67	161	70.61
5.	Asstt. Regional Transport Officer (Enforcement)	228	43	185	81.14
	Total	988	215	773	78.24

Source: Information provided by the Department.

Chart 3.4



It may be seen from the above table that shortfall in inspections ranged from 60.53 to 89.91 *per cent* at different levels during these years. The maximum shortfall was recorded at the level of Asstt. Regional Transport Officer (E). We found that no norms have been fixed for inspection by TC and Addl. TC at any level. This could have an adverse impact on monitoring cases of short levy of tax, additional tax and fees.

During exit conference the Department stated that the monthly meetings are being held by the Transport Commissioner and Addl. Transport commissioner has conducted inspection once in January 2016. Further, they did not give any reply on our observation regarding shortfall in inspection by DTC, ARTO(A)/ARTO(E), RTO(A)/RTO(E).

3.3.30 Follow-up of recommendation of Audit Report 2009-10

Neither PAC discussed the 11 paragraphs and nor any action was initiated by the Department.

The State Public Account Committee discussed 17 out of 28 sub-paragraphs pertaining to the Audit Report for the year 2009-10.

During exit conference the Department stated that the reply on pending paras will be collected and submitted.

3.3.31 Human resource management

Acute shortage of ancillary staff against the sanctioned strength led to excess workload and adversely effected collection/recovery of revenue.

Human resource management is very important for efficient implementation and monitoring of the Act/Rules and effective working of internal control of the Department/Organisation.

Sanctioned strength and men-in-position of sampled districts as furnished by the TC and RTOs/ARTOs offices are shown in **Table 3.8**.

Table-3.8

Human resource management

Sl. No.	Name of unit	Administrative wing			Enforcement squad		
		ARTO(A)	RI	Others	No. of Enforcement squad/ ARTO(E)	Super-visor	Constable
1.	Sanctioned Strength	19	43	767	37	47	285
2.	Men-in-position	19	18	578	36	13	175
3.	Shortage	0	25	189	1	34	110
4.	Shortage in per cent	0	58.13	24.64	2.70	72.34	38.59

Source: Information provided by the Department

The above table shows that there was acute shortage of ancillary staff in the RTOs/ARTOs Offices. Further, we observed that:

- Regional Inspectors (RIs) assist the Assistant Regional Transport Officers in all technical matters relating to road transport. They are responsible for checking the fitness of vehicles and granting/renewal of certificate of fitness. There were 18 RIs against the sanctioned strength of 43. Shortage in this cadre led to excess workloads which could adversely affect their performances.
- Against 37 Enforcement squads that were sanctioned, 36 were functioning similarly against 47 post of supervisor and 285 post of constable sanctioned, 13 supervisor against 47 and 175 constables were posted. These shortages of manpower could adversely affect the recovery/ collection of taxes and compounding fees as shown in **Table 3.9**.

Table-3.9

Details of recovery ranged against target fixed

Year	Number of RTOs/ARTOs	Percentage of recovery ranged against target fixed
2011-12	13	13.35 to 97.07
2012-13	15	39.11 to 96.97
2013-14	16	29.24 to 98.37
2014-15	18	13.87 to 98.82
2015-16	18	19.26 to 94.31

Source: Information provided by the Department

During exit conference the Department accepted our observation and stated that the filling of vacant post is under process.

Government may consider to strengthen their Internal Audit wing and to achieve the targets fixed for inspection of field offices by the Departmental authorities. Human resources management needs to be strengthened by deployment of staff to these vacant positions.

3.3.32 Conclusions

We observed that:

Department/Enforcement wing could not detect the vehicles plying without payment of tax and penalty, renewal of fitness, without permit, without renewal of permit, overload vehicles, vehicles plying without PUC. The Government remained deprived of revenue amounting to ₹ 596.77 crore. Department failed to provide the information regarding vehicles plying with or without PUC and to equip the Enforcement wing with the necessary apparatus for checking of pollution of vehicles. Internal control mechanism of the Department was deficient and internal control tools such as internal audit and inspection were not working efficiently. There were shortage of ancillary staff/Enforcement squads staff and absence of Departmental manual for internal control and realisation of revenue.

