



**CHAPTER-VI
TAXES ON
VEHICLES**

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6.1 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 Vehicle 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 Authorities¹⁹⁹ (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 performed by the District Transport Officers (DTOs) in the State. The Department uses application software *SARATHI* for issue of driving licence and collection of fee and *VAHAN* for registration of vehicle and collection of road tax.

6.2 Results of audit

Audit test-checked the records of 16²⁰⁰ out of 49 units of the Transport Department during 2019-20. Audit scrutiny revealed non/short levy of taxes, leviable taxes not realised from transport vehicles, and other irregularities involving ₹492.22 crore in 343 cases as shown in **Table-6.1**.

Table-6.1
Results of Audit

(₹ in crore)

Sl. No.	Categories	No. of observations	Amount
1.	Non-levy and short levy of Motor vehicle (MV) taxes	14	15.52
2.	Non-levy and short levy of One Time Tax (OTT) from Three-wheelers	6	0.40
3.	Non-levy and short levy of OTT from Tractors	7	11.87
4.	Irregular excess realisation of learner's licence fee & surcharge	17	15.73
5.	Irregular realisation of fine from personalised vehicles for belated payment of tax	10	1.52
6.	Loss of Government revenue due to non-realisation of testing fee and fitness certificate fee	15	189.40
7.	Non/Short realisation of trade tax	14	1.80
8.	Other cases	260	255.98
	Total	343	492.22

¹⁹⁹ *Bhagalpur, Darbhanga, Gaya, Munger, Muzaffarpur, Patna, Purnea, Saharsa and Saran (Chhapra).*

²⁰⁰ *DTOs: Aurangabad, Begusarai, Bhagalpur, Darbhanga, East Champaran (Motihari), Gaya, Kaimur (Bhabhua), Muzaffarpur, Nalanda, Saran (Chhapra), Siwan and Vaishali; RTAs: Arwal, Muzaffarpur, Patna and Sheohar.*

The Department accepted short levy, short realisation and other deficiencies of ₹237.03 crore in 121 cases during April 2019 to March 2020 which were pointed out during 2019-20. The replies in respect of remaining cases of 2019-20 and cases of earlier years were not received (August 2021).

6.3 Non-realisation of testing fee and fitness certificate fee due to non-renewal of fitness certificate of vehicles

Concerned DTOs did not ensure renewal of fitness certificate of 22,684 vehicles during January 2017 and January 2020. This resulted in non-realisation of ₹48.36 crore (testing fee of ₹96.74 lakh, renewal fee of ₹45.37 lakh and additional fee of ₹46.94 crore).

Under Section 56 of MV Act, read with 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 on payment of the prescribed test fee of ₹400 for three-wheelers and light motor vehicles and ₹600 for heavy vehicles w.e.f. 29 December 2016. In addition to this, renewal fee of ₹200 is also leviable for all categories of vehicles. In case of default, additional fee of fifty rupees for each day of delay was also leviable.

Audit examined (between June 2020 and April 2021) the owner, tax and fitness tables in VAHAN database in test-checked five DTOs²⁰¹ in respect of transport vehicles (three wheelers, LGV, Cab/taxi, E-rickshaw, Goods carriage, tractor and bus) and observed that 22,684 out of test-checked 47,717 vehicles plied between January 2017 and January 2020 without valid fitness certificate although the tax due was realised. Thus, government had to forgo revenue of ₹48.36 crore (testing fee of ₹96.74 lakh, renewal fee of ₹45.37 lakh and additional fee of ₹46.94 crore) as detailed in **Appendix-6.1**.

In VAHAN software, information regarding expiry of fitness was available but DTO/MVI neither took any action nor furnished the list to Enforcement Wing for interception of the unfit vehicles. The DTOs neither initiated action to cancel the registration/permit of these vehicles whose fitness certificate had expired nor issued any notice to defaulting vehicle owners. Plying of such vehicles was fraught with the risk of public safety.

The DTOs replied (June 2020 to April 2021) that notice will be issued to vehicle owners and list of the defaulter vehicles would be intimated to the Enforcement Wing for needful.

As per availability of information regarding expiry of fitness of vehicles in VAHAN software, DTO/MVI should have taken requisite action to prevent plying of unfit vehicles on the road and augment revenue due from such vehicles on account of fitness renewal fee. Additionally, such vehicles pose both safety and

²⁰¹ Gopalganj, Nawada, Patna, Rohtas and Saharsa

environmental risks, which should have been mitigated timely by responsible authorities.

