

Chapter - V

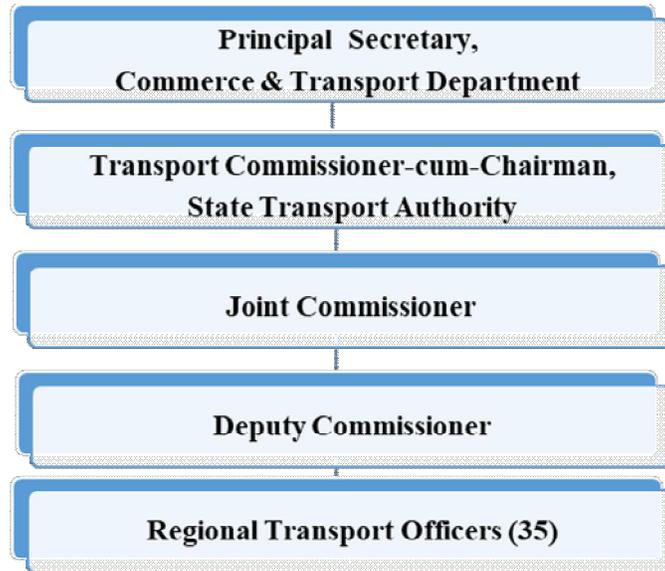
Motor Vehicles Tax

CHAPTER V

MOTOR VEHICLES TAX

5.1 Tax Administration

The receipts from Motor Vehicles (MV) Tax are regulated under the provisions of the Central and the State Motor Vehicles Acts and Rules made thereunder. The organisational setup for administration of motor vehicles tax is as under:



5.2 Internal Audit

During 2018-19, Internal Audit Wing of the Department, which is responsible for evaluating the Internal Control measures in the Department and its field offices, had audited eight out of 12 units planned for audit. The shortfall was attributed to shortage of manpower by the Department.

5.3 Audit Methodology and Results of Audit

The Transport Department of Odisha uses the IT application *VAHAN* for providing online services to public. It is a centralised web based application for Regional Transport Offices (RTOs) owned by Ministry of Road Transport and Highways (MoRTH), Government of India and managed/ maintained by NIC, New Delhi. It contains a comprehensive database of the vehicles. The core function of the Department *i.e.*, Registration of vehicles and allied activities have been computerised in the *VAHAN*. Online services for tax payment, permits, fitness, No objection certificate, renewal of registration *etc.*, are offered to the citizens in the *VAHAN* application.

The data dump has been made available to audit by Transport Commissioner through NIC, Odisha state unit, in charge of the transport project. Further, user login id has been provided to audit to access the *VAHAN* website so as to get real-time information of vehicle tax payment and other related information. The data was used for planning and performing audit. Audit analysed the *VAHAN* data using data analytic tool (IDEA) in each selected audit unit. The tax payment table of the database was linked with the category of vehicles

database with various parameters like seating capacity, unladen weight, laden weight, cost of vehicles *etc.*, to generate exception reports and detect anomalies.

Audit was conducted in 22 out of 35 units (63 *per cent*) in Commerce & Transport Department during 2018-19. Revenue receipts collected in the test checked 22 units was ₹1,316.77 crore, which was 74.54 *per cent* of total revenue receipts of ₹1,766.61 crore collected in 35 units. Test check of assessment and other records showed underassessment of tax and other irregularities involving ₹66.68 crore in 28,883 cases. This related to non-levy/ realization of MV tax/ additional tax and penalty, short levy/ realization of motor vehicles tax/ additional tax and penalty, non/ short realization of penalty on belated payment of tax, non-levy/ realisation of composite tax/ additional tax and penalty. Details of category wise Audit observations have been given in Table 5.1.

Table 5.1: Details of category wise audit observations

(₹ in crore)

Sl. No.	Category	No. of Cases	Amount
1	Non levy/ realization of MV tax/ additional tax and penalty	28,183	64.73
2	Non levy/ realization of composite tax/ additional tax and penalty	6	0.02
3	Short levy/ realization of motor vehicles tax/ additional tax and penalty	556	1.84
4	Non/ short realization of penalty on belated payment of tax	4	0.09
5	Other irregularities	134	0.00
	Total	28,883	66.68

During 2018-19, the Department accepted under assessment and other deficiencies amounting to ₹66.01 crore in 28,023 cases pointed out in audit. An amount of ₹1.42 crore pertaining to 18 paras relating to six units was realised during the year which were pointed out by Audit in earlier years and ₹18.24 lakh in 80 paras was also realised that were pointed out by Audit in 2018-19.

Similar errors/ omissions in other units under the Commerce & Transport Department but not covered in the test audit are required to be internally examined by the Department with a view to ensure that the taxes are levied as per provisions of the Act and rules.

5.4 Detailed Compliance Audit on ‘Establishing Rural Connectivity through Biju Gaon Gadi Yojana’

5.4.1 Introduction

Commerce and Transport (Transport) Department, Government of Odisha introduced (September 2013) the ‘Scheme for Rural Transport Connectivity in the Scheduled and other Backward Areas of the State’. The scheme was subsequently renamed (February 2014) as ‘Biju Gaon Gadi Yojana (BGGY)’. The scheme aimed to provide transport connectivity to the local communities of hilly, interior and inaccessible villages of Scheduled Blocks and other backward areas of the State, which were economically backward with highly inadequate public transport infrastructure.

