

CHAPTER-IV: Mapping of business rules in Vahan and E-Challan App

Snapshot

Business rules contain all the information about an organisation's data requirements, processes and business intent and can therefore be used in the development of an information system.

Improper mapping of business rules in Vahan 4.0 application was evident in the cases where additional tax was not levied on UPSRTC buses. Furthermore, the arrears of additional Tax of UPSRTC buses was cleared from system and records without depositing it. No records of arrears of Additional Tax was maintained by the concerned offices of RTOs/ARTOs either in soft or hard copy. The Department failed to map penalty provision on delayed payment of Additional Tax clearly. The cases of deficient mapping of unauthorised exemption of tax on Electric Vehicles and invalid removal of penalty provision on delay in renewal of fitness affects the tax collection and fitness of the vehicles. Court fee on vehicle covered under All India Tourist Permit and National Permit was not suitably mapped. E-challan app was also deficient to the extent of Permit/Fitness was renewed without due settlement of Challans, Challans were sent to Hon'ble court with delay and there was short realisation of compounding fee. Thus deficient mapping of business rules led to short/non realisation of revenue.

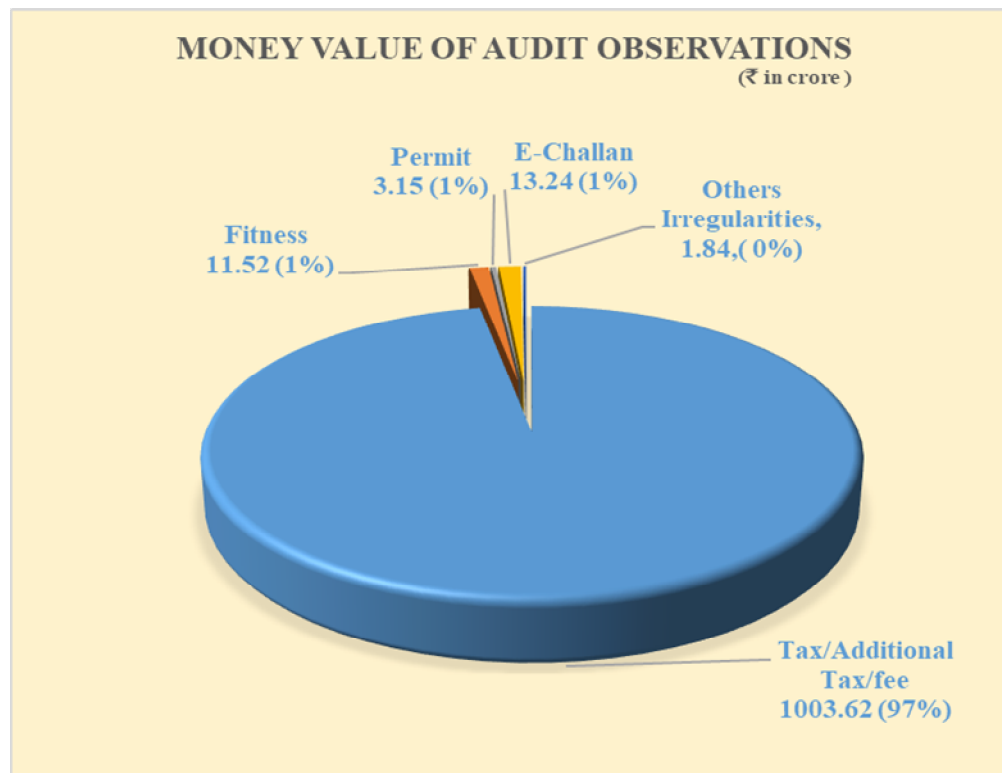
4.1 Introduction

Revenue realisation of the Transport Department is governed by the various Acts and Rules of the Central Government as well as the State Government. Besides, various notifications, circulars and Government orders issued from time to time also govern rates of taxes and fees to be levied. It is, therefore of utmost importance that all the business rules and procedures are correctly mapped and updated in a timely manner into the Vahan application and E-challan app.

4.2 Audit finding

Audit analysis revealed various discrepancies in determination of taxes and fees by the Vahan application and E-challan App due to incorrect mapping of business rules in these applications. Total money value of Audit observations in this chapter is ₹ 1,033.37 crore as depicted in the following **Chart 4.1** and discussed in succeeding paragraphs.

