

CHAPTER 4
TAXES ON VEHICLES

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4.1 Tax administration

The Transport Department levies and collects taxes on vehicles in the State, in terms of the Motor Vehicles (MV) Act, 1988, Central Motor Vehicles (CMV) Rules, 1989, Bihar Motor Vehicles Taxation (BMVT) Act, 1994 and BMVT Rules, 1994. The Department is headed by the Principal Secretary at the Government level and by the State Transport Commissioner (STC) at the apex level of the Department. The STC is assisted by two Joint State Transport Commissioners at the headquarters. The State is divided into nine Regional Transport Authorities¹ (RTAs) and 38 District Transport Offices. Motor Vehicle Inspectors (MVIs) assist them. The main function of the RTAs is to issue road permits to the vehicles and the responsibility of registration of motor vehicles, levy and collection of taxes, fees and grant of driving licences are assigned to the District Transport Officers (DTOs) in the State.

4.2 Results of audit

Audit test checked records of 23² out of 48 units of the Transport Department during 2017-18. A total of 6,92,549 vehicles were registered and 2,80,822/6,992 licenses/permits issued in these test-checked units. Out of that, Audit scrutiny of 2,70,491 registered vehicles, 22,057 licenses and 1,954 permits revealed non/short realisation of taxes and road safety cess, leviable taxes not realised from transport vehicles, and other irregularities involving ₹ 43.58 crore in cases of 56,261 vehicles (312 observations) as shown in **Table-4.1**.

Sl. No.	Categories	No. of observations	Amount
1.	Non/short realisation of motor vehicle taxes	29	10.41
2.	Non-realisation of One Time Tax (OTT)	101	11.89
3.	Non-levy of fees/fines/cess/penalties	93	11.44
4.	Others	89	9.84
Total		312	43.58

The Department accepted (between April 2017 and July 2019) short levy, short realisation and other deficiencies of ₹ 14.54 crore in 85 cases. Out of these 85 cases, 24 cases involving ₹ 2.49 crore were pointed out during 2017-18 and the rest during earlier years. The Department reported recovery of ₹ 12.12 lakh in one case. The replies in the remaining cases of 2017-18 and those of earlier years are awaited (September 2019).

¹ Bhagalpur, Darbhanga, Chhapra, Gaya, Munger, Muzaffarpur, Patna, Purnea and Saharsa.

² DTOs -19, RTAs-3 and Office of STC.

4.3 Short/non-levy of road safety cess from one time tax paying vehicles

Road safety cess (RSC) from 12,865 commercial vehicles was realised at the rate of one per cent of OTT paid instead of one per cent of sales value due to issuance of amendment notification contrary to the approval of the Transport/ Finance departments which resulted into short levy of RSC of ₹ 3.39 crore. Further due to delayed mapping of RSC in VAHAN, ₹ 21.89 lakh could not be realised from owners of 2,905 personalised vehicles.

The Bihar Motor Vehicles Taxation (Amendment) Act, 1994 as amended from August 2016 provides for levy and collection of Road safety cess (RSC) from every vehicle liable to pay one-time tax (OTT) as per section 7(1) of the BMVT Act, at the rate of one per cent of value of such vehicle and from every vehicle other than a vehicle liable to pay OTT as per section 7(1) at the rate of one per cent of the annual tax payable under this Act.

4.3.1 Irregular notification leading to short levy of Road safety cess from OTT paying commercial vehicles

Scrutiny of the file pertaining to above amendment notification revealed that the transport and Finance Department had approved for levy of RSC on all the OTT paying vehicles at the rate of one per cent of value of vehicle and from the vehicles paying annual tax at the rate of one per cent of annual tax. However, by virtue of above amendment notification OTT paying commercial vehicles, which is not covered under section 7(1) of the BMVT Act, were omitted from levy of RSC on the value of vehicles.

Audit scrutinised the VAHAN database in two District Transport Offices (East Champaran and Patna) and observed that 12,865 commercial vehicles (Three wheelers: 4,800; Light Goods Vehicle: 4,506; Taxi/Maxi: 1,984 and E-rickshaw: 1,575) were registered between 16 August 2016 and 20 December 2017 after payment of required OTT. As these vehicles had paid OTT, therefore applicable road safety cess should be one per cent of sale value of vehicles which arrives at ₹ 3.56 crore. However, road safety cess of ₹ 16.97 lakh only was realised at the rate of one per cent of OTT instead of one per cent of sales value of vehicles. Thus, issuance of notification contrary to the approved notes in files not only resulted into short levy of road safety cess of ₹ 3.39 crore³ but also undue favour to the OTT paying commercial vehicles.