To provide transport connectivity of unconnected Gram Panchayats to Block Headquarters and in some cases to neighbouring Block/ District Headquarters, the scheme was to cover all unconnected Gram Panchayats in three phases as below:

- All 118 Scheduled/ Integrated Tribal Development Agency (ITDA) Blocks in 12 districts⁵⁴ in Phase-I.
- Another five districts⁵⁵ in Phase-II (December 2014).
- All unconnected Gram Panchayats (GPs) of the remaining 13 districts⁵⁶ and non-ITDA Blocks of Phase I districts of the State in Phase-III (July 2015).

Also, in districts covered under Phase I and II, private stage carriage vehicles⁵⁷ were given financial incentives by exempting road tax, permit fee and by providing interest subsidy (three *per cent* base subsidy and two *per cent* additional subsidy for timely payment of instalment) to those vehicles which were purchased through finance scheme from financing agencies. In areas covered under phase III of the scheme, only road tax exemption was given.

Initially, small passenger carrying vehicles having seating capacity between 10 and 26 were allowed to ply under the scheme. Considering the geographical needs, low traffic demand, commercial viability of operators *etc.*, the scheme guidelines were modified (December 2015) to include vehicles with minimum seating capacity of seven (six + one).

Accordingly, in first phase for 12 districts, 1,000 small passenger vehicles were to be financed in the first year at the rate of 10 vehicles per Block approximately and another 1,000 vehicles in the next year for plying at the Block levels. The proposed financial incentives for 1,000 vehicles in the form of interest subvention for the loan taken by the beneficiaries was arrived at ₹4.25 crore (interest at the rate of three *per cent* - ₹25,500 plus regular payment incentives at the rate of two *per cent* - ₹17,000 *i.e.*, ₹42,500 per vehicle) by the Department.

The scheme also included the provision to provide financial assistance of ₹21 crore to Odisha State Road Transport Corporation (OSRTC) towards purchase of 100 buses and reimbursement of road tax, permit fee and insurance for a period of four years (2013-17) to ensure regular public transport services in Left Wing Extremist (LWE) areas of the State. The OSRTC functions under the Commerce & Transport (Transport) Department of Government of Odisha and is the only Government organisation that provides passenger transport in Odisha.

The objectives of this detailed compliance audit were to assess whether (i) the scheme was planned and implemented as mandated to achieve the intended objectives, (ii) the allocation and release of funds under BGGY were adequately utilised as mandated and (iii) the monitoring and supervision

⁵⁴ Balasore, Gajapati, Keonjhar, Koraput, Kandhamal, Kalahandi, Malkangiri, Mayurbhanj, Nabarangpur, Rayagada, Sambalpur and Sundargarh

⁵⁵ Bolangir, Boudh, Deogarh, Nuapada and Subarnapur

⁵⁶ Angul, Bargarh, Bhadrak, Cuttack, Dhenkanal, Ganjam, Jagatsinghpur, Jajpur, Jharsuguda, Kendrapara, Khurda, Nayagarh and Puri

⁵⁷ As per Section 2(40) of the Motor Vehicles Act, 1988 'Stage carriages' means a motor vehicle constructed or adapted to carry more than six passengers excluding the driver for hire or reward at separate fares paid by or for individual passengers, either for the whole journey or for stages of the journey

mechanisms at various levels existed and were geared to make the scheme successful.

The main sources of audit criteria were the scheme guidelines, the Odisha Motor Vehicles Taxation Act, 1975, the Odisha Motor Vehicles Rules, 1993, the Motor Vehicles Act, 1988, Circulars and instructions issued from time to time by the Government of Odisha.

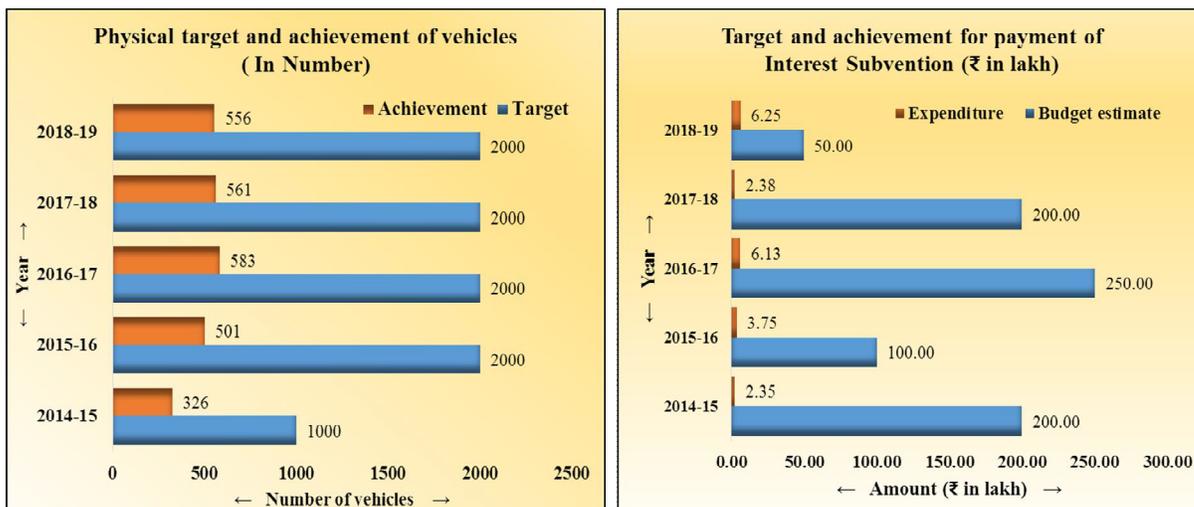
Audit was conducted between April and July, 2019 in seven⁵⁸ out of 21 Regional Transport Offices (RTOs) and four⁵⁹ out of 11 OSRTC units covering period from 2014-15 to 2018-19. The RTOs were selected on the basis of Stratified Random Sampling method taking into consideration the number of BGGY vehicles plying in the district. Accordingly, out of 35 RTOs in the State, 14 RTOs were not included in the population as no BGGY vehicles were plying in those RTOs. Similarly, OSRTC units were selected on the basis of judgmental sampling wherein 33 per cent of 11 OSRTC units i.e., four units were selected. Joint physical verification of 51 vehicles was also conducted in seven selected RTOs to ascertain whether the BGGY vehicles were adhering to the conditions of permit issued and the vehicle operators were aware regarding the admissible incentives.

