

CHAPTER – 7
TAXES ON VEHICLES

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7.1 Tax Administration

The Transport Department functions under the overall charge of the Principal Secretary (Transport). The Transport Commissioner (TC) administers and monitors the issue of driving licences/permits and levy and collection of taxes/fees/penalties on vehicles. He is assisted by one Additional Transport Commissioner (Enforcement), two Joint Transport Commissioners (Administration/Finance), three Deputy Transport Commissioners and an Internal Audit Wing at headquarters level. There are 10 Divisional Deputy Transport Commissioners, 10 Regional Transport Offices (RTOs), 10 Additional Regional Transport Offices (ARTOs) and 31 District Transport Offices (DTOs) at the field level. The Additional Transport Commissioner (Enforcement) monitors the computerisation activities in the Department. RTOs/ARTOs/DTOs are Taxation Authorities (TAs).

Taxes on vehicles are collected under the provisions of the following Acts, Rules and notifications issued thereunder:

- The Motor Vehicles Act, 1988 (MV Act);
- The Central Motor Vehicles Rules, 1989 (CMV Rules);
- Madhya Pradesh *Motoryan Karadhan Adhiniyam*, 1991 (henceforth, referred to as *Adhiniyam*); and
- Madhya Pradesh *Motoryan Karadhan Niyam*, (henceforth, referred to as *Niyam*).

7.2 Trend of Receipts

Budget estimates and the actual receipts from taxes on vehicles during the period 2013-14 to 2017-18 are detailed in **Table 7.1** below:

Table 7.1
Trend of receipts

(₹ in crore)

Year	Budget estimates	Actual receipts	Percentage of variation
2013-14	1,650.00	1,598.93	(-) 3.10
2014-15	2,000.00	1,823.84	(-) 8.81
2015-16	2,300.00	1,933.57	(-) 15.93
2016-17	2,500.00	2,251.51	(-) 9.94
2017-18	2,550.00	2,691.62	(+) 5.55

(Source: Finance Accounts and Budget Estimates of Government of Madhya Pradesh)

It can be seen from the above Table that revenue receipts during 2017-18 increased by 5.55 per cent over budget estimates. The Department attributed the reason for increase in revenue during 2017-18 to the special drive for achieving the revenue targets, continuous monitoring and better guidance by senior officials and tax rates were also upwardly revised on 10 January 2017.

7.3 Internal Audit

The Internal Audit Wing (IAW) of the Department functions under the supervision of Joint Transport Commissioner (JTC) (Finance). During 2017-18, the Department planned 33 field units for internal audit. However, audit of only 14 units could be completed. The Department stated that eight posts of AAOs were sanctioned for the office of the TC against which there were only four AAOs. The Department further stated that 100 per cent internal audit as per approved roster could not be conducted due to the staff being engaged in additional work relating to budget, accounts, establishment and pay fixation of staff under 7th Pay Commission.

During the Exit Conference (February 2019) too, the Department intimated that shortfall in internal audit was due to shortage of staff.

Therefore, IAW is not as effective as it should be, with the main reason for that being shortage of staff.

7.4 Results of Audit

Audit test-checked records of 25 units (Office of Principal Secretary, Transport, Office of Transport Commissioner and five RTOs, two ARTOs and 16 DTOs) out of 53 units (47 per cent) of the Transport Department in the year 2017-18. Revenue generated by the Department during the year 2016-17 aggregated to ₹ 2,251.51 crore, of which the audited units collected ₹ 985 crore (44 per cent). Audit examined records of 88,382 vehicles (15.58 per cent) out of total 5,67,274 vehicles registered in the test-checked units during the audit period covered from 2014-15 to 2016-17 and observed under-assessment of tax and other irregularities involving ₹ 86.12 crore in 47,050 cases (eight per cent) which fall under the categories mentioned in **Table 7.2**:

Table 7.2
Results of Audit

(₹ in crore)			
Sl. No.	Categories	Number of cases	Amount
1	Vehicle tax and penalty on goods vehicles not levied/short levied	1,709	8.66
2	Vehicle tax and penalty on public service vehicles not levied/short levied	1,088	7.94
3	Vehicle tax and penalty on maxi cab vehicles not levied/short levied	980	2.99

Sl. No.	Categories	Number of cases	Amount
4	Others (Tax and penalty not/short levied on JCB vehicles, trucks, Educational institutional buses etc.)	43,273	66.53
Total		47,050	86.12

The audit observations were forwarded (between May 2017 and February 2018) to the Government and the Department. The Department accepted under-assessment and other deficiencies of ₹ 20.58 crore in 2,644 cases and assured to review 44,406 cases amounting to ₹ 65.54 crore, which were pointed out during 2017-18. However, no recovery has been intimated by the Department so far (September 2019).