3.3.33 Summary of recommendations

We recommend that Government may consider:

- **periodic review of registered other than transport vehicles (private vehicles) to identify vehicles whose validity of registration has expired.**
- **taking immediate steps to verify the fitness for all vehicles which are due, to avoid loss of revenue and in the interest of public safety.**
- **instituting a mechanism for periodic review of DCB register to monitor collection of revenue from defaulter vehicles/vehicles plying under UPSRTC and ensure strict adherence to provisions of Acts/Rules.**
- **in case of negligence and/or connivance the Department should initiate disciplinary proceedings against the errant officer.**
- **deploying of adequate traffic personnel along with required equipment to ensure the implementation of pollution standards.**
- **preparing and adopting a Departmental manual at the earliest.**
- **strengthening their Internal Audit wing and to achieve the targets fixed for inspection of field offices by the Departmental authorities. Human resources management needs to be strengthened by deployment of staff to these vacant positions.**

3.4 Audit observations

Our scrutiny of records in the offices of the Transport Department showed that in some cases of compounding fee, application fee, tax, additional tax, permit fee, fitness fee, registration fee and penalty was not levied as mentioned in the succeeding paragraphs in this chapter. These cases are illustrative and are based on a test check carried out by us. We point out most of the observations each year, but not only do the irregularities persist; these remain undetected till we conduct an audit. There is need for the Government to improve the internal control system so that recurrence of such lapses in future can be avoided.

3.5 Irregularities in permit

3.5.1 Authorisation of National Permit not renewed

Composite and authorisation fees amounting to ₹ 8.23 lakh was not realised from 47 goods vehicles found plying on roads without renewal of authorisation of national permit.

Section 81 of MV Act provides that a permit is valid for five years. However, as per Rule 87 (3) of CMV Rules, authorisation for the National Permit is for one year. As per order of Transport Commissioner (February 2000) the authorities concerned shall issue notice to the permit holder within 15 days of expiry of authorisation calling his explanation as to why the permit should not be cancelled in case of his not renewing authorisation and cancel the permit in case no explanation being received within the prescribed time. Composite fee of ₹ 16,500 per annum for authorisation along with application fee amounting to ₹ 1,000 was to be deposited in the Government account for authorisation of national permit.

We examined the vehicle files, permit register, receipt books and cash-book of three RTOs (Basti, Lucknow and Varanasi) out of 13 RTOs between May 2015 and August 2015 and found that during the period from July 2014 to December 2015, 47 out of 206 goods vehicles covered under national permit were plying on roads without renewal of authorisation of national permit even after expiry of validity period. As a result, composite renewal fee and application fee amounting to ₹ 8.23 lakh were not realised.

All this information such as date of expiry of authorisation, tax paid and other details of vehicles with National Permit was available in VAHAN Software which is designed for keeping vehicles details such as registration certificates, permit and taxes etc. These data were required to analyse at State level by an officer who shall not below the rank of Deputy Transport Commissioner and at RTO level, by an ex-officio Secretary of the Regional Transport Authority as per rule 55(7), 56(7) of UPMV Rules 1998. However the enforcement wing of the Department neither traced these vehicles as provided under section 192 of MV Act nor did the Department issue notices to these permit holders for cancellation of permits. The physical check of records and scrutiny of digital data was absent. Thus there was absence of mechanism for monitoring of the subsequent authorization during currency of national permits in those RTOs/ARTOs.

We reported the matter to the Department and the Government (May 2015 to August 2015). During exit conference the Department accepted our observation and stated that notices have been issued to concerned vehicle owners and in 18 cases amount of ₹ 3.05 lakh has been recovered.

3.5.2 Permit fee from school buses not realised

In sub regions of three RTOs/ARTO 177 school vehicles were plying without permit. As a result, permit fees and application fees of ₹ 7.60 lakh was not realised.

Under the provisions of the UPMVT Act, as amended in 2000 in respect of Notification number 27/2000 of Government of India, no Educational Institute shall use vehicles for transportation of students without proper permit. Further, Rule 125 of the UPMVT Rules, 1998 (as amended on 31 December, 2010) prescribes ₹ 3,750 for issue of new permit, its renewal and countersignature and ₹ 1,000 for application fees.

We examined (between May 2015 and January 2016) the vehicles files, permit register and vehicles database of two RTOs (Basti and Lucknow) and ARTO Jaunpur and found that during the period June 2014 to December 2015, 177 out of 281 vehicles of educational institutions were plying in sub regions without permit and compromising on the safety and security of their wards. As a result, permit fees and application fees of ₹ 7.60 lakh were not realised.