Audit Findings

5.4.2 Planning and implementation

5.4.2.1 Physical and financial achievement of the scheme

As per the Resolution (September 2013) of the Government of Odisha, the scheme envisaged to provide rural transport connectivity to the local communities of 118 ITDA blocks by providing for 1,000 small passenger vehicles to be financed under the scheme in first year at the rate of 10 vehicles per Block approximately and another 1,000 vehicles in the next year in these



(Source : Records of the Department)

⁵⁸ Gajapati, Koraput, Mayurbhanj, Nabarangpur, Phulbani, Rayagada and Sundargarh

⁵⁹ Jeypore (Koraput), Phulbani, Rayagada and Sundargarh

blocks. The annual budgetary support required to implement the scheme was arrived at by the Department at ₹4.25 crore towards payment of interest subsidy. The financial target and achievement towards reimbursement of interest subvention during the period 2014-19 for the State is given in the chart above.

Against the physical target set at 1,000 vehicles in the first year, Department could only include 326 vehicles (32.6 *per cent*) under BGGY. As per resolution (September 2013), against the total target of 2,000 vehicles from second year onwards, Department could only include 556 vehicles (27.80 *per cent*) in the scheme by 2018-19 with achievement of financial target of 2.60 *per cent* only towards interest subvention.

During 2014-19, 1,780 vehicles were to be plied in 89 Blocks under test checked RTOs to provide uninterrupted transport services to commuters. Scrutiny of records in seven test checked RTOs revealed that RTOs could ply only 181 vehicles in different routes under their respective jurisdictions during 2014-15 which was increased to 312 vehicles (18 *per cent*) during 2018-19. But, as per the information furnished by such test checked RTOs, 481 vehicles were shown as plying.

Audit further observed that though the Department had spent ₹1.26 lakh (2016-17) only towards publicity of BGGY scheme out of the budget provision made towards interest subvention, it did not allocate any funds to RTOs for publicising the scheme incentives. Besides, during joint physical verification of 51 BGGY vehicles, it was found that 24 vehicle operators (47 *per cent*) were not interested to run vehicles due to insufficient passengers on the permitted routes.

Audit observed that due to non-consideration of the passenger footfall and due to vehicles already under operation in a block, the Department failed to enlist as many vehicles as targeted for reimbursement of interest subsidy as allocated in the budget. Further analysis and reasons on the irregularities in scheme implementation have been given in succeeding paragraphs. As such, the RTOs and the Department failed to attract more vehicle operators under the ambit of BGGY due to which the local communities could not benefit from better rural transport connectivity as envisaged under BGGY.

Accepting the audit observation, Government stated (October 2020) that the scheme could not perform as per the objectives due to inefficient planning and inclusion of less number of vehicles under the scheme. The Government further stated that the Department was trying to match the demand and supply through providing incentives which had not been examined from operators' point of view and passenger footfall before implementing the scheme.

5.4.2.2 Non/ Irregular issue of route permits

Rule 75(6) of Odisha Motor Vehicles (OMV) Rules, 1993 stipulates that the Transport Authority may, by general order, direct that every stage carriage⁶⁰

⁶⁰ As per Section 2(40 & 47) of the Motor Vehicles Act, 1988 'Stage Carriages' means a motor vehicle constructed or adapted to carry more than six passengers excluding the driver for hire or reward at separate fares paid by or for individual passengers, either for the whole journey or for stages of the journey. 'Transport vehicle' means a public service vehicle, a goods carriage, an educational institution bus or a private service vehicle

shall stop at such stations on its routes as the Transport Authority may prescribe. As per scheme guidelines (2014), assurance was given to the vehicle operators to issue permits valid for five years (Permanent Permit). The scheme guidelines was modified (January 2016) wherein permits were to be issued for a period of one year (Temporary Permit) only at a time and to be renewed quarterly or yearly after monitoring the performance and age of the vehicles.