7.5 Follow-up of previous Audit Reports

In the Audit Reports for the period from 2012-13 to 2016-17, Audit had pointed out various observations amounting to ₹ 125.65 crore in 45 paragraphs against which recovery of ₹ 3.88 crore only was effected by the Department. Out of these 45 paragraphs, 22 paragraphs were selected by the Public Accounts Committee (PAC) for discussion. The PAC discussed 18 paragraphs of Audit Reports from 2012-13 to 2013-14. However, no recommendation has been received so far.

A few illustrative audit observations involving ₹ 18.12 crore are mentioned in the following paragraphs.

Most of the audit observations are of a nature that may reflect similar errors/omissions in other units of the concerned State Government Department, but were not covered in the test check conducted during the year. The Department/Government may therefore like to internally examine all other units with a view to ensuring that they are functioning as per requirement and rules.

7.6 Vehicle tax and penalty not realised

Vehicle tax of ₹ 11.21 crore and penalty of ₹ 4.38 crore in respect of 3,270 vehicles of various categories was not levied/short levied.

The *Adhiniyam* prescribes rates of tax to be levied on various categories of vehicles used or kept for use in the State and stipulates that in cases of non-payment of tax by the owner of the vehicle within the prescribed period, penalty is to be imposed at the rate of four *per cent* per month on the unpaid amount of tax, subject to a maximum of twice the amount of tax. The Taxation Authority (TA) shall serve on such owner, who does not pay tax, penalty or interest, a notice for the sum payable and recover the same as arrears of land revenue by attaching and selling the vehicles and accessories thereof for the recovery dues.

Audit test-checked (between April 2017 and February 2018) records of six RTOs⁹⁵, two ARTOs⁹⁶ and 16 DTOs⁹⁷ and found that vehicle tax on 3,270 vehicles out of 28,481 vehicles test-checked for the period between April 2014 and March 2017 was neither paid by the vehicle owners nor any demand notice was issued by the TAs for the outstanding amounts. There was nothing on records to show that the vehicles were declared off road or transferred to any other districts/state. As a result, tax of ₹ 11.21 crore and penalty of ₹ 4.38 crore on the unpaid amount of tax was not realised, as shown in **Table 7.4** below:

Table 7.4
Details of vehicle tax and penalty not realised

(₹ in lakh)

Sl. No.	Type of vehicle	Number of defaulter vehicles	Number of offices involved	Tax not realised Amount	Penalty on tax leviable Amount	Total Amount
1	Goods Vehicles	1,353	18 offices ⁹⁸	396.16	209.17	605.33
2	Public Service Vehicle kept as reserve	87	07 offices ⁹⁹	64.49	31.65	96.14
3	Earthmover/ Harvester/JCB	572	15 offices ¹⁰⁰	423.35	109.18	532.53

⁹⁵ **RTO** Bhopal, Gwalior, Indore, Jabalpur, Sagar and Ujjain.

⁹⁶ **ARTO** Guna and Seoni.

⁹⁷ **DTO** Anuppur, Balaghat, Barwani, Betul, Bhind, Damoh, Dewas, Dindori, Mandla, Narsinghpur, Neemuch, Panna, Raisen, Shivpuri, Sidhi and Umaria.

⁹⁸ **RTO (05)** Gwalior (85 cases), Indore (300 cases), Jabalpur (20 cases), Sagar (56 cases) and Ujjain (01 case).

ARTO (01) Seoni (378 cases).

DTO (12) Anuppur (80 cases), Balaghat (160 cases), Betul (07 cases), Bhind (91 cases), Damoh (25 cases), Dewas (06 cases), Dindori (41 cases), Mandla (15 cases), Narsinghpur (22 cases), Panna (15 cases), Raisen (03 cases) and Shivpuri (48 cases).

⁹⁹ **RTO (01)** Indore (29 cases).

ARTO (01) Seoni (12 cases).

DTO (05) Anuppur (18 cases), Damoh (05 cases), Narsinghpur (03 cases), Panna (11 cases), Ratlam (09 cases).

¹⁰⁰ **RTO (06)** Bhopal (75 cases), Gwalior (42 cases), Indore (189 cases), Jabalpur (11 cases), Sagar (27 cases) and Ujjain (28 cases).

ARTO (02) Guna (25 cases) and Seoni (40 cases).

DTO (07) Betul (09 cases), Bhind (33 cases), Damoh (31 cases), Dewas (13 cases), Panna (12 cases), Raisen (14 cases), and Shivpuri (23 cases).

