

***CHAPTER-V***  
***TAXES ON VEHICLES, GOODS AND***  
***PASSENGERS***



## **CHAPTER V: TAXES ON VEHICLES, GOODS AND PASSENGERS**

### **5.1.1 Tax administration**

#### **5.1.1.1 Taxes on vehicles**

Registration of motor vehicles, issue of permits, issue of driving/conductor licences, levy and collection of token tax, permit fee, licence fee etc. are governed under the provisions of the Motor Vehicles Act, 1988, (MV Act) Central Motor Vehicles Rules, 1989, the Haryana Motor Vehicles Rules, 1993, the Punjab Motor Vehicles Taxation Act, 1924 (PMVT Act), as applicable to the State of Haryana and the Punjab Motor Vehicles Taxation Rules, 1925. The Additional Chief Secretary to Government of Haryana, Transport Department is the administrative head assisted by the Transport Commissioner who exercises general superintendence over the functioning of the Department. The powers of Registering and Licensing Authority (RLA) are being exercised by 62 Sub-Divisional Offices (Civil) in respect of non-transport vehicles, whereas 21 Secretaries, Regional Transport Authorities (RTAs) are exercising the powers of RLA in respect of transport vehicles including goods vehicles.

#### **5.1.1.2 Passengers and goods tax**

Levy and collection of passengers and goods tax (PGT) are governed under the provisions of the Punjab Passengers and Goods Taxation Act, 1952 (PPGT Act) and the Rules framed thereunder, as applicable to the State of Haryana. The Principal Secretary to Government of Haryana, Excise and Taxation Department is the administrative head at the Government level. Overall charge of the Department vests with the Excise and Taxation Commissioner (ETC), Haryana, Panchkula. The work relating to levy and collection of PGT is carried out by the Assistant Excise and Taxation Officers (AETOs) under Deputy Excise and Taxation Commissioners (DETCs) in the field.

### **5.1.2 Results of audit**

In 2014-15 test check of the records of 71 units relating to token tax, fitness/renewal fee, taxes on goods and passengers, penalty etc. showed irregularities involving ₹ 49.10 crore in 3,81,054 cases, under the following categories in the **Table 5.1**.

Table 5.1

(₹ in crore)			
Sr. No.	Categories	Number of cases	Amount
1.	Recovery of Goods Tax and Passengers tax under PPGT Act, 1952	01	38.69
2.	Collection of revenue from outsourced activities in Motor Vehicles Tax	01	0.54
3.	Non recovery of fitness/renewal fee on account of renewal of registration certificates	3,57,289	6.71
4.	Non/short recovery of token/road tax in respect of Stage carriage buses/city buses.	202	1.06
5.	Non Recovery of fine from overloaded vehicles	59	0.10
6.	Non/short recovery of <ul style="list-style-type: none"> <li>• passengers tax</li> <li>• goods tax</li> <li>• token tax from private vehicles</li> </ul>	534 880 331	0.98 0.53 0.19
7.	Miscellaneous irregularities	21,757	0.30
<b>Total</b>		<b>3,81,054</b>	<b>49.10</b>

During the year, the Department accepted underassessment and other deficiencies amounting to ₹ 39.58 crore in 931 cases, out of which ₹ 39.54 crore involved in 904 cases were pointed out during the year and the rest in earlier years. The Department recovered ₹ 0.05 crore in 31 cases, out of which ₹ 0.01 crore involved in four cases relates to the year 2014-15 and the rest to earlier years.