During scrutiny of records relating to issue of permits to vehicles under the scheme in seven out of 21 RTOs, the following irregularities were noticed:

- Out of 481 vehicles which were shown as plying under the scheme, only 245 vehicles had valid permits under BGGY which included 166 Permanent Permits (PP) and 79 Temporary Permits (TP). The permits of 67 vehicles had expired as on March, 2019. Audit also observed that permits were issued to vehicles without mentioning stoppage stations and timings. Hence, there was over-lapping of timings with other stage carriage vehicles due to which BGGY vehicles could not ply optimally.
- The remaining 169 out of 481 vehicles pertaining to three RTOs⁶¹ were not issued with BGGY permits but were shown as plying under BGGY scheme. Besides, on scrutiny of VAHAN database, it was found that 119 out of 169 vehicles were irregularly granted financial incentives under the scheme though they had not been given permits under BGGY. This resulted in irregular exemption of permit fee and road tax worth ₹21.96 lakh which was a loss to the Government exchequer.

Accepting the audit observation, Government stated (October 2020) that the Department would consider to recover the irregular incentives extended or would recover from any excess payments made to any vehicle operator and assured to look into this irregularity in all the RTOs of the State.

5.4.2.3 Non-identification and non-coverage of routes under BGGY

To provide rural connectivity to all GPs, Block Level Committee (BLC)/ Sub-Division Level Committee (SDLC)/ District Level Committee (DLC) were to be formed to facilitate implementation of the scheme with the Sub-Collector concerned acting as the Chairperson of the BLC/ SDLC and the Collector concerned in DLC. The potentially viable routes were to be identified by the Transport Department in consultation with the BLCs.

Audit scrutinised BLC meeting records and permit details in seven test checked RTOs and observed the following discrepancies:

- Out of 14 Blocks under Koraput district, the BLC meeting was conducted (November 2014) only in Koraput Block to identify the routes to ply BGGY vehicles. Accordingly, the BLC had identified 15 routes but they were also not operated by the BGGY vehicles despite 23 vehicles having been issued permits under BGGY. Remaining 13 blocks did not conduct any BLC meeting during the period covered under audit. Further, though BLCs were not formed in the district of Rayagada, concerned RTO issued PPs to 76 vehicles under BGGY to ply on routes preferred by the operators.

⁶¹ Gajapati, Koraput and Sundargarh

- In the remaining five⁶² RTOs, the BLCs had identified 284 routes. The RTOs issued permits under BGGY to 254 vehicles of which only 85 vehicles (33.46 per cent) were operated in the identified routes and the remaining 169 vehicles⁶³ were plying in non-identified routes

In total, 268 vehicles were plying in routes non-identified by BLCs in the seven selected RTOs. This resulted in irregular exemption of road tax and permit fee worth ₹67.91 lakh⁶⁴ as detailed in **Appendix I**. Also, rural transport connectivity to all identified routes could not be established.

Accepting the audit observation, Government stated (October 2020) that RTOs would be instructed to form BLCs to identify the viable routes so that unconnected GPs were connected and assured to issue all the permits with timing and stoppage stations to identified routes and review the permits issued to operators once in a year for plying the vehicles under the scheme.

5.4.2.4 Regular transport connectivity not established in all identified routes in Left Wing Extremist affected areas

As per the Resolution of Government of Odisha (September 2013), the Home Department identified 70 routes in 11 LWE RTO districts⁶⁵ and intimated (November 2013) to Transport Department for plying of OSRTC buses in those routes. State Government would reimburse OSRTC towards the road tax, insurance and permit fees for plying of 100 buses in LWE affected areas for a period of four years (2013-17). Section 10 (1) of Odisha Motor Vehicles Taxation (OMVT) Act, 1975 stipulates that whenever any motor vehicle is intended not to be used for any period, the registered owner or person having possession or control thereof shall on or before the date of expiry of the term for which tax has been paid, deliver to the Taxing Officer, an undertaking duly signed and verified in the prescribed form and manner specifying the period aforesaid and the place where the motor vehicle is to be kept.

Audit scrutinised the registration records, log books and route permits of buses in four⁶⁶ selected OSRTC Units and OSRTC Corporate Office. The following were observed during audit:

- The OSRTC Corporate Office allotted 47 buses during February 2014 to March 2017 to the selected four OSRTC units, out of 95 buses purchased to be plied in 31 identified routes⁶⁷. It was observed that 33 out of 47 buses did not operate completely on their original 31 LWE routes as identified in aforesaid four units. Instead, the OSRTC units obtained temporary permits to ply on non- identified routes. The selected OSRTC units stated the reasons for not operating in the identified routes were due to low income, bad condition of roads and non-availability of passengers.
- In three out of four OSRTC units, 21 buses commenced their operation during March 2014 to August 2017 *i.e.*, after a delay ranging from 30 to 177 days from the date of allotment as detailed in the **Appendix II**. The

⁶² Gajapati, Kandhamal, Mayurbhanj, Nabarangpur and Sundargarh

⁶³ Sundargarh-49, Nawarangpur-20, Gajapati-39, Kandhamal-42 and Mayurbhanj-19

⁶⁴ Sundargarh-₹6.85 lakh, Nawarangpur-₹3.04 lakh, Gajapati-₹9.11 lakh, Kandhamal-₹7.23 lakh, Mayurbhanj-₹9.59 lakh, Koraput-₹14.15 lakh and Rayagada-₹17.94 lakh

⁶⁵ Deogarh (04), Gajapati (05), Ganjam (03), Kandhamal (07), Koraput (08), Malkanagiri (07), Nabarangpur(05), Nuapada (06), Rayagada (12), Rourkela (09) and Sundargarh (04)

⁶⁶ Kandhamal, Koraput (Jeypore), Rayagada and Sundargarh

⁶⁷ Koraput-08, Kandhamal-07, Rayagada-12 and Sundargarh-04

selected OSRTC units stated that the reasons of non-operation of buses were due to delay in inauguration of buses and issue of permits. The concerned OSRTC units were responsible for obtaining permits from RTOs and inauguration of buses to ply on the identified routes.