Chart 4.1



Deficiencies in Vahan application

4.2.1 Invalid clearance of arrears of Additional Tax of UPSRTC buses

Section 4(1) of Uttar Pradesh Motor Vehicle Taxation (UPMVT) Act, 1997 as amended in 2009, provided for levy of tax and accordingly mapping was done by the Department in Vahan 4.0 application. Further, Section 6¹ of UPMVT Act, 1997 provided for levy of Additional Tax on public service vehicles owned or controlled by the State Transport undertaking with effect from October 2009.

Principal Secretary, Transport Department directed (February 2006) Uttar Pradesh State Road Transport Corporation (UPSRTC) to remit total Additional Tax due so collected directly to the treasury and submit the original challan to the Headquarters of UPSRTC with a copy to the concerned RTO. Thus, Additional Tax on UPSRTC buses was being deposited in Lucknow Treasury by UPSRTC Headquarters under centralised arrangement upto April 2017.

The Transport Commissioner (TC) asked (April 2017) the Managing Director of UPSRTC to deposit the Additional Tax of buses of UPSRTC through on-line mode with effect from May 2017. In the aforesaid letter, TC issued the following directions:

- All ARTOs (administration) should save the detail of amount of arrear of Additional Tax in respect of UPSRTC buses as shown in Vahan application as on April 2017 in hard and soft copy. He, further, directed to

¹ As substituted in October 2009.

give tax clearance in the Vahan application for the purpose of deposit of additional tax for onward period.

- It was also stated that a separate instruction would be issued for disposal of arrears of Additional Tax.
- The process of adjustment of Additional Tax deposited under centralised scheme upto April 2017 would be done after reconciliation with arrears of Additional Tax as on April 2017.

Audit noticed that as on March 2017, Additional Tax amounting to ₹ 919.68 crore² was to be recovered from UPSRTC vehicles. However, due to the above mentioned order of the TC, the arrears of Additional Tax upto March 2017 have been kept out of the Vahan application and therefore, is out of the monitoring mechanism of system. It was also noticed that no separate instruction was issued for disposal of arrears of Additional Tax.

Moreover, in the sampled units, Audit noticed that in violation of the order of the TC, no record of arrears of Additional Tax shown in the Vahan application before the tax clearance, was maintained by the concerned offices of RTOs/ARTOs either in soft or hard copy. The Department did not initiate any action for adjustment of said arrears even after lapse of 48 months.

Due to this, the recovery of Additional Tax dues on UPSRTC vehicles cannot be monitored/controlled at any level.

The Department in its reply (July 2022) stated that for the purpose of depositing additional tax on-line of UPSRTC buses, as per the arrangement prescribed in Vahan 4.0, the system of depositing additional tax on-line was implemented in the State while preserving the vehicle-wise information of outstanding additional tax amount. UPSRTC is an institution of the State Government, and appropriate action will be taken regarding the adjustment of the amount of additional tax arrears.

The reply of the Department is not acceptable as no vehicle-wise information of outstanding additional tax amount was preserved at any level and it is also not reflected in Vahan 4.0 application.

4.2.2 Additional Tax on UPSRTC buses at Gautam Budh Nagar not levied

Section 6³ of UPMVT Act, 1997 provided for levy of Additional Tax on public service vehicles owned or controlled by the State Transport undertaking with effect from October 2009.

During the audit of RTO Ghaziabad, it was noticed that the Additional Tax leviable on the buses of UPSRTC operating in district Gautam Budhdha Nagar were not being deposited. The RTO did not submit (August 2021) any proof of deposit to Audit. Due to non-submission of records by the RTO, the Audit

² Information provided by the TC office.

³ As substituted in October 2009.

requested the Regional Manager, UPSRTC GB Nagar (August 2021) and the Managing Director, UPSRTC (November 2021) to provide the proof of deposit of Additional Tax; however, they also did not furnish it. It is clear from the above that the Additional Tax on UPSRTC buses operated in Gautam Budh Nagar district was not deposited. Efforts were not made by the Department or the RTO for levy and recovery of this Additional Tax.

As on 31 March 2021, 364⁴ buses were plying in Gautam Budh Nagar. These buses were paying tax, but Additional Tax was not being levied on these buses and these were plying on road without payment of Additional Tax. It was also noticed that these buses were not covered under the feature mapped in Vahan application for levying Additional Tax. The Department did not take any action for levying Additional Tax manually on these buses. As a result, the Department was deprived from Additional Tax and penalty for non-payment amounting to ₹ 77.40 crore for the period October 2009 to March 2021 on these buses.

The Department in its reply (July 2022) accepted the audit observation and stated that ₹ 24.47 crore out of the outstanding amount ₹ 77.40 crore has been deposited in the case.