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(₹ in crore)

Sl. No.	Name of the DTOs	Vehicles test checked	Defaulters vehicle	Period of registration	Sales value of vehicles	RSC leviable	RSC levied	RSC Short levied
1.	East Champaran	3,600	1,535	Between 16 August 2016 and 22 November 2017	37.90	0.38	0.02	0.36
2.	Patna	11,577	11,330	Between 16 August 2016 and 20 December 2017	318.20	3.18	0.15	3.03
Total		15,177	12,865		356.10	3.56	0.17	3.39

4.3.2 Non-levy of Road safety cess due to its delayed mapping in VAHAN

Audit scrutinised the registration and tax clearance table of VAHAN database in seven District Transport Offices⁴ and observed (between May and September 2017) that 2,905 personalised vehicles had got registered between 16 August 2016 and 20 February 2017 after payment of required OTT. As these were the vehicles paying one time tax, therefore applicable road safety cess was one *per cent* of sale value of vehicles, which arrives at ₹ 21.89 lakh. However, the DTOs concerned did not ensure levy and payment of road safety cess manually during the period it was not mapped in VAHAN as road safety cess was mapped in VAHAN database with delay of 20 days and information of non-payments of road safety cess was available with them in VAHAN database.

Audit further observed that the Department had instructed (12 August 2016) the NIC in advance to make necessary changes in the VAHAN to give effect to the provision of levy of road safety cess once it was notified. The Principal Secretary also instructed its Road Safety cell to follow up with NIC to map it timely. However, neither NIC mapped it immediately after notification of road safety cess nor Road Safety Cell of the Department made any follow up with NIC despite instruction of the Principal Secretary. Thus due to delay in mapping and failure of the concerned DTOs to calculate road safety cess manually during the intervening period, revenue of ₹ 21.89 lakh could not be realised.

In reply, six DTOs stated (between May and September 2017) that notices of demand would be issued while DTO Araria stated (June 2017) that after receiving the instruction from Department road safety cess was being realised. However, reply was silent about non-realisation of road safety cess before receipt of instruction from the Department (30 August 2016).

The matter was reported to the Department in December 2018; their reply was still awaited (September 2019).

4.4 Assignment of registration mark to commercial tractor without realisation of one time tax

Due to absence of requirement for payment of tax before registration of vehicle, applications of owners of 429 tractors for registration were accepted and processed to generate a registration mark in VAHAN without realising OTT of ₹ 2.78 crore including leviable penalty.

Section 7(8) of Bihar Motor Vehicles Taxation (BMVT) Act, 1994 as amended by Finance Act, 2014 provides that one time tax (OTT) for the life time shall be levied on tractors used or kept for use for other than agricultural purpose at the rate of 4.5 *per cent* of the cost of the vehicle excluding value added tax. Further, Section 23 of the Act *ibid* read with Rule 4 (2) of Bihar Motor Vehicles Taxation (BMVT) Rules, 1994 provides for levy of penalty ranging between 25 and 200 *per cent* of the tax due in case of non-payment of tax within due date.

⁴ Araria, Begusarai, Gopalganj, Jehanabad, Madhepura, Purnea and Sheohar

Audit scrutinised (between April 2017 and January 2018) the registration and tax clearance table of VAHAN database in 13 District Transport Offices⁵ and observed that out of 19,117 test checked motor vehicles, owners of 429 newly registered tractors used for other than agricultural purpose did not pay OTT between September 2014 and November 2017. Though no registration certificate was issued to them due to non-payment of applicable OTT, their application for registration were accepted and processed to generate a registration mark in VAHAN due to absence of requirement for payment of tax before processing for registration of vehicle. Audit observed that though the information of non-payment of OTT was available with the DTOs in VAHAN database, they neither levied penalty nor instituted certificate case to recover the OTT. This resulted in non-realisation of OTT of ₹ 2.78 crore including leviable penalty. Moreover, plying of these vehicles without proper registration certificate is also a matter of concern for road safety and security.

The matter was reported to the Department in December 2018. The Department reported recovery of ₹ 12.12 lakh from 39 vehicles. Replies in the remaining cases was still awaited (September 2019).

4.5 Non-realisation of penalty for belated payment of OTT

Five DTOs did not ensure levy and payment of penalty of ₹ 53.57 lakh manually, though information of belated payment of OTT was available in VAHAN database.

Section 23 of the Bihar Motor Vehicles Taxation (BMVT) Act, 1994 read with Rule 4 (2) of Bihar Motor Vehicle Taxation (BMVT) Rules, 1994 provides for levy of penalty ranging between 25 and 200 *per cent* of the tax due in case of non-payment of tax within due date. This provision was mapped in VAHAN⁶ software which was meant to develop the State Register of motor vehicles.