- It was also observed that 43 out of 47 buses were kept idle after commencing their operation for period ranging between one to 16 months. However, the buses were declared off-road at respective RTOs only for a period ranging from one to 10 months. The reasons for not declaring the vehicles off-road for the entire period for which they were idle is not on record. The Government reimbursed ₹10.89 lakh in payment of road tax for the said idle period which resulted in an extra burden on the scheme fund.
- Also, OSRTC Corporate Office allotted (February 2015) two buses to Berhampur Unit where no LWE affected routes were identified. The reasons for allotting buses to such unit were not on record. Thus, allotment of buses to other than the identified routes was irregular and did not fulfil the objective of the scheme.

As the buses were not operated in the identified routes and kept idle for long periods even after allotment and commencement of its operations, the scheme lost the confidence of the commuters on particular routes for which uninterrupted transport connectivity service, as envisaged in the scheme was not assured.

Government accepted the above audit observations and stated (October 2020) that the scheme had no provision for covering losses by the operators/ OSRTC. OSRTC was running on losses during last five years and agreed to revise the scheme for sustaining the operation of the scheme.

5.4.3 Allocation and release of funds

5.4.3.1 Negligible expenditure towards interest subvention

As per Para 2 of Resolution (September 2013) issued by the Department, to attract prospective entrepreneurs to operate their vehicles on the identified routes, financial incentives in shape of exemption of road tax, permit fee, three *per cent* interest subvention as base subvention would be given. An additional two *per cent* interest subvention would be given only if instalments were paid within the prescribed timeline to the financing agency. Further, as per the scheme guidelines, such incentives would be allowed on the basis of quarterly certificates by the BLCs that the vehicle was operating on the route as per the timings mentioned in the BGGY permit.

On scrutiny of allotment and release order of the Department towards payment of interest subvention, Audit observed that the Department allotted eight crore rupees during 2014-19 towards payment of interest subvention to the vehicle operators, out of which, expenditure of ₹20.86 lakh only was incurred, which constituted 2.60 *per cent* of total budget of the scheme. In seven selected RTOs, 315 out of 481 vehicle operators had availed loan from financing agencies to purchase vehicles to ply under the BGGY scheme. It was observed from VAHAN database that only 11 out of 315 BGGY vehicle operators (four *per cent*) were sanctioned interest subvention. The remaining 304

operators were deprived of the intended scheme benefits. Similarly, during joint physical inspection with the representatives of respective RTOs, it was found that 44 out of 51 BGGY vehicle operators were not aware of such incentives. As the RTOs failed to provide interest subvention as allocated in the budget, cost to existing operators could not be mitigated to the extent envisaged and it would have adversely impacted attracting prospective entrepreneurs to operate vehicles.

Government accepted the audit observation and stated (October 2020) that RTOs would be instructed to furnish the interest subsidy proposals regularly by identifying the operators for sanction of funds under interest subvention and provision of a tripartite agreement would be initiated, involving the transporter, the Government of Odisha and banks/ Financial Institutions (FIs).

5.4.4 Monitoring mechanism

5.4.4.1 Non-review of performance of vehicles

To evaluate the performance of vehicles operating on the route as per the timings agreed upon and to furnish certificate to Department for the benefits availed by the operators, regular inspection of BGGY vehicles was required to be conducted by the Departmental authorities as per the Resolution issued by the Department (September 2013). The scheme incentives were to be allowed on the basis of a quarterly certificate by the BLC. As per Section 56 (1) of Motor Vehicles Act, 1988, a transport vehicle shall not be deemed to be validly registered, unless it carries certificate of fitness in such form containing such particulars and information as prescribed and issued by the authority.

(a) Audit noticed that quarterly BLC meetings were not convened at all in the entire test checked RTOs to review the performance of vehicles operated on the identified routes. As a result, the incentives were allowed to the operators without ensuring the performance of vehicles.

Accepting the audit observation, Government stated (October 2020) that the RTOs would be instructed to take necessary action towards review of the performance of BGGY vehicles once in a year at District level.

(b) Audit observed that 40 out of 92 sanctioned posts (43 per cent) of enforcement staff were lying vacant in the test checked RTOs during the period covered under audit. High vacancy in the sanctioned strength was one of the reasons for which vehicles plying under BGGY could not be inspected regularly. As a result, 133 out of 312 BGGY vehicles had been plied with no valid fitness certificate during the period covered under audit, thereby vehicles may have been run with their safety compromised and consequent risk to commuters.

Accepting the Audit observation, Government stated (October 2020) that necessary steps were being taken to fill up the base level posts of enforcement staff.