4.2.3 Failure to map penalty on delayed payment of Additional Tax

Under the UPMVT Act⁵, 1997, no public service vehicle owned or controlled by a State Transport Undertaking shall be operated in any public place in Uttar Pradesh unless an Additional Tax, as may be notified by the State Government, in addition to tax payable has been paid in respect thereof. Further, as per the UPMVT Act⁶, 1997 read with UPMVT Rules⁷, 1998, where the tax or Additional Tax is not paid within the period specified (15th of each calendar month), penalty at the rate of five *per cent* of the due Tax/Additional Tax per month or part thereof, (not exceeding the due amount) shall be payable. Principal Secretary, Transport Department directed (February 2006) Uttar Pradesh State Road Transport Corporation (UPSRTC) to remit, the total Additional Tax due so collected directly to the treasury and submit the original challan to the headquarters of UPSRTC with a copy to concerned RTO. At the end of year, UPSRTC would reconcile and make the adjustment. While mapping of this business Rule, penalty clause for this Rule should also be mapped in the Vahan application.

Audit test-checked the records of 12 RTOs/ARTOs for the period from January 2018⁸ to March 2021 and noticed that in 19,530 cases out of 20,441 cases, Additional Tax was paid by UPSRTC with a delay ranging from 1 to 29 months but the Department could not impose and realise penalty as it

⁴ ARTO, Gautam Budh Nagar provided the information upto 31.03.21 as on 08.08.2021.

⁵ Section 6(1) of UPMVT Act, 1997.

⁶ Section 9 (1) and (3) of UPMVT Act, 1997.

⁷ Section 6(1) of UPMVT Act read with Rules 24 of UPMVT Rules, 1998.

⁸ The period before January 2018 has already been reported in previous Audit Report.

was not mapped in the Vahan 4.0 application. The Department did not initiate any action for mapping penalty provision on Additional Tax in the application. As a result, penalty of ₹ 6.00 crore could neither be imposed nor realised from UPSRTC as detailed in **Appendix- 4.1**.

The previous Audit Report of 2019-20 had highlighted this deficiency regarding loss of revenue due to non-imposition of penalty on delayed payment of Additional Tax by UPSRTC, but the Department did not take any action regarding previous audit observations.

The Department in its reply (July 2022) stated that under the Uttar Pradesh Motor Vehicle Taxation Act, 1997 and Uttar Pradesh Motor Vehicle Taxation Rules, 1998, penalty is not payable on the additional tax of the buses of the Uttar Pradesh State Road Transport Corporation.

The reply of the Department is not tenable because Rule 24 of Uttar Pradesh Motor Vehicle Taxation Rules, 1998 provide that where the tax or additional tax in respect of a motor vehicle is not paid within the period specified in sub-sections (1) of Section 9, a penalty at the rate of five *per cent* of the due tax or additional tax, per month or part thereof, shall be payable. Section 9(1) prescribes the time limit for depositing tax by vehicles whereas Section 6 prescribes that additional tax will be payable alongwith tax. Thus, Section 9(1) read with Section 6 prescribes time limit for depositing additional tax. The Department should amend Section 9(1) of the Act to clearly mention the time limit for depositing additional tax and make arrangements accordingly in the Vahan 4.0 application.

Recommendation 1:

The Department may consider to ensure mapping of all buses of UPSRTC for levy of Additional Tax and related penalty.

4.2.4 Unauthorised exemption of tax on Electric Vehicles

As per Section 4 of the UPMVT Act, 1997, no motor vehicle other than a transport vehicle, shall be operated in any public place in Uttar Pradesh unless a one-time tax at the rate applicable in respect of such motor vehicle, has been paid in respect thereof. However, as per amendment made in October 2009, motor vehicles driven by battery or solar power were exempted from payment of tax. Government of Uttar Pradesh issued (23 June 2020) a notification⁹ which provides for exemption of tax on electric vehicles manufactured in Uttar Pradesh. The Department should have mapped the details of electric vehicles manufactured in Uttar Pradesh for exemption of tax under Section 4 of the UPMVT Act, 1997 in the Vahan application to rule out any manipulation by any dealer.

Analysis of data of electric vehicles registered during 24 June 2020 to 31 March 2021, revealed that 924 electric vehicles were registered without

⁹ No. 2/2020/576/xxx-4-2020-8(19)2018 TC Lucknow: Dated 23 June, 2020.

payment of tax in State. Out of 924 vehicles, 238 electric vehicles were plying in nine out of 12 sampled RTOs/ARTOs. During validation of 54 non-tax paid registered electric vehicles at five sampled RTOs/ARTOs, it was noticed that all these vehicles were registered through dealer point registration scheme by the concerned dealer. Although all the vehicles were manufactured outside Uttar Pradesh, neither the dealer enter the correct data input in system nor did the system correctly identify the place of manufacturing of these vehicles by its chassis number. The Department did not initiate any action for levy of tax on electric vehicles manufactured outside Uttar Pradesh through the Vahan application. As a result, tax of ₹ 54.24 lakh was not levied (**Appendix- 4.2**).