We reported the matter to the Department and the Government (July 2015 to February 2016). During exit conference the Department accepted our observation and stated that notices have been issued to concerned vehicle owners and in 142 cases amount of ₹ 5.63 lakh has been recovered.

3.6 Additional tax on *Jn*NURM buses not levied

Additional tax of ₹ 9.92 crore was not levied on 84 *Jn*NURM buses under City Transport Services Limited which were found plying outside the municipal corporation area.

No transport vehicle of State Transport Undertaking shall be used in any public place in Uttar Pradesh unless additional tax prescribed under sub-section (1) of Section 6 of UPMVT Act 1997 (as amended on 28 October 2009) has been paid. Motor vehicles of State transport undertaking operating within the limits of Municipal Corporation or Municipality shall be exempted from the payment of additional tax.

We examined (October 2015) the route and tax files returns and challan submitted by the Uttar Pradesh State Road Transport Corporation (UPSRTC) to transport offices of RTOs Meerut out of seven²³ RTOs and found that 84 *Jn*NURM buses out of 120 *Jn*NURM buses under City Transport Services Limited were found plying outside the municipal corporation area from February 2009 to September 2015 and were liable for payment of additional tax of ₹ 9.92 crore. The transport officers did not initiate any action i.e. issue notice to deposit the additional tax, detain the vehicle in police custody by

²³ Agra, Allahabad, Kanpur Nagar, Lucknow, Mathura, Meerut and Varanasi.

enforcement wing of the Department or issued RCs for not depositing additional tax on these vehicles. As a result, additional tax of ₹ 9.92 crore was not levied.

We reported the matter to the Government and the Department (February 2016). During exit conference the Department stated that the vehicles were plying within the municipal corporation area. The reply of the Department is not tenable on the ground that the vehicles were plying outside of the municipal corporation area as per list provided by municipal corporation Meerut.

3.7 Fitness certificate of vehicles

3.7.1 Fitness certificate of transport vehicles not renewed

There is no system in the Department to check whether there is a valid fitness certificate while accepting payment of tax due. 6,304 vehicles plied without valid fitness certificates and were liable for levy of fitness fee of ₹ 35.50 lakh and imposition of penalty of ₹ 2.52 crore.

Under Section 56 read with 84 and 86 of MV Act, and Rule 62 of CMV Rules, 1989 made thereunder, a transport vehicle shall not be deemed to be validly registered unless it carries a certificate of fitness. A fitness certificate granted in respect of a newly registered transport vehicle is valid for two years and is required to be renewed every year and in case of failure his permit is likely to be cancelled or suspended for a certain period. Payment of the prescribed test fee of ₹ 100, ₹ 200, ₹ 300 and ₹ 400 for three wheelers, light, medium and heavy vehicle respectively is required to be made. In addition to this, renewal fee of ₹ 100 for issuing certificate of fitness is also leviable for all category of vehicles. In case of default, an additional amount equal to the prescribed fee is also leviable. Plying a vehicle without certificate of fitness is compoundable under Section 192 of the MV Act, 1988 at the rate of ₹ 4,000 vide notification no. 1452/30-4-10-172/89 dated 25 August 2010.

We examined (between April 2015 and January 2016) the tax register, vehicles files, vehicles database, receipt books and cash-book of 17 out of 45 RTOs/ARTOs and found that 6,304 out of 12,510 vehicles plied between March 2008 and December 2015 without valid fitness certificate although the tax due was realised. In VAHAN software information regarding expiry of fitness was available but Department failed to identify such cases. Specific feature in software to prevent vehicle owners to pay tax where fitness had expired was not available. The Department neither initiated action for cancelling the permit of these vehicles whose fitness certificate had become overdue nor levied any fine on defaulting vehicle owners as per provisions of the MV Act besides endangering the lives of the passengers. It was the responsibility of ARTO (Administration) to identify and stop these vehicles with the help of enforcement wing but they failed to identify such vehicles during their checking. Plying of such vehicles compromised with public safety. These vehicles were liable for levy of fitness fee of ₹ 35.50 lakh and imposition of penalty of ₹ 2.52 crore (**Appendix-XIX**).