Significant cases involving ₹ 39.28 crore are discussed in following paragraphs:

### Passengers and goods tax

#### 5.2 Recovery of Goods Tax and Passengers Tax under PPGT Act, 1952

**Due to lack of internal control, monitoring and follow-up action, the assessing authorities failed to send notices to the defaulting vehicles owners, resulting in either non-updating of DCRs or short realisation of Passengers and Goods tax to the extent of ₹ 24.10 crore, besides interest of ₹ 14.59 crore, in 15,850 cases.**

All the motor vehicles carrying goods and passengers are required to be registered with AETO of the district concerned in which the owner of the vehicle has residence or place of business where the vehicle is normally kept in the State. Two districts {Faridabad (East and West) and Gurgaon}, having highest collection of revenue, were selected and remaining four districts were selected on the basis of random selection method. The records of the seven offices<sup>1</sup> of DETCs (PGT) in six districts, out of 21 districts, for the period from 2011-12 to 2013-14 were test checked between December 2014 and April 2015, to assess whether the mechanism for recovery of passengers and goods tax was effective in the department. The important findings noticed were as under:

<sup>1</sup> Bhiwani, Faridabad (East), Faridabad (West), Gurgaon, Jagadhri, Rewari and Rohtak.

### 5.2.1 Non/short realisation of Goods Tax

Goods tax is leviable in lump sum on public or private carriers plying in or passing through the State. The rates are prescribed on the basis of Gross Vehicle Weight as per Motor Vehicles Act, 1988 with effect from 25 March 2011. The rates are ₹ 4,000 per annum (not exceeding 10 tons), ₹ 5,600 per annum (exceeding 10 tons but not exceeding 17 tons) and ₹ 12,000 per annum (exceeding 17 tons). Further, as per Section 14 (B) of the PPGT Act where any tax or penalty is not paid within the prescribed time, the owner of the vehicle shall be liable to pay interest at the rate of two *per cent* per month on the unpaid amount of tax.

Audit noticed (December 2014 to April 2015) from the records of 75,105 vehicles in seven offices<sup>2</sup> of DETC (PGT), that either the vehicle owners of 14,342 public or private carriers used for carrying goods had not deposited the Goods tax of ₹ 20.54 crore for different periods between April 2011 and March 2014 or the department had not updated the Demand and Collection Registers (DCRs). However, no demand notices were issued by the department and the assessing authorities also failed to review the DCRs. This resulted in non/short realisation of Goods tax of ₹ 20.54 crore, besides interest<sup>3</sup> of ₹ 12.37 crore.

All the DETCs (PGT) admitted the facts and stated that Goods tax of ₹ 25.33 lakh, besides interest of ₹ 12.40 lakh from 359 vehicle owners had been recovered and notices had been issued to the remaining vehicle owners to recover the outstanding amount of ₹ 32.53 crore.

### 5.2.2 Non/short recovery of passengers tax from taxi car/maxi cab owners

Under Section 9 (1) (iv) and (iv-a) of the PPGT Rules, Passengers tax on taxi cars/maxi cabs having seating capacity (excluding driver) up to (i) five seater and (ii) seven to 12 seater is leviable at the rate of (i) ₹ 3,000 per annum (ii) ₹ 100 per seat per month respectively. Tax is payable in equal quarterly instalments within 30 days of the commencement of the quarter to which payment relates. Further, interest is also leviable as per PPGT Act.

Audit noticed (December 2014 to April 2015) from the records of 10,665 vehicles in seven offices<sup>4</sup> of DETC (PGT), that either the vehicle owners of 1,363 taxi cars/maxi cabs used for carrying passengers had not deposited the Passengers tax of ₹ 3.26 crore for different periods between April 2011 and March 2014 or the department had not updated the DCRs. This resulted in non/short realisation of Passengers tax of ₹ 3.26 crore, besides interest of ₹ 2.00 crore.

All the DETCs (PGT) admitted the facts and stated that four DETCs (PGT)<sup>5</sup> had recovered the Passengers tax of ₹ 1.27 lakh, besides interest of ₹ 63,000 from 11 vehicles owners and notices had been issued to the defaulting vehicles owners to recover the balance amount of ₹ 5.24 crore.

<sup>2</sup> Bhiwani, Faridabad (E), Faridabad (W), Gurgaon, Jagadhri, Rewari and Rohtak.

<sup>3</sup> Interest calculated upto 31 March 2015.