The Department in its reply (July 2022) stated that necessary action in the matter will be taken after examining it by the Department.

Recommendation 2:

The Department may consider to ensure mapping of levy of taxes on Electric Vehicles as per rules.

4.2.5 Irregularities in fitness certificate

The MV Act¹⁰, 1988 and the CMV Rules¹¹, 1989 provide that a transport vehicle shall not be deemed to be 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 thereafter.

As on 31 March 2021, a total of 21,19,300 vehicles were registered as transport vehicles in the State which require fitness certificates. Out of these vehicles, 2,49,896 vehicles were registered in the test-checked 12 RTOs/ARTOs. The Department has to ensure correct mapping of provisions relating to issue of fitness certificate. Audit noticed the following irregularities in issue of fitness certificates.

4.2.5.1 Invalid omission of penalty provision on delay in renewal of fitness

The CMV Rules¹² prescribe test fee of ₹ 200, ₹ 400 and ₹ 600 for renewal of fitness certificate for Motorcycle, three wheelers/light vehicles and medium/heavy vehicles respectively. Further, as per Rule 39 (4) of UPMV Rules, 1998, in case of default, an additional amount equal to the prescribed test fee is also leviable. Further, the Government of India (GOI) levied¹³ (December 2016) ₹ 50 per day for delay in renewal of fitness certificate. However, in view of the judgement (March 2019) of the Hon'ble High Court,

¹⁰ Sections 56, 84 and 86 of MV Act, 1988.

¹¹ Rule 62 of CMV Rule, 1989.

¹² Rule 81 of the CMV Rules, 1989.

¹³ Vide notification No. G.S.R. 1183(E) dated 29.12.2016.

Lucknow Bench, Government of Uttar Pradesh withdrew¹⁴ (April 2019) the additional fees levied by GOI in December 2016.

Audit noticed that while making corrections in the Vahan application for above decision of Government of Uttar Pradesh, the Department erroneously also removed the additional amount equal to the prescribed test fitness fee in case of delay in renewal of fitness certificate.

Due to the pandemic, Ministry of Road Transport and Highways (MoRTH) extended¹⁵ the validity of fitness certificate of the vehicles, whose fitness had expired since 1 February 2020, upto 31 October 2021.

Audit analysed the fitness certificate of vehicles renewed with delay during May¹⁶ 2019 to January 2020 and found that fitness certificates of 1,90,482 vehicles were renewed with delays in the State. Out of these, fitness certificates of 54,770 vehicles were renewed with delay from 1 to 3,327 days¹⁷ in 12 sampled RTOs/ARTOs. Audit also noticed that though the fitness certificates of the above vehicles were renewed with delay but the additional amount leviable equivalent to fitness fee was not levied.

Although it was mapped in the Vahan application before April 2019, the Department removed both penalties, instead of removing only ₹ 50 per day as levied by GOI. At the time of deletion of penalty feature from Vahan application, the Department did not monitor proper amendments done by NIC and resultantly, both the penalties were deleted. As a result, additional amount equivalent to fitness fee of ₹ 2.50 crore could not levied and realised **(Appendix- 4.3)**.

The Department in its reply (July 2022) stated that Rule 39 of the Uttar Pradesh Motor Vehicles Rules, 1998 provides for payment of an amount equal to the fitness fee along with penalty if the vehicle is not presented for fitness within the stipulated date of inspection. When the on-line fitness system is implemented, the vehicle owner has been given the facility to select the date of fitness inspection. If the vehicle owner does not present the vehicle for inspection on the selected date, then again visiting the Vahan portal and selecting the inspection date, for which the inspection fee has to be deposited again. Therefore, the provision of the said penalty has not been omitted.

The reply of the Department is not tenable because after completion of fitness, the vehicle owner selects the inspection date as per his convenience and even after this date which is after the end of fitness or NID, penalty is not levied, whereas according to sub-rule 2 and 4 of Rule 39 of Uttar Pradesh Motor

¹⁴ Vide No. 158 (Sha.) Sa. Pra./2019 dated 29.04.2019.

¹⁵ MoRTH notification no. RT-11036/35/2020-MVL dated 30 September 2021.