5.4.5 Conclusion

Audit noticed various deficiencies in implementation of the scheme aiming to establish rural connectivity through Biju Gaon Gadi Yojana. In spite of non-achievement of the target to ply required number of vehicles in the first year, the Government targeted more and more vehicles for subsequent years. As the scheme was inefficiently planned, neither the State Government nor the test checked RTOs were able to ply vehicles as targeted, to provide rural transport connectivity to the local communities. The vehicles which were shown as plying under the scheme were issued permits without mentioning stoppage stations and timings due to which they could not ply freely. It was also found that 119 out of 169 vehicles were irregularly granted financial incentives though they were not given permits under BGGY resulting in irregular exemption of permit fee and road tax. In selected RTOs, 268 vehicles were plying in routes non-identified by BLCs, resulting in irregular exemption of road tax and permit fee with non-establishment of rural transport connectivity to all identified routes. The OSRTC Corporate Office and the selected four OSRTC units failed to ensure timely commencement of operation and effective utilization of 47 buses allotted in 31 LWE routes. The RTOs also failed to provide interest subvention as allocated in the budget. It was also noticed that quarterly BLC meetings were not convened at all in the entire test checked RTOs, to review the performance of vehicles operated. Despite failure to include estimated number of vehicles in Phase-I, Department expanded the scheme to entire state through phase - II and III without addressing the initial deficiencies.

Hence, the scheme lost the confidence of the commuters on particular routes due to which uninterrupted transport connectivity service to local communities, as envisaged in the scheme, was not ensured.

5.4.6 Recommendations

- Government may instruct all Regional Transport Officers and may direct Odisha State Road Transport Corporation (OSRTC) corporate office to co-ordinate with all the OSRTC units of the State so that the required numbers of vehicles and buses can be plied timely in all the identified routes of the blocks and LWE routes respectively to provide rural transport connectivity to the local communities.
- Government should create proper incentives towards financial viability of the scheme for OSRTC, including considering incentives that atleast meet no profit no loss criteria, to help them ply the vehicles under the scheme.
- Government should ensure that the Block Level Committee (BLC)/ Sub-Division Level Committee (SDLC)/ District Level Committee (DLC) meetings are being convened by the respective authorities regularly for identification of viable routes and review of performance of vehicles for allowing incentives. Additionally, a mechanism for better and timely co-ordination of the committees with Transport Department (RTOs) should be instituted.

5.5 Other Audit Observations

Audit scrutinised records relating to assessment and collection of motor vehicles tax in offices of the Transport Commissioner-cum-Chairman, State Transport Authority (STA) and the Regional Transport Offices. Audit found several cases of non-observance of some of the provisions of Acts/ Rules and other cases as mentioned in the succeeding paragraphs of this chapter. The cases are illustrative and are based on test check carried out by Audit. Such omissions remain undetected till next audit conducted. The Government may direct the Department to improve the internal control system including strengthening of internal audit so that such omissions can be detected, corrected and avoided in future.

5.6 Non-compliance of the provisions of the Acts/ Rules

The provisions of the Motor Vehicles (MV) Act, 1988, Odisha Motor Vehicles Taxation (OMVT) Act, 1975 and Rules made thereunder require levy and collection of:

- (i) *motor vehicle (MV) tax/ additional tax from the vehicle owner at the prescribed rate in advance and within the grace period provided;*
- (ii) *penalty up to double the tax for late payment of tax, if the tax is not paid in time within two months after the expiry of the grace period of 15 days;*

Some cases of non-compliance of the provisions of the Acts/ Rules are mentioned in the succeeding paragraphs.

5.6.1 Non-realisation of motor vehicles tax and additional tax from Goods Carriages and Contract Carriages

MV tax and additional tax of ₹13.29 crore and penalty of ₹26.58 crore not realised from registered owners of 14,039 vehicles.

As per Sections 3, 3A, 4(1) and 10 of Orissa Motor Vehicles Taxation (OMVT) Act, 1975, motor vehicles tax and additional tax due on every motor vehicle used or kept for use are to be paid in advance at the rates prescribed for different classes of vehicles as per Taxation Schedule I of the Act, unless exemption from payment of such tax is allowed for the period covered under 'off-road undertaking'. As per Section 13(1) of the Act read with Rule 9(2) of OMVT Rules, 1976, if the tax was not paid within two months after expiry of the grace period of 15 days from the due date of payment, the registered owner or the person having possession or control thereof shall, in addition to payment of tax due, be liable to pay penalty which may be extended up to twice the tax due. Further, as per the instructions of State Transport Authority (23 February 1966), the Regional Transport Officers are required to issue demand notices within 30 days from the expiry of the grace period for payment of tax. In case of default, Tax Recovery Certificate (TRC) should be executed within a period not exceeding 30 days from the date of service of the demand notice.

Audit analysed (between August 2018 and March 2019) VAHAN database with taxation records in 22 out of 35 RTOs relating to the period 2017-18. It

was observed that owners of 10,309 out of 97,291 goods carriages⁶⁸ pertaining to 21 RTOs did not pay tax and additional tax for different periods between April 2017 and March 2018. Similarly, 3,730 out of 42,118 contract carriages⁶⁹ pertaining to 21 RTOs did not pay tax and additional tax for the period up to November 2017 and onetime tax⁷⁰ from December 2017. The details are given in Table 5.2.