<sup>4</sup> Bhiwani, Faridabad (E), Faridabad (W), Gurgaon, Jagadhri, Rewari and Rohtak.

<sup>5</sup> Bhiwani, Jagadhri, Rewari and Rohtak.

### 5.2.3 Short realisation of passenger tax from school/institution bus owners

Under Rule 9 (2F) (i), the owners of educational institutions<sup>6</sup> and private schools pay a lump sum of ₹ 60 and ₹ 20 per seat per month respectively for nine months (July to March) in a year where monthly bus charges exceeds ₹ 200 per seat. Further, as per Haryana Government notification dated 4 October 2013, the above said tax is exempted in case of non-AC buses of private schools only. Interest is also leviable as per PPGT Act.

Audit noticed (March and April 2015) from the records of DETCs (PGT) Faridabad (East), Faridabad (West) and Gurgaon, that either the owners of 135 school/institution buses used for carrying students of schools/institutions had not deposited the Passenger tax of ₹ 25.97 lakh for different periods between April 2011 and March 2014 or the department had not updated the DCRs. This resulted in short realisation of Passenger tax of ₹ 25.97 lakh, besides interest of ₹ 21.41 lakh.

All the DETCs (PGT) admitted the facts and stated (March and August 2015) that Passengers tax of ₹ 11.34 lakh, besides interest of ₹ 7.07 lakh in 33 cases had been recovered and notices had been issued to recover the outstanding amount of ₹ 28.97 lakh.

### 5.2.4 Non/short realisation of passenger tax from city bus operators

Section 9 (2E) of the Punjab Passengers and Goods Taxation (PPGT) (Haryana Amendment) Rules, 2004, as inserted with effect from 24 February 2004, provides that the holders of permit for plying buses on the roads within the municipal corporation limit in Faridabad and Gurgaon districts are required to pay monthly Passengers tax at the rate of ₹ 4,200 and ₹ 7,000 in respect of ordinary half-body and full-body bus respectively. Further, interest is also leviable as per PPGT Act.

Audit noticed (March and April 2015) from the records of the offices of DETCs (PGT) Faridabad (East) and Gurgaon, that out of 142 buses, either the owners of 10 stage carriage private bus operators had not deposited the Passenger tax of ₹ 4.54 lakh for different periods between April 2011 and March 2014 or the department had not updated the DCRs. This resulted in short realisation of Passenger tax of ₹ 5.11 lakh inclusive of interest.

DETCs (PGT) Faridabad (East) and Gurgaon admitted the facts and stated in March 2015 that notices would be issued to the concerned vehicle owners and efforts would be made to recover the outstanding amount. Further progress report on recovery is awaited (November 2015).

The assessing authorities are required to review DCRs periodically and send notices to the owners at any time within a period of three years in case it was discovered that the owners were under-assessed or had escaped assessment for any year, or tax less than the amount due was levied. Due to lack of internal

<sup>6</sup> "Educational institution bus" means an omnibus, which is owned by a college, school or other educational institution and used solely for the purpose of transporting students or staff of the educational institution in connection with any of its activities.

control, monitoring and follow-up action, the assessing authorities failed to send notices in the above cases, resulting in either non-updating of DCRs or short realisation of Passengers and Goods tax to the extent of ₹ 24.10 crore, besides interest of ₹ 14.59 crore, in 15,850 cases.

On this being pointed out, seven DETCs had recovered the Passengers and Goods tax of ₹ 37.94 lakh, besides interest of ₹ 20.10 lakh in 403 cases till August 2015.

The above points were reported to the Government in June 2015; reply has not been received (November 2015).