¹⁶ The month after withdrawal of penalty of ₹ 50 per day by GoUP.

¹⁷ Delay upto 30 days - 17,332 vehicles, amount ₹ 79.92 lakh; delay between 31 to 180 days - 7,318 vehicles, amount ₹ 32.47 lakh; delay between 181 to 365 days - 8,689 vehicles, amount ₹ 41.14 lakh; and delay more than one year - 21,431 vehicles, amount ₹ 96.43 lakh.

Vehicles Rules, 1998, if the vehicle is not produced till the pre-determined NID, an amount equivalent to fitness fee shall be levied.

4.2.5.2 Fitness certificate of vehicles not renewed

The MV Act¹⁸, 1988 and the CMV Rules¹⁹, 1989 provide that a transport vehicle shall not be deemed²⁰ to be 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 thereafter. Plying a vehicle without a certificate of fitness is compoundable under the provisions of MV Act²¹, 1988 at the rate²² of ₹ 5,000.

The CMV Rules prescribe test fee of ₹ 400 and ₹ 600 for three wheelers/light vehicles and medium/heavy vehicles respectively. In addition to this, renewal fee of ₹ 200 is also leviable in case of all categories of vehicles. As per the provision of UPMV Rules²³, 1998, in case of default, an additional amount equal to the prescribed test fee is also leviable.

Due to the pandemic, Ministry of Road Transport and Highways (MoRTH) extended²⁴ the validity of fitness certificate of the vehicles, whose fitness had expired since 1 February 2020, upto 31 October 2021.

On an analysis of data, Audit noticed that during the Audit period, 5,77,036 vehicles were plying without fitness certificate in the State out of which 1,51,454 vehicles were plying in 12 sampled RTOs/ARTOs. Further, during the period between March 2017²⁵ to January 2020, 2,60,868 vehicles were plying without fitness certificate in the State, out of which 17,939 vehicles were plying in 11 out of 12 sampled RTOs/ARTOs. The renewal of validity of fitness certificate of these 17,939 vehicles was pending till 31 March 2021. However, these were plying²⁶ on road.

During validation of 20 vehicles in each sampled RTOs/ARTOs, Audit observed that out of 220 vehicles, fitness of 37 vehicles was since renewed (January 2022) and fitness of 183 vehicles was still not renewed. Thus, it is estimated that around 83 *per cent* of 17,939 vehicles i.e. approximately 14,890 were likely to be still plying without fitness certificate. As a result, the Department was deprived of fitness fee and penalty of an estimated ₹ 9.02 crore (**Appendix- 4.4**).

The Vahan application is deficient to the extent that it is accepting the payment of Motor Vehicle (MV) tax in respect of transport vehicles whose renewal of fitness is pending. Moreover, as per the aforesaid provision of the

¹⁸ Section 56, 84 and 86 of MV Act, 1988.

¹⁹ Rules 62 and 81 of CMV Rules 1989.

²⁰ Section 56 of MV Act, 1988.

²¹ Section 192 of MV Act, 1988.

²² Vide notification dated 07 June 2019.

²³ Rules 39 of UPMV Rules 1998.

²⁴ MoRTH notification no. RT-11036/35/2020-MVL dated 30 September 2021.

²⁵ The period before March 2017 has already been reported in the previous Audit Report.

²⁶ Dump data shows these are active and neither surrendered nor registration was canceled.

MV Act, these vehicles shall not be deemed to be registered but the registration of these vehicles was not cancelled/inactivated by the Vahan application as these vehicles were shown as active.

The Department in its reply stated (July 2022) that there is a provision to take penalty only in the event of a challan when a vehicle is found operating without a fitness certificate. Hence, the objection is not acceptable.

The reply is not acceptable because in contravention to the provisions of the MV Act, 1988, the vehicles not having fitness certificates are also shown as active in the Vahan application. Moreover, the fact remains that the Vahan application is deficient to the extent that it is allowing deposit of MV tax of the vehicles whose fitness certificates is pending.

Recommendation 3:

The Department may consider to ensure mapping of levy of fitness fee along with due penalty.

4.2.6 Irregularities in issue of permits for Transport Vehicle

As per Section 66 of the MV Act, 1988, the owner of every transport vehicle is required to obtain a permit from the Regional or State Transport Authority for plying its vehicle.

As on 31 March 2021 a total of 21,19,299 vehicles were registered as transport vehicles in the State which requires permit to operate, out of which 2,49,896 vehicles were registered in the test checked 12 RTOs/ARTOs. Irregularities in this regard are described below.