The matter was reported to the Government in August 2021, reply is awaited.

6.4 Non-realisation of Motor Vehicle Tax

Despite availability of information of non-payment of motor vehicle taxes by defaulter vehicle owners, the DTOs did not monitor or review tax table of VAHAN to generate tax defaulter list. As a result, no demand notice was issued by the DTOs to the tax defaulters and consequently tax of ₹17.97 crore remained unrealised.

As per Section 5 and 9 of 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. Further, Section 6A of the Act *ibid* 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. Rule 4(2) of the BMVT Rules provides that where tax of a vehicle remains unpaid for more than 15 days, the taxing officer may impose penalty at the rates ranging between 25 *per cent* to 200 *per cent* of tax due.

Audit scrutinised (between June 2020 and April 2021) defaulter, owner and tax tables in VAHAN database in 10 DTOs²⁰² and observed that annual/quarterly taxes were required to pay by 40,210 transport vehicles (registered between January 2005 and March 2020), out of which, owners of 5,389 transport vehicles did not pay their motor vehicle tax pertaining to the period between February 2016 and March 2020. In none of the cases, evidences such as change of address, surrender of RC or non-plying of vehicle in the jurisdiction of DTOs concerned was found on record.

Though, the information of non-payment of motor vehicle taxes by defaulter vehicle owners was available with the DTOs in VAHAN database, they did not monitor or review tax table of VAHAN to generate tax from defaulter list through MIS. As a result, concerned DTOs neither sent list of defaulter vehicles to Enforcement Wing nor they issued any demand notice to the tax defaulters. Consequently, tax and penalty of ₹17.97 crore (Road tax: ₹5.97 crore, Road Safety Cess: ₹5.97 lakh and penalty: ₹11.94 crore) remained unrealised as detailed in *Appendix-6.2*.

After this was pointed out, concerned DTOs replied (between June 2020 and April 2021) that notice of demand for recovery of tax and fine would be issued to defaulter vehicle owners.

²⁰² Begusarai, Bhojpur, Gopalganj, Muzaffarpur, Nawada, Patna, Purnea, Rohtas, Saharsa and Vaishali.

The matter was reported to the Government in August 2021, reply is awaited.

6.5 Availing of amnesty schemes by newly purchased unregistered vehicles

Irregular availing of amnesty scheme by owners of vehicles registered after notification of amnesty scheme resulted in loss of revenue of ₹1.51 crore.

The Transport Department notified (July 2017) Amnesty scheme for tax defaulter registered/unregistered commercial/goods carriage vehicles and tractors which are used in agriculture/commercial activities from 05 July 2017 to 04 January 2018 which was further extended till 30 June 2018. The scheme provided that:

- (i) Tax defaulter registered/unregistered tractor-trailers, which are used in agricultural/commercial activities, shall be registered/regulated on deposit of lump sum amount of ₹25,000 only within the period of six months from the date of issuance of the notification.
- (ii) All other types of registered/unregistered commercial/goods carriage vehicles, which are tax defaulters, shall be registered/regulated and the certificate case thereon shall be withdrawn, on deposit of payable tax with 25 *per cent* penalty within six months from the date of issuance of the notification.

The Transport Department further notified (November 2019) second amnesty scheme for tax defaulter registered/unregistered tractor-trailers and all other types of commercial and goods carriage vehicles. It was applicable to those vehicles, which were tax defaulters on 15 November 2019 for last one year. Under this scheme, in case of tractor-trailers lumpsum amount of ₹25,000 was to be paid and in case of other vehicles due tax and 30 *per cent* penalty was to be paid.

Audit scrutinised (between October 2020 and March 2021) the owner and tax table of VAHAN database in four DTOs²⁰³ and observed that 662 vehicles (571-tractors, 13-three-wheelers, 32-Light Goods Vehicle (LGV), 6-Maxi Cab, and 40-E-rickshaw), registered (between July 2017 and March 2020) under the Amnesty scheme, were those which were purchased (between 7 July 2017 and 12 February 2020) after the date of notification of this scheme. Thus, these vehicles were not tax defaulters as these were purchased after the date of notification of Amnesty scheme. However, owners of tractors unduly availed of the benefit of this scheme by paying a lump sum amount of ₹25,000 instead of 4.5 *per cent* of sale value of vehicles as per section 7(8) of the BMVT Act along with leviable penalty. The owners of other class of vehicles availed of this scheme after payment of due tax and penalty of 25 *per cent* only instead

²⁰³ Bhojpur, Nawada, Rohtas and Saharsa

of leviable penalty of upto 200 *per cent* as per Rule 4 (2) of the BMVT Rules 1994. This resulted in loss of revenue for ₹1.51 crore **Appendix-6.3**.