Table 5.2: Details of non-realised MV tax and additional tax

(₹ in crore)

Sl. No.	Number of RTOs	Class of Vehicles	Number of Vehicles	Amount of tax not realised	Penalty leviable	Total amount due to be realised
1	21 ⁷¹	Goods Carriages	10,309	11.98	23.96	35.94
2		Contract Carriages	3,730	1.31	2.62	3.93
Total			14,039	13.29	26.58	39.87

Scrutiny of relevant records revealed that these vehicles were not exempted under off-road undertaking under Section 10(1) of the Act. The periods of delay involved in all these cases were more than two months and therefore, maximum penalty at twice the tax due was also leviable. Though VAHAN software contained a provision to generate tax defaulter list by the Regional Transport Officers at any point of time, the Regional Transport Officers neither issued demand notices nor took any action against the vehicle owners for realisation of tax and imposition of penalty thereon. This resulted in non-realisation of MV tax and additional tax of ₹13.29 crore. Besides, penalty up to ₹26.58 crore could have been levied on defaulters.

In reply (March 2020), the State Transport Authority (STA) stated that an amount of ₹7.85 lakh had been realised in 38 cases, demand notices had been issued against 5,839 vehicles and tax recovery proceedings had been initiated against 1,537 vehicles pertaining to 13 RTOs. The reply, however, did not cover the status with regard to the remaining 6,625 cases under eight RTOs.

The matter was brought to the notice of Government (February 2020). The reply is awaited (October 2020).

5.6.2 Non-realisation of motor vehicles tax from Tractor Trailer Combinations and Private Service Vehicles

MV tax of ₹1.84 crore and penalty of ₹3.68 crore not realised from owners of 8,805 vehicles.

As per Sections 3(1) and 3A of Odisha Motor Vehicles Taxation (OMVT) Act,

⁶⁸ 'Goods Carriage' means any motor vehicle constructed or adapted for use solely for the carriage of goods, or any motor vehicle not so constructed or adapted when used for the carriage of goods. {Sec. 2(14) of MV Act, 1988}

⁶⁹ 'Contract Carriage' means a motor vehicle which carries a passenger or passengers for hire or reward and is engaged under a contract, whether expressed or implied, for the use of such vehicle as a whole for the carriage of passengers mentioned therein and entered into by a person with a holder of a permit in relation to such vehicle or any person authorised by him in this behalf on a fixed or an agreed rate or sum. {Sec. 2(7) of MV Act, 1988}

⁷⁰ Motor Vehicles tax means annual rate of tax and additional tax for vehicles as per item-3 of Taxation Schedule-1 of OMVT Act, 1975. One time tax on the other hand is a lifetime tax may be fixed as per the cost of the motor vehicle as stipulated in Part-II of the Schedule-III of the OMVT (Amendment) Act, 2017.

⁷¹ Angul, Balasore, Bargarh, Bhadrak, Bhubaneswar, Bhubaneswar-II, Balangir, Chandikhol, Dhenkanal, Ganjam, Jharsuguda, Kalahandi, Keonjhar, Koraput, Mayurbhanj, Nayagarh, Puri, Rayagada, Rourkela, Sambalpur and Sundargarh

1975, motor vehicle (MV) tax and additional tax shall be levied on every motor vehicle used or kept for use. Under Section 4 of the said Act, such tax shall be paid in advance at the rates prescribed for different classes of vehicles in Taxation Schedule I of the Act, as amended (21 November 2017), unless exemption from payment of such tax is allowed for the period covered by ‘off-road undertaking’ under Section 10 (1) of the Act. Further, as per Section 13(1) of the Act read with Rule 9(2) of the OMVT Rules, 1976, if such tax is not paid within two months after expiry of the grace period of 15 days from the due date of payment, the registered owner of the vehicle or the person having possession or control thereof shall, in addition to payment of tax due, be liable to pay penalty which shall be twice the tax due. Further, the Regional Transport Officers are required to issue demand notices within 30 days from the expiry of the grace period for payment of tax. In case of default, Tax Recovery Certificate (TRC) cases should be instituted within a period not exceeding 30 days from the date of service of the notice to pay the amount.

Audit test checked (between August 2018 and March 2019) VAHAN database with taxation records in 22 out of 35 RTOs for the period 2017-18. It was observed that owners of 8,780 out of 85,204 Tractor Trailer combinations pertaining to 21 RTOs did not pay MV tax for the period up to November 2017. Similarly, 25 out of 510 Private Service Vehicles pertaining to nine RTOs did not pay MV tax for the period from April 2017 to March 2018. Audit also verified the Off Road Registers maintained by the respective RTOs and found that no such vehicle owners had applied for ‘off-road’ concession for their vehicles under Section 10(1) of the Act.

The periods of delay involved in these cases were more than two months and therefore, maximum penalty at twice the tax due was also leviable. The VAHAN software contained a provision to generate tax defaulter list by the Regional Transport Officers at any point of time. The Regional Transport Officers, however, neither issued demand notices nor took any action against the defaulting vehicle owners for realisation of tax and imposition of penalty thereon. This resulted in non-realisation of MV tax of ₹1.84 crore. Besides, penalty of ₹3.68 crore could also have been levied. The details are given in Table 5.3.