## TRANSPORT DEPARTMENT

### 5.3 Collection of revenue from outsourced activities in Motor Vehicles Tax

**HSRPs were affixed without snap lock which was mandatory for better security; affixation of HSRPs on new registered vehicles ranged between 27 and 81 per cent and replacement of HSRPs on old vehicle had not started. Due to lack of monitoring and follow up action, the department had failed to issue notices to recover pending licence fees from the defaulting PCC owners/Driving Training Schools resulting in non recovery of license fee of ₹ 7 lakh.**

There are provisions for affixation of the High Security Registration Plates (HSRPs) on motor vehicles, issue/renewal of licenses to Pollution Check Centers for issuing Pollution Under Control Certificates (PUCC) to vehicle owners and issue and renewal of licenses to Driving Training Schools for imparting driving training to the public. However, the State Government has outsourced these activities to the private parties.

The records of the offices of the Regional Transport Authorities (RTAs) and Registering Authorities (Motor Vehicles) {RAs (MVs)} in seven districts<sup>7</sup> out of 21 districts of the State for the years 2011-12 to 2014-15 were test checked between December 2014 and May 2015 to assess whether the system of collection of revenue from outsourced activities was effective in the department. The important findings noticed are as under:

#### 5.3.1 Non-achievement of target of affixation of High Security Registration Plates (HSRPs)

As per Central Government enactment of “New High Security Registration Plates Order” dated 22<sup>nd</sup> August 2001 read with Rule 50 of Central Motor Vehicle Rules (CMVR), it will be mandatory for all new registered vehicles to be affixed with HSRPs having specifications and standards as prescribed in the rules. In case of already registered vehicles, such Registration Plates were to be fixed within two years from the date of publication of the order. The Haryana Government implemented the scheme of HSRP after the direction of

<sup>7</sup> Ambala, Faridabad, Gurgaon, Jhajjar, Rohtak, Sirsa and Yamunanagar.

the Supreme Court dated 13 October 2011. Transport Department, Haryana had entered into a contract with M/S Link Utsav Registration Plates, Private Limited, New Delhi on 27 April 2012 and the work was started with effect from 25 May 2012.

As per clause 10.5.2.1 of the agreement, the HSRPs should be ready for affixation at the respective Affixation Station within four days from the date of receipt of authorisation from the Registering Authority and the receipt of price from the vehicle owner. The RTAs and RA (MVs) in the State were responsible for the implementation of the work and were instructed to monitor it. It was also directed to ensure that no Registration Certificate was issued without affixing HSRP.

Audit noticed (December 2014 to May 2015) that 8,54,257 motor vehicles were registered between June 2012 and March 2015. The HSRPs were affixed only on 4,06,108 vehicles. The remaining 4,48,149 vehicles (52 *per cent*) were not affixed with HSRPs up to 31 March 2015. The shortage in achievement of targets ranged between 27 and 81 *per cent* in 24 Registering Authorities for affixation of HSRPs on new registered motor vehicles. The reasons for shortfall were called for but no reply was provided.

It was further noticed that data relating to old registered vehicles prior to June 2012 for replacement of HSRPs was not transferred up to July 2015 as more than two years had been elapsed of the start of the project.

All the Registering Authorities responded (March 2015 to May 2015) that the data of registration of new vehicles had been transferred directly to the HSRP contractor and it was the responsibility of the vehicle owners to get HSRPs affixed. The replies of the Registering Authorities were not tenable as all the RTAs/RAs were required to ensure that no Registration Certificate was to be issued without affixing the HSRP. In the case of old registered vehicles, the Transport Department stated (August 2015) that NIC has sent data of old vehicles through web service to the firm. However, no timeframe was laid down in this regard. Thus, there was lack of monitoring on the part of RTAs/RAs which was in contravention of Supreme Court Judgement<sup>8</sup> which laid down that “Installation of HSRP is statutory command which is not only in interest of the security of the State, but also serves a much larger public interest. Therefore, it is not only desirable, but mandatory, for every State Government and Union Territory to comply with the statutory provisions/orders of Supreme Court in terms of Article 129 of the Constitution of India.”