After this was pointed out, concerned DTOs replied that due to absence of validation check in VAHAN software, these vehicles were registered under amnesty scheme. The DTO, Nawada further stated that necessary action would be taken after issuing notice to all authorised dealers.

The matter was reported to the Government in August 2021, reply is awaited.

6.6 Assignment of registration mark without realisation of One Time Tax

The DTOs concerned did not ensure realisation of due tax of ₹1.44 crore at the time of acceptance of application and consequent generation of registration mark in VAHAN-2.0.

Section 7(8) and Section 5 of the Bihar Motor Vehicle Taxation (BMVT) Act, 1994 as amended from time to time, provides that One Time Tax (OTT) for the lifetime shall be levied at the prescribed rates on the cost of the vehicles. Further Rule 4(2) of 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 15 days of due date.

Audit scrutinised (between October 2020 and March 2021) owner and tax table of VAHAN database in four DTOs²⁰⁴ and observed that out of 1,14,308 test-checked OTT paying Commercial vehicles, owners of 319 motor vehicles (150 Tractors, 44 three-wheelers, 12 LGV, 14 maxi/cab/two-wheeler and 99 E-rickshaw) did not pay OTT at the time of their registration between April 2016 to February 2020. Though no certificate of registration was found 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-2.0. Audit observed that the information of non-payment of OTT was available with the DTOs in VAHAN database, however, the concerned DTOs did not levy penalty and institute certificate case to recover the OTT. This resulted into non-realisation of OTT for ₹1.44 crore including leviable penalty as detailed in **Appendix-6.4**. Moreover, plying of these vehicles without proper registration certificate cannot be ruled out which was a matter of concern for public safety and security as these unregistered vehicles may be used for illegal activities.

On being pointed out, concerned DTOs stated (October 2020 and March 2021) that notice of demand would be issued to realise the outstanding revenue.

The matter was reported to the Government in August 2021, reply is awaited.

²⁰⁴ Bhojpur, Nawada, Rohtas and Saharsa

6.7 Non levy of Road Safety Cess for renewal of DLs due to non-mapping of RSC in SARATHI software

Due to non-mapping of RSC in SARATHI software, the Department could not ensure levy of RSC of ₹95.44 lakh on renewal of DL.

Section 6A of the Bihar Motor Vehicles Taxation (Amendment) Act 1994 provides that Road Safety Cess (RSC) shall be levied and collected from every licensee at the rate of ₹50, ₹100, ₹150, ₹200 and ₹500 for issue of learner's license, license for two wheelers, License for light goods motor vehicles-non transport, license for light motor vehicle-transport and license for medium and heavy motor vehicles respectively.

Audit scrutinised (between June 2020 and April 2021) driving license (DL) renewal cases in SARATHI database in 10 DTOs²⁰⁵ and observed that RSC was not levied in cases of renewal of validity of 95,442 DLs during the period from September 2016 to March 2020 as RSC was not mapped in SARATHI software. Audit further observed that SARATHI software had no provision to generate vehicle class-wise data for renewal of DL. Therefore, in absence of the said information, short levy of RSC had been worked out on the basis of rate applicable for lowest classes of vehicles i.e. two wheelers. This irregularity resulted in non-realisation of RSC for ₹95.44 lakh as detailed in **Appendix-6.5**.

After this was pointed out, two DTOs (Patna and Purnea) accepted (June 2020) the fact that road safety cess for renewal of driving license was not mapped in SARATHI software and stated that the audit issue had since been intimated to the Department while remaining DTOs stated that the audit observation would be intimated to the Department.

The matter was reported to the Government in August 2021, reply is awaited.

²⁰⁵ Begusarai, Bhojpur, Gopalganj, Muzaffarpur, Nawada, Patna, Purnea, Rohtas, Saharsa and Vaishali.