We reported the matter to the Department and Government (May 2015 to February 2016). During exit conference the Department accepted our observation and stated that notices have been issued to concerned vehicle owners and in 2,486 cases amount of ₹ 14.01 lakh has been recovered.

3.7.2 Private vehicle plying without certificate of fitness

Without valid fitness certificate 1,805 private vehicles plied between June 2014 and December 2015 were liable for levy of fitness fee of ₹ 9.03 lakh and imposition of penalty of ₹ 72.20 lakh.

As per Transport Commissioner's office order dated 12 December 2005 omni buses are classified as transport vehicles. All vehicles having more than six seats excluding driver will be known as transport vehicle unless concerned vehicles registered as private vehicles. Now fitness is compulsory for each vehicle having more than six seats but upto nine seats excluding driver. These vehicles are classified as light vehicles. Under Section 56 read with 84 and 86 of MV Act, and Rule 62 of CMV Rules, 1989 made thereunder, a transport vehicle shall not be deemed to be validly registered unless it carries a certificate of fitness. A fitness certificate granted in respect of a newly registered transport vehicle is valid for two years and is required to be renewed every year and in case of failure his permit is likely to be cancelled or suspended for a certain period. Payment of the prescribed test fee of ₹ 200 is required to be made. In addition to this, renewal fee of ₹ 100 for issuing certificate of fitness is also leviable for all category of vehicles. In case of default, an additional amount equal to the prescribed fee is also leviable. Plying a vehicle without certificate of fitness is compoundable under Section 192 of the MV Act, 1988 at the rate of ₹ 4,000 vide notification no. 1452/30-4-10-172/89 dated 25 August 2010.

We examined (between May 2015 and January 2016) the tax register, vehicles files, vehicles database, receipt books and cash-book of six²⁴ out of 44 RTOs/ARTOs and found that 1,805 out of 3,144 vehicles plied between June 2014 and December 2015 without valid fitness certificate although the tax due was realised. The Department neither initiated action for issuing notices to these vehicle owners whose fitness certificate had become overdue nor levied any fine on defaulting vehicle owners as per provisions of the MV Act besides endangering the lives of the passengers. Commissioner, Transport Department also accepted that plying of such vehicles compromised with public safety. These vehicles were liable for levy of fitness fee of ₹ 9.03 lakh and imposition of penalty of ₹ 72.20 lakh.

We reported the matter to the Department and the Government (between July 2015 and February 2016). During exit conference the Department accepted our observation and stated that notices have been issued to concerned vehicle owners and in 320 cases amount of ₹ 1.60 lakh has been recovered.

²⁴ Ambedkar Nagar, Jaunpur, Kannauj, Pratapgarh, Basti and Lucknow.

3.8 Registration of other than transport vehicles not renewed

Registration of 1,272 other than transport vehicles whose registration had expired were not renewed. As a result, green tax, re-registration fee, penalty, fitness fee and certificate fee amounting to ₹ 10.64 lakh was not realised.

Under Section 39 of the MV Act, every vehicle is required to be registered. Section 41 (7) of the Act *ibid* provides that registration of other than transport vehicle is valid for the period of 15 years and registration can be renewed for subsequent period of five years. Fitness is also required to be checked and issue certificate for the same at the time of re-registration of vehicle for which ₹ 200 as fitness fee ₹ 100 for issue of certificate is leviable. Re-registration fee for other than transport light motor vehicle is ₹ 200 and in case of delay ₹ 100 is also leviable as penalty under Section 177 of the Act. As per Section 192 of the MV Act, if vehicle is used in contravention of the provisions of the Section 39 shall be punishable for the first offence with a fine which may extent to five thousand rupees but shall not be less than two thousand rupees. As per Notification No. 1587/30-4-2014-8(79)/2013, Lucknow dated 27 January 2015, at the time of re-registration of a motor vehicle, other than a transport vehicle, Green Tax has been fixed at the rate of 10 percent of onetime tax paid at the time of registration.

We examined (May 2014 to March 2015) the vehicles files, vehicles database, receipt books and cash-book of four²⁵ out of 44 RTOs/ ARTOs and found that out of 1,799 other than transport light motor vehicles 1,272 vehicles were registered during July 1998 to December 2000 for the period of 15 years. The registration of the said vehicles lapsed during July 2013 to December 2015, but none of these vehicles were re-registered. As a result, green tax, re-registration fee, penalty, fitness fee and certificate fee amounting to ₹ 10.64 lakh was not realised.