### **5.3.2 Non fixation of snap locks**

As per condition number 4 (viii) of HSRPs order, HSRPs shall be fastened with at least two non-removable/non-reusable snap lock system in the rear of the vehicles for the sake of better security. The State Government may engage any approved testing agency which will conduct periodical checking/evaluation/testing and certification of the HSRPs on regular and

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<sup>8</sup> Maninder Singh Bitta Vs. Union of India & ORS. (Writ petition© No.510 of 2005) dated 7 February 2012.



random basis at embossing/affixing stations and on the roads, in order to verify their quality and performance.

Audit noticed (December 2014 to March 2015) from the records of RTAs/RAs offices of seven districts, that HSRPs were affixed in 4,06,108 motor vehicles with blind rivets only. These HSRPs were without snap lock which was mandatory for better security. Absence of snap locks negated the very purpose of the entire exercise to secure the vehicles from theft and unauthorised changing of number plates.

Transport Department stated (August 2015) that different agencies have been requested to intimate the charges for checking/evaluation/testing of quality of HSRPs and snap lock. This shows that the Department had failed to ensure the quality of the plates as per agreement.

### **5.3.3 Non/short receipt/deposit of royalty**

As per clause 14.1 and 14.3 of the agreement 'In consideration of the grant of concession, the Concessionaire shall pay to the State Government by way of five *per cent* royalty on the amount collected by the concessionaire (excluding local Sales Tax, VAT, etc.) for sale of HSRPs from vehicle owners'. Authority may satisfy itself that the contractor is reporting the actual collection of amount on the affixation of HSRPs.

(i) Data analysis at the Transport Department Haryana, showed that, the concessionaire collected an amount of ₹ 19.62 crore upto 31 March 2015 on account of affixation of HSRPs. Thus, royalty of ₹ 98.05 lakh was required to be deposited in Government account. However, the Concessionaire deposited ₹ 80.65 lakh resulting in short deposit of royalty of ₹ 17.40 lakh.

(ii) Audit also noticed (December 2014 to May 2015) from the records of seven districts, that out of 8,54,257 motor vehicles registered between June 2012 and March 2015, HSRPs were affixed on 4,06,108 new vehicles. As the Department failed to get affixed HSRPs on remaining 4,48,149 vehicles, the Government was deprived of royalty of ₹ 29.87 lakh which could have been collected for affixation of HSRPs on such vehicles.

All the Registering Authorities stated that it was the responsibility of the vehicle owners to get HSRPs affixed. The reply was not tenable as it was the responsibility of the RTAs and RLA (MVs) to ensure that no registration certificate was issued without affixing the HSRPs. Thus, there was lack of monitoring on the part of RTA/RAs.

### **5.3.4 Non renewal of licenses of Pollution Check Centers**

Rule 162-A of Haryana Motor Vehicles Rules, 1993 provides that every motor vehicle shall have to carry a valid "Pollution Under Control Certificate (PUCC)" issued for a period of six months by the Transport Department, or, by any Pollution Check Centre (PCC) duly authorised by the Transport Department. The fee for the issue and renewal of PCC license shall be ₹ 2,500 per annum.

PCC owner should be matriculate, a technician with ITI Diploma in Motor Mechanic and having a workshop for minor repair. He should submit proof of purchase of smoke meter and an exhaust gas analyzer approved by the Government of India. The Enforcement officer may check working of any PCC falling in his jurisdiction. If any PCC owner is violating the aforesaid terms and conditions, he may pass an order to stop the PCC activity or suspend/cancel the PCC.

Audit noticed (December 2014 to May 2015) from the records in the offices of five<sup>9</sup> RTAs, that out of 629 licenses, 110 licenses of PCCs were not getting renewed by the owners for the period between January 2011 and December 2014. The Department had neither issued notices to recover the pending license fee of ₹ 6.10 lakh for the periods 2011-12 to 2013-14 nor the licence was suspended/cancelled.

Four RTAs stated in May 2015 that notices would be issued to the defaulters.