4.2.6.1 Authorisation of National Permit not renewed

Under the MV Act²⁷, 1988, a permit other than a temporary permit shall be effective for a period of five years. As per CMV Rules²⁸, authorisation for National Permit is for one year. As per orders of the Transport Commissioner (February 2000) the authorities concerned shall issue notice to the permit holder within 15 days of expiry of authorisation calling for his explanation as to why the permit should not be cancelled in case of non-renewal of authorisation and cancel the permit in case no explanation is received within the prescribed time. A composite fee of ₹ 16,500²⁹ per annum for authorisation along with application fee³⁰ amounting to ₹ 1,000 was to be deposited in the Government account for authorisation of national permit.

²⁷ Section 81 of MV Act, 1988.

²⁸ Rule 87(3) of CMV Rules, 1989.

²⁹ Government of India, Ministry of Road Transport & Highways order No. RT-16031/6/2010-T dated 2 April 2012.

³⁰ As per rule 87 of CMV Rules, 1989.

Due to pandemic, Ministry of Road Transport and Highways (MoRTH) extended³¹ the validity of permit of the vehicles, whose validity of permit was expired since 1 February 2020, upto 31 October 2021.

On an analysis of data, Audit noticed that during the Audit period, 15,987 Transport vehicles registered in the State were plying without authorisation of permit, out of which 3,072 vehicles were registered in seven sampled RTOs. During April 2018³² to January 2020, 15,738 vehicles, registered in the State, were plying without authorisation of permit out of which 3,072 vehicles were registered in seven sampled RTOs. It was also found that the renewal of validity of authorisation of permit of 3,072 vehicles was pending in all sampled RTOs till 31 March 2021. All this information was also available in the Vahan application which was required to be analysed at the State and RTO level. Further, the Enforcement wing of the Department could neither trace these vehicles nor could the Department issue notices to these permit holders for cancellation of permits. The Department alongwith RTOs/ARTOs also did not initiate any action to add the feature in Vahan 4.0 for automatic suspension/cancellation of their permits.

During validation the records of 20 vehicles at each seven sampled RTOs, it was found that out of 140 vehicles, authorisation certificates of 100 vehicles were renewed and authorisation certificates of 40 vehicles were still not renewed (January 2022). Thus it is estimated that 28.57 *per cent* of 3,072 vehicles *i.e.* 878 vehicles were not renewed. As a result, composite fee and application fee for authorisation amounting to an estimated ₹ 1.54 crore was not realised (**Appendix- 4.5**).

The Department in its reply (July 2022) stated that necessary action in the matter will be taken after examining it by the Department.

4.2.6.2 Short levy of court fee on vehicle covered under All India Tourist Permit and National Permit

As per provision of the Uttar Pradesh Court Fee Act, 1870, the court fee is to be levied on issue of permits, renewal of permits and authorisation of permits. The Government of Uttar Pradesh has amended³³ (April 1989) the Schedule 2 of the "U.P. Court Fee Act, 1870" for the State Transport Authority. The court fee was changed to ₹ 200 instead of ₹ 10 for services under the jurisdiction of State Transport Authority. The work of permit related to National Permit and All India Permit has been delegated from the State Transport Authority to the Regional Transport Authorities. Therefore, on the application of permit works related to them, the court fee of ₹ 200 should have been collected as per the arrangements.

³¹ MoRTH notification no. RT-11036/35/2020-MVL dated 30 September 2021.

³² The period before April 2018 has already been reported in previous Audit Report.

³³ vide notification No.-698/Seventeen-V-1-1(a)/(18)/1989, dated 10.04.1989.

Audit noticed that during April 2016 to March 2021, issuance and cancellation of permits, renewal of permit and renewal of authorisation of the permit of 4,49,917 vehicles occurred in the State. Out of these, 1,61,005 occurrences were in six RTOs and TC Office and an amount of court fees was imposed at the rate of ₹ 100 in place of ₹ 200. During validation, Audit also noticed that in RTO Ghaziabad, court fees of ₹ 200 was being imposed and collected manually.

In this regard Additional Transport Commissioner, IT, on being pointed out by the Finance Controller, Transport Department (24 July 2019), wrote a letter to the NIC for amendment of the discrepancy in Vahan application. However, it has not been mapped in Vahan application till March 2021. As a result of deficient mapping in Vahan application and also not collecting it manually in the other sampled RTOs/TC office, Court fees of ₹ 1.61 crore could not be levied (**Appendix- 4.6**).

The Department, in its reply (July 2022), stated that necessary action in the matter will be taken after examining it by the Department.