Table 5.3: Non realisation of Motor Vehicles tax

(₹ in crore)

Sl. No.	No. of RTOs	Class of Vehicles	No. of vehicles checked	No. of defaulting vehicles	Amount of tax not realised	Penalty leviable	Total
1	21 ⁷²	Tractor Trailer Combinations	85,204	8,780	1.78	3.56	5.34
2	9 ⁷³	Private Service Vehicles	510	25	0.06	0.12	0.18
Total			85,714	8,805	1.84	3.68	5.52

Thus, failure of RTOs in detecting the defaulting vehicles through VAHAN database and issuing demand notices resulted in non-realisation of tax. Such

⁷² Angul, Balasore, Bargarh, Bhadrak, Bhubaneswar-I, Bhubaneswar-II, Balangir, Chandikhol, Dhenkanal, Ganjam, Jharsuguda, Kalahandi, Keonjhar, Koraput, Mayurbhanj, Nayagarh, Puri, Rayagada, Rourkela, Sambalpur and Sundargarh

⁷³ Angul, Bhubaneswar-I, Chandikhol, Dhenkanal, Jharsuguda, Keonjhar, Koraput, Rourkela and Sundargarh

inaction also defeated the intended objective of computerisation of the Department.

In reply (March 2020), the STA stated that an amount of ₹2.04 lakh had been realised in 47 cases, demand notices had been issued against 3,136 vehicles and tax recovery proceedings had been initiated against 3,255 vehicles pertaining to 16 RTOs. The reply, however, did not cover the status with regard to the remaining 2,367 cases under five RTOs.

The matter was brought to the notice of Government in January 2020. The reply is awaited (October 2020).

5.6.3 Non-realisation/ short realisation of motor vehicles tax and additional tax from Stage Carriages plying with valid route permits/ special contract carriage permits

MV tax and additional tax of ₹7.66 lakh and penalty of ₹15.32 lakh not realised from owners of 136 vehicles.

As per Sections 3, 3A, 4(1), 6 and 10 of the Odisha Motor Vehicles Taxation (OMVT) Act, 1975, motor vehicles tax and additional tax due on every motor vehicle used or kept for use shall be paid in advance at the rates prescribed for different classes of vehicles as per Taxation Schedule I of the Act, as amended (21 November 2017), unless exemption allowed for the period covered under 'off-road undertaking'. Motor vehicles tax and additional tax for Stage Carriage (SC) is determined on the basis of carrying capacity (including standees) and total distance it covers in a day as per permit. In case, use of an SC is altered for which higher rate of tax is payable, the vehicle owner is liable to pay differential tax equal to the difference between the tax already paid and the tax which is payable in consequence of the use. As per Section 13(1) of the Act read with Rule 9(2) of the OMVT Rules, 1976, if the tax was not paid within two months after expiry of the grace period of 15 days, penalty up to twice the tax due shall be charged. Further, as per the instruction of STA (23 February 1966), the RTOs are required to issue demand notices within 30 days from the expiry of the grace period for payment of tax. In case of default, Tax Recovery Certificate (TRC) cases should be instituted within a period not exceeding 30 days from the date of service of the notice to pay the amount.

Audit test checked (between August 2018 and March 2019) VAHAN database relating to payment of tax in 22 out of 35 RTOs. Audit also cross checked TRCs, off-road particulars, permit details in these offices and observed that 7,540 permits (1,198 stage carriage permits during 2012-18 and 6,342 special permits during 2017-18) were issued to 2,509 vehicles (1,154 vehicles to ply as stage carriage and 1,355 vehicles to ply as contract carriage). Out of the above, registered owners of 136 stage carriages did not pay or paid less MV tax and additional tax for the period from April 2017 to March 2018. These vehicles were also not covered by 'off-road undertakings'. The RTOs neither issued demand notices nor took any action against the defaulting vehicle owners for realisation of tax and penalty. This resulted in non-realisation/ short realisation of MV tax and additional tax amounting to ₹22.98 lakh including penalty of ₹15.32 lakh. The details are given in Table 5.4.

Table 5.4: Non realisation of MV tax and additional tax

(₹ in lakh)

Sl. No.	Number of RTOs	Types of vehicles	Number of vehicles	Tax due	Penalty leviable	Total
1	8 ⁷⁴	SCs plying with valid route permits	19	3.15	6.30	9.45
2	13 ⁷⁵	SCs issued with special permits	117	4.51	9.02	13.53
Total			136	7.66	15.32	22.98

In reply (May 2020), the STA stated that an amount of ₹0.2 lakh had been realised in three cases, demand notices had been issued against 89 vehicles and tax recovery proceedings had been initiated against one vehicle, pertaining to eight RTOs. The reply, however, did not cover the status with regard to the remaining 43 cases under four RTOs.

The matter was brought to the notice of Government in January 2020. The reply is awaited (October 2020).

⁷⁴ Balasore, Bhubaneswar-I, Balangir, Kalahandi, Keonjhar, Koraput, Sambalpur and Sundargarh

⁷⁵ Angul, Balasore, Bargarh, Bhadrak, Bhubaneswar-I, Bhubaneswar-II, Balangir, Jharsuguda, Kalahandi, Nayagarh, Rourkela, Sambalpur and Sundargarh