We reported the matter to the Government and the Department (June 2014 to May 2015). During exit conference the Department accepted our observation and stated that notices have been issued to concerned vehicle owners and in 155 cases amount of ₹ 1.03 lakh has been recovered.

3.9 Penalty under Carriage by Road Act not levied

The Department did not impose penalty amounting to ₹ 1.42 crore under Carriage by Road Act on 591 vehicles which were seized for overloading.

Section 5 (3) of Carriage by Road Act, 2007 stipulates that if the registering authority or any other authority so authorised under the MV Act, has received proof of such violation of provision of sub-section (8) of Section 4, it shall be competent to impose the penalty prescribed under section 194 of the MV Act, on the common carrier, notwithstanding the fact that such penalty has already been imposed on and realised from the driver or the owner of the goods vehicle or the consignor, as the case may be.

²⁵ Deoria, Jaunpur, Basti and Lucknow.

Section 18 (1) of Carriage by Road Act, 2007 regarding failure to register of common carrier provides that if any one contravenes the provisions of section 3, section 13 or notification issued under section 14 shall be punishable for the first offence with fine which may extent to four thousand rupees, and for the second or subsequent offence with fine which may extend to seven thousand five hundred rupees.

We examined (April 2015 to February 2016) the prosecution books, crime and seizure register and concern files in the offices of 23 out of 45 RTOs/ ARTOs and found that 591 out of 5,711 cases of different categories of vehicles were seized for overloading during the period from October 2013 to December 2015. The Department levied penalty of ₹ 1.19 crore under Section 194 of the MV Act, and released the vehicles. In all the 591 case the Department did not initiate any action under Section 5(3) of the Carriage by Road Act 2007 to levy penalty of ₹ 1.19 crore. Further penalty amounting to ₹ 23.64 lakh under Section 18 (1) of the Act for not registering the vehicles as common carrier, was also leviable in these cases. As a result, penalty amounting to ₹ 1.42 crore was not levied (**Appendix-XX**).

We reported the matter to the Department and the Government (May 2015 to February 2016). During exit conference the Department stated that compounding fees has been recovered by the enforcement officer under MV Act. Department did not reply for not taking action under CBR Act.

3.10 Tax/ additional tax from surrendered vehicles not realised

The taxation officers did not realise the tax/ additional tax amounting to ₹ 38.95 lakh from 214 out of 763 vehicles which were surrendered for the period beyond three calendar months.

Rule 22 of the UPMVT Rules, 1998 (modified in October 2009) provides that when the owner of a transport vehicle withdraws his motor vehicle from use for one month or more, the certificate of registration, tax certificate, additional tax certificate, fitness certificate and permit, if any, must be surrendered to the Taxation Officer. The Taxation Officer shall not accept the intimation of not using of any vehicle for more than three calendar months, within a calendar year, however, the period beyond three calendar months may be accepted by the Regional Transport Officer of the region concerned, if the owner makes an application with requisite fee to the Taxation Officer. If any such vehicle remains surrendered for more than three calendar months during a year without extension of acceptance of surrender by RTO, it shall be deemed to be revoked and the owner shall be liable to pay tax and additional tax, as the case may be. Further, subject to the provision of sub- rule (4), the owner of a surrendered vehicle in respect of which intimation of not using has already been accepted, shall be liable to pay tax and additional tax for the period beyond three calendar months during any calendar year, whether the possession of the surrendered documents have been taken from the taxation officer or not.

We examined (between May 2015 and January 2016) the surrender register, vehicles files, passenger tax register and goods tax register of 10 out of 44 RTOs/ ARTOs and found that 214 out of 763 vehicles were surrendered for

periods beyond three calendar months in a year during the period from June 2014 to June 2015. Though extension of acceptance of surrender beyond three months was not granted by concerned RTO, the taxation officers did not initiate any action to realise the tax/ additional tax due thereon of ₹ 38.95 lakh (**Appendix- XXI**).

We reported the matter to the Government and the Department (June 2015 to February 2016). During exit conference the Department accepted our observation and stated that notices have been issued to concerned vehicle owners and in 20 cases amount of ₹ 4.09 lakh has been recovered.