4.2.7 Permit/Fitness renewed with pending Challan

E-challan database was integrated with the Vahan database but inspite of pending challans, in multiple cases vehicle owners were able to apply for renewal of their permit/fitness and the same were being issued too. If the Department could collect the challan amount at the time of renewal of permit/fitness, it could reduce the long pendency of the challans.

During data analysis, Audit noticed that fitness and permit were renewed with pending challans of 16,234 vehicles (from June 2017 to March 2021) in the State, out of which 3,511 cases were related to 12 out of 12 sampled RTOs/ARTOs. Audit validated 67 cases in sampled two RTOs/ARTOs and found that permit/fitness of the vehicle was renewed, though challan against the vehicle was pending and not settled by the owner/driver. The Department did not take any action for recovery of challan amount and to update the Vahan application. As a result, permit/fitness of vehicle was renewed without realisation of compounding fee of pending challans amounting to ₹ 13.21 crore (**Appendix- 4.7**).

The Department in its reply (July 2022) stated that as per the arrangement made by the Ministry of Road Transport and Highways, Government of India vide notification No. 584(E) dated 25.09.2019, there is no restriction on renewal of permit/fitness in case of E-challan.

The fact remains that pending challans could not be realised. Challan money is a significant revenue and should be recovered at the time of renewal of fitness/permit.

Irregularities in E-challan app

E-Challans App is an integrated enforcement solution to manage traffic violations through an Android based mobile app and back-end web application for use by the Transport Enforcement wing and traffic police. This App is used for issue of challan and settlement of compounding fee.

4.2.8 Challans sent to Hon'ble court with delay

The MV Act³⁴, 1988 authorises seizure of the vehicles/registration certificate of vehicles, if the officer on duty has reason to believe that the motor vehicle is running in violation of provisions³⁵ of MV Act, 1988. In view of the decision of the Hon'ble High Court, Allahabad, Transport Commissioner ordered³⁶ (December 2010) that the challans issued against the vehicles seized under Section 207 of MV Act, 1988 are to be forwarded to the Hon'ble Court for further legal action within seven days from the date of issue of challan.

During data analysis of 12 sampled units it was noticed that 18,387 challans issued through E-challan App, were sent to the Hon'ble court after seven days from the date of seizure/challan (between June 2017³⁷ and March 2021). These seizures/challans were issued under Section 207 of MV Act, 1988, for violation of Section 3, Section 4, Section 39 and Section 66 of MV Act 1988, by various officers of the enforcement teams. Audit validated the records of three ARTOs and found that 100 *per cent* challans were sent to the Court with delay. Compounding fee was levied on these vehicles by the enforcement officers. However, the Department sent these challans to the Court for further legal action with delay ranging from 8 to 1,184 days³⁸ from the date of such challans. The Department did not take any action to send challans in digital form to the Court within the prescribed time and updating the application for sending these challans to the Court automatically (**Appendix- 4.8**).

The Department in its reply (July 2022) stated that, necessary action in the matter will be taken after examining it by the Department.

Recommendation 4:

The Department may consider to ensure that challans are transferred to the court in time, digitally, if possible.

³⁴ Section 207 of MV Act, 1988.

³⁵ Section 3 (Without a valid driving licence), Section 4 (underage person driving a motor vehicle), Section 39 (Driving unregistered vehicle) and/or Section 66 (I) (Necessity of Permits).

³⁶ Order no. 418 (G) INF/2010-24 (Writ) INF/2008 dated 30 December 2010.

³⁷ The date of operationalisation of E-challan App.

³⁸ Delay upto 30 days, vehicles 913; delay between 31 to 180 days, vehicles 10,727; delay between 181 to 365 days, vehicles 3,676 and delay more than one year vehicles 3,071.

4.2.9 Short realisation of compounding fee

The Government of Uttar Pradesh has notified³⁹ (July 2020), the compounding fee for various offences under the MV Act, 1988. As per notification, compounding fee in respect of repeated offences were higher.

During data analysis, Audit found that compounding fee was short realised from 240 challaned vehicles (from July 2019 to March 2021) in the State, out of which, 55 vehicles related to 9 out of 12 sampled RTOs/ARTOs. Audit validated nine cases relating to five sampled RTOs/ARTOs and noticed that in cases of on-line payment, the amount of compounding fee realised was less than the amount of compounding fee imposed.

The Department had not taken any action to stop short realisation of compounding fee through on-line payment and to update the application. As a result, there was short realisation of compounding fee amounting to ₹ 2.76 lakh (**Appendix- 4.9**).

The Department in its reply (July 2022) stated that necessary action in the matter will be taken after examining it by the Department.