Sl. No.	Type of vehicle	Number of defaulter vehicles	Number of offices involved	Tax not realised Amount	Penalty on tax leviable Amount	Total Amount
4	Maxicabs/Taxicabs	795	18 offices ¹⁰¹	160.30	51.60	211.90
5	Stage carriage vehicles	56	06 offices ¹⁰²	31.27	9.25	40.52
6	All India permit vehicles	18	02 offices ¹⁰³	17.86	13.37	31.23
7	Deluxe buses	17	02 RTOs ¹⁰⁴	5.06	2.44	7.50
8	Private Service Vehicles	45	03 offices ¹⁰⁵	22.31	11.71	34.02
Total		3,270		1,120.80	438.37	1,559.17

Audit reported the matter to the Government and Department (between November 2017 and June 2018).

During the Exit Conference (February 2019), the Department accepted the audit observations. Further, the Government intimated (May 2019) recovery of ₹ 1.72 crore in 406 vehicles. However, documents supporting vehicle wise recovery and challans were not provided.

Similar observations were pointed out in Audit Reports for the years 2012-13 to 2016-17 but appropriate action was not taken by the Department to check the persistence of such irregularities. The PAC had also directed (392th Report, 2017-18 on the Audit Report 2011-12) the Transport Department to recover the outstanding tax and penalty within fixed time limit and initiate action against officers who did not take timely action to recover the dues. Despite

¹⁰¹ **RTO (05)** Bhopal (52 cases), Gwalior (15 cases), Indore (17 cases), Sagar (60 cases), and Ujjain (19 cases).

ARTO (02) Guna (06 cases), and Seoni (61 cases).

DTO (11) Anuppur (158 case), Balaghat (53 cases), Betul (37 cases), Bhind (38 cases), Dewas (48 cases), Dindori (40 cases), Narsinghpur (25 cases), Mandla (25 cases), Panna (89 cases), Raisen (19 cases) and Shivpuri (33 cases).

¹⁰² **RTO (01)** Indore (09 cases).

ARTO (01) Seoni (11 cases).

DTO (04) Balaghat (20 cases), Bhind (11 cases), Mandla (04 cases) and Narsinghpur (01 case).

¹⁰³ **DTO (02)** Bhind (12 cases) and Shivpuri (06 cases).

¹⁰⁴ **RTO (02)** Indore (14 cases) and Sagar (03 cases).

¹⁰⁵ **RTO (03)** Bhopal (18 cases), Gwalior (07 cases) and Indore (20 cases).

these, the Department failed to evolve an effective mechanism to ensure that vehicle taxes are collected fully and defaulters are not allowed to escape the payment of tax and penalty.

7.7 Incorrect levy of tax on private service vehicles at the rate applicable to educational institution buses

Vehicle tax in respect of 208 private service vehicles was incorrectly levied at the rate applicable to Educational Institution Buses. Failure to detect the application of incorrect rate of tax resulted in short realisation of vehicle tax of ₹ 1.46 crore and penalty of ₹ 1.07 crore. This resulted in revenue loss of ₹ 2.53 crore.

The MV Act defines the “Educational Institution Bus” as 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. It further provides that “owner” means a person in possession of the vehicle under an agreement of lease or hypothecation. Tax on educational institution buses, is to be levied at concessional rate of ₹ 30 per seat per quarter (₹ three per seat per quarter from October 2014). On the other hand, Private Service Vehicle having seating capacity of more than six persons excluding the driver which are ordinarily used in connection with trade or business of the owner but not for public purpose are taxed at the rate of ₹ 480 per seat per quarter (₹ 600 per seat per quarter from January 2017).

Audit test-checked (between May 2017 and January 2018) records of 591 vehicles in four offices¹⁰⁶ for the period between April 2014 to March 2017 and found that TAs levied vehicle tax at the rate prescribed for educational institution buses on 208 vehicles which were not owned by a college, school or other educational institution or leased out to educational institution. The objected vehicles were registered in the name of individuals.

Failure of the Taxation Authorities to apply correct rate of tax resulted in short realisation of vehicle tax of ₹ 1.46 crore and penalty ₹ 1.07 crore in respect of private individuals. This resulted in revenue loss of ₹ 2.53 crore (**Appendix XXVIII**).

Audit reported the matter to the Government and Department (between March 2018 and June 2018).

During the Exit Conference (February 2019), the Department accepted the audit observations and intimated that an order had been issued (February 2019) in this regard to all TAs to levy concessional rate of vehicle tax on only

¹⁰⁶ **DTO** Betul, Bind and Shivpuri.
RTO Sagar.

those vehicles which were registered in the name of Educational Institutions/Schools or were leased in favor of schools/colleges or education institutes. However, no recovery was intimated (May 2019) by the Government.



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The 11 February 2020