### **5.3.5 Non renewal of licenses of Driving Training Schools**

As per Rule 24 (4) of CMV Rules, the licensing authority can grant or renew a license to a person who wants to maintain a Driving School or establishment on payment of ₹ 2,500 for a period of five years. The premises where the school or establishment is proposed to be conducted is either owned by the applicant or is taken on lease by him or is hired in his name. The minimum educational qualification of the staff is 10<sup>th</sup> standard and the driving instructor(s) also possesses at least five years driving experience and certification in Motor mechanic. The vehicles are available exclusively for the purpose of imparting instruction and fitted with dual control facility to enable the instructor to control or stop the vehicle. He should keep the premises of the school, record and registers maintained by it at all reasonable times open for inspection by the licensing authority.

Audit noticed (December 2014 to May 2015) from the records in the offices of four<sup>10</sup> RTAs, that 35 out of 67 Driving Training Schools, had not renewed their licenses after expiry of validity period. However, the Department had neither issued notice to recover the pending license fee ₹ 1.01 lakh from the defaulting Driving School owners nor the licence was suspended/cancelled.

RTA Rohtak and Gurgaon stated (May 2015) that notices would be issued to defaulters for recovery.

Thus, HSRPs affixed were without snap lock which was mandatory for better security, affixation of HSRPs on new registered vehicles ranged between 27 and 81 *per cent* and replacement of HSRPs on old vehicle had not started. There was no monitoring to ascertain the actual collection of royalty/short deposit of royalty. Due to lack of monitoring and follow up action, the department had failed to issue notices to recover pending licence fees from the defaulting PCC owners/Driving Training Schools resulting in non recovery of license fee of ₹ 7 lakh.

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<sup>9</sup> Ambala, Bahadurgarh, Gurgaon, Rohtak and Yamunanagar.

<sup>10</sup> Ambala, Gurgaon, Rohtak and Yamunanagar.

The above point was reported to the Government in July 2015; reply has not been received (November 2015).

#### **5.4 Suspected misappropriation of Government Receipt**

**Non-observance of the financial rules by the controlling officer resulted in suspected misappropriation of Government money of ₹ 4.46 lakh.**

Rule 2.2 and 2.7 of the Punjab Financial Rules (PFR), as adopted by the Haryana Government, requires a Drawing and Disbursing Officer (DDO) to satisfy himself that all the monetary transactions are entered in the cash book as soon as they occur and are attested by him. Rule 2.7 *ibid* provides that the official who is not in charge of the cash book, receives the money on behalf of the Government is required to deposit the amount into the treasury/bank on the same day or in the morning of the next day. The head of the office under Rule 2.2 (iii) is also required to verify all the entries including totals of all the entries in the cash book or have this done by some responsible official other than the writer of the cash book and initial that all entries are correct. As per Rule 2.2 (v), a consolidated receipt for all the remittances should be obtained from the treasury by the 15<sup>th</sup> of the following month and compared with the entries in the cash book.

Audit noticed (November 2014) from the Daily Collection Register (DCR)/ Consolidated Treasury Receipt Register (CTR), receipt books and RC register of the Registering and Licensing Authority (Motor Vehicles) {RLA (MVs)}, Bhiwani for the years 2012-13 and 2013-14, that an amount of ₹ 12.68 lakh was collected on account of issue/renewal of driving licenses for the periods May, June and September 2012. Out of ₹ 12.68 lakh, an amount of ₹ 4.46 lakh was not deposited in Treasury/Government account even after the lapse of three years of the collection. The Controlling officer neither checked/signed the DCR for the period from May to September 2012 nor cross verified entries in the DCR with that of treasury record for the periods April 2012 to May 2013. Thus, non-observance of the financial rules by the controlling officer resulting in suspected misappropriation of Government money of ₹ 4.46 lakh.

RLA (MV), Bhiwani admitted to the facts and stated (August and October 2015) that an amount of ₹ 3.86 lakh had been recovered and deposited in Government treasury in July and October 2015. However, notice had been issued to recover the balance amount of ₹ 60,000 (November 2015).

The matter was reported to the Government in July 2015; reply has not been received (November 2015).