Recommendation 5:

The Department may consider to ensure that compounding fee imposed for offences are actually realised from the vehicle owner.

Other irregularities

4.2.10 Permit fee, application fee and penalty not levied on vehicles plying without permit

As per the MV Act⁴⁰, 1988, a permit other than a temporary permit shall be effective for a period of five years and no owner of a motor vehicle shall use or permit the use of the vehicle as a transport vehicle in any public place without permit. UPMVT Rules⁴¹ prescribed rates for issue of new permit and its renewal and application fees. Rates were revised⁴² (February 2019) by the Government of Uttar Pradesh. Further, plying a vehicle without permit is compoundable under the MV Act⁴³, at the rate⁴⁴ of ₹ 10,000.

Due to the pandemic, Ministry of Road Transport and Highways (MoRTH) extended⁴⁵ the validity of permit of the vehicles, whose validity of permit had expired since 1 February 2020, upto 31 October 2021.

On an analysis of data, Audit noticed that during the Audit period, 80,021 Transport vehicles were plying without permit in the State out of which 43,406

³⁹ No. 10/2020/752/XXX-4-2020-1(sa)/2017.

⁴⁰ Section 81 and 66 of MV Act.

⁴¹ Rule 125 of UPMVT Rules.

⁴² Notification no. 4/2019/215/30-4-2019-4(02)/2010 dated 26 February 2019.

⁴³ Section 192A of MV Act.

⁴⁴ Vide order dated 30.07.2020.

⁴⁵ MoRTH notification no. RT-11036/35/2020-MVL dated 30 September 2021.

vehicles were plying in seven sampled RTOs and TC office. During April 2016 to January 2020, 53,607 vehicles were plying without permit in the State out of which 1,340 vehicles were plying in one sampled unit (RTO, Gonda) and TC office. It was also found that the renewal of validity of permit of these 1,340 vehicles was pending till 31 March 2021. Also, these vehicle owners had not applied for refund of tax and not surrendered the certificate of registration for non-use of vehicles. Information such as the expiry of permit validity was available in the Vahan database. In spite of this, these cases were not detected by the Department. The RTO, Gonda as well as TC office also did not initiate any action to issue notices to these permit holders.

During validation of 20 vehicles at each sampled RTOs, Audit observed that permits of these vehicles were not renewed upto January 2022. Thus, 1,340 vehicles were not renewed and plying on road without permit. As a result, permit fees, application fee and penalty amounting to ₹ 1.84 crore was not realised (**Appendix- 4.10**).

The Department in its reply (July 2022) stated that necessary action will be taken after examining the cases by the Department.

Recommendation 6:

The Department may consider to ensure levy of permit fee along with due penalty.

4.2.11 Delay in release of seized/detained vehicles

Section 22 of UPMVT Act, 1997 authorises a State Government officer to seize or detain a motor vehicle, if he has sufficient reason to believe that the vehicle is being used without payment of Tax, Additional Tax or penalty. The officer seizing the vehicle shall send a report of such seizure to the Taxation officer. The vehicles seized or detained in above manner shall be released immediately by the officer on payment of Tax, Additional Tax, penalty or any other amount due for payment.

During the data analysis, it was noticed that 5,511 vehicles were released with delay ranging from 4 days to 1,355 days even after payment of tax/fee/compounding fee (from June 2017 to March 2021) in the State. Out of these, 268 vehicles were released in 11 sampled RTO/ARTOs with delay ranging from 6 days to 1,248 days⁴⁶. Audit validated the records of three sampled ARTOs and found that release of 33 vehicles was delayed ranging from 6 days to 1,248 days from the date of payment of dues. Thus, 100 *per cent* of vehicles were delayed in release by the officers whereas detained vehicles should be released immediately by the officers on payment of dues (**Appendix- 4.11**).

⁴⁶ Delay upto 30 days - 41 vehicles; delay between 31 to 180 days - 112 vehicles; delay between 181 to 365 days - 41 vehicles; and delay more than one year - 74 vehicles.

The Department in its reply (July 2022) stated that necessary action will be taken after examining the cases by the Department.

Conclusion

Vahan 4.0 application had various discrepancies in mapping of pertinent and correct business rules of the Department which adversely affected levy and collection of additional tax, fee and compounding fee. Unauthorised exemption of tax to electric vehicles not manufactured in Uttar Pradesh was allowed. This led to deficiencies with regard to monitoring and realisation of revenue. E-Challan app was also found deficient with regard to realisation of compounding fee for challans and challans in digital form were not sent to the Court within the prescribed time automatically.