Audit scrutinised (between May 2017 and January 2018) the registration and tax clearance table of VAHAN database in five District Transport offices⁷ and observed that owners of 185 vehicles⁸ out of 2,310 test-checked vehicles made payment of their OTT with delay of 31 to 495 days between April 2015 and December 2017. Delayed payment of OTT attracts penalty as per the Rules *ibid* which was duly mapped in the VAHAN-2 software. Despite that, neither the VAHAN auto-calculated the penalty and generated the tax token including penalty of ₹ 53.57 lakh nor the concerned DTOs ensured levy and payment of penalty manually, though information of belated payment of OTT was available in VAHAN database. Further, non-calculation of penalty by the VAHAN for belated payment of OTT despite its mapping points out the possibility of manual intervention, which resulted in non-levy of penalty of ₹ 53.57 lakh.

The matter was reported to the Department in December 2018; their reply was still awaited (September 2019).

⁵ Begusarai, East Champaran, Gopalganj, Jehanabad, Khagaria, Madhepura, Muzaffarpur, Patna, Purnea, Sheohar, Sheikhpura, Siwan and Supaul

⁶ An application developed for registration of vehicles and road tax clearance.

⁷ Begusarai, Madhepura, Muzaffarpur, Patna and Sheohar

⁸ 178 are Jeep/Taxi and 07 are Maxi/Cab

4.6 Non-realisation of Motor vehicle tax

Absence of mechanism for periodic review of VAHAN database by the DTOs to detect tax defaulter vehicles resulted in non-realisation of taxes of ₹ 1.90 crore (Road tax: ₹ 62.51 lakh; Green tax: ₹ 0.65 lakh and Road safety cess: ₹ 0.75 lakh) including penalty of ₹ 1.26 crore in 12 District Transport Offices.

As per the BMVT Act, 1994, every owner of a registered commercial motor vehicle is required to pay their annual motor vehicle taxes to the taxing officer in whose jurisdiction the vehicle is registered. The Act *ibid* further provides for levy of road safety cess at the rate of one *per cent* of annual tax payable. The vehicle owner can pay the tax to the new taxing officer in case of change of residence/business, subject to the production of no objection certificate (NOC) from the previous taxing officer. Further, the taxing officer may exempt the vehicle owner from payment of tax. The BMVT Rules, 1994 provide that where the tax of a vehicle remains unpaid, the taxing officer may impose penalty at the rate of twice the taxes due, if delayed for more than 90 days.

Audit scrutinised registration data and tax clearance table of VAHAN database in 12 district transport offices⁹ and observed that out of 1,56,144 registered commercial transport vehicles, owners of 656 out of 9,326 transport vehicles test-checked did not pay their motor vehicle taxes pertaining to the period between June 2014 and January 2018. In none of the cases, evidence¹⁰ of non-plying of vehicles in the jurisdiction of DTOs concerned was found on record. However, the DTOs concerned did not generate the defaulters list from the VAHAN database or correspond with the vehicle owners or initiate any action for levy of penalty and institution of certificate case¹¹ to recover tax arrears despite the information of non-payment of tax by defaulters being available with them in VAHAN database. As a result, tax of ₹ 1.90 crore (Road tax: ₹ 62.51 lakh; Green tax: ₹ 0.65 lakh and Road safety cess: ₹ 0.75 lakh) including penalty of ₹ 1.26 crore remained unrealised.

In response to audit observation, DTO Gopalganj issued (November 2017) notices of demand to the defaulter owners of transport vehicles.

The matter was reported to the Department in December 2018; their reply was still awaited (September 2019).

⁹ Begusarai, East Champaran, Gaya, Gopalganj, Jehanabad, Khagaria, Madhepura, Muzaffarpur, Patna, Purnea, Saran and Vaishali

¹⁰ Such as change of addresses of the owners or surrender of documents for securing exemption from payment of tax as prescribed in Section 9 read with Section 17 of BMVT Act.

¹¹ Institution of certificate case: When the certificate officer is satisfied that any public demand payable to the Collector is due, he may sign a certificate in the prescribed form, stating the demand is due and shall cause the certificate to be filed in his office.

Recommendation:

The Department should ensure that demand notice is issued on real-time basis to the tax defaulters as generated from the *VAHAN* database to ensure prompt payment of tax.

The errors/omissions pointed out are on the basis of a test audit. The Department/Government may, therefore, undertake a thorough review of all units to check whether similar errors/omissions have taken place elsewhere and, if so, to rectify them; and to put a system in place that would prevent such errors/omissions.