

CHAPTER-V: OTHER TAX RECEIPTS

(A) TAXES ON VEHICLES, GOODS AND PASSENGERS

5.1 Tax administration

The levy and collection of motor vehicles tax and fee in the State is governed under the Motor Vehicles (MV) Act, 1988, the Central Motor Vehicles (CMV) Rules, 1989, the Uttar Pradesh Motor Vehicles Taxation (UPMVT) Act, 1997, the Uttar Pradesh Motor Vehicles Taxation (UPMVT) Rules, 1998, the Carriage by Road (CBR) Act, 2007, the Carriage by Road (CBR) Rules, 2011 and various Notifications, Circulars and Government Orders (GOs) issued by the Government and the Department from time to time.

The Principal Secretary, Transport, Uttar Pradesh is the administrative head at the Government level. The entire process of assessment and collection of taxes and fee is administered and monitored by the Transport Commissioner (TC), Uttar Pradesh, who is assisted by five Additional Transport Commissioners at the Headquarters.

There are six¹ Deputy Transport Commissioners (DTCs), 19 Regional Transport Officers² (RTOs) and 75 Assistant Regional Transport Officers (ARTOs) (Administration) in the field. RTOs perform the overall work of issue and control of permits of transport vehicles. The ARTOs perform the work of assessment, levy of taxes and fee regarding both transport vehicles and other than transport vehicles. Respective RTOs are responsible for the overall administration of the Sub-Regional Transport Offices.

There are 114 Enforcement squads in the State, each consisting of one ARTO (Enforcement), one supervisor and three Enforcement constables. These are attached to the Headquarters and deployed at the district level.

A software *viz.*, *VAHAN* had been adopted (October 2006) by the Department for automating the processes of vehicle registration, issue/renewal of permits, calculation, payment of taxes and fees, issue/renewal of fitness certificates, issue of challans and payment of the penalty amount. This software also has the facility to generate reports like arrears of revenue, lists of vehicles without permit and certificate of fitness, etc. There is another software *viz.*, *SARATHI* (adopted in January 2013) for issuing Driving Licenses and compilation of data with respect to Vehicle Registration and Driving Licenses in the State Register.

5.2 Results of audit

During the year 2021-22, test-check of records in 11 units³ out of 76 auditable units of the Transport Department revealed instances of tax/penalty/additional tax, fitness fee short/not realised and other irregularities involving ₹ 47.83 crore in 16,379 cases, as shown in **Table-5.1**.

¹ Agra, Bareilly, Kanpur Nagar, Lucknow, Meerut and Varanasi.

² Agra, Aligarh, Azamgarh, Banda, Bareilly, Basti, Faizabad, Ghaziabad, Gonda, Gorakhpur, Jhansi, Kanpur Nagar, Lucknow, Meerut, Mirzapur, Moradabad, Prayagraj, Saharanpur and Varanasi.

³ This includes office of Principal Secretary/Transport Commissioner, two RTOs and eight ARTOs.

Table-5.1

Sl. No.	Categories	Number of cases	Amount (₹ in crore)
1	Short realisation of tax/additional tax	4,165	24.47
2	Vehicle plying without certificate of fitness	8,023	04.09
3	Recovery not done against issued Recovery Certificates	833	10.06
4	Penalty from UPSRTC buses not realised	83	00.43
5	Other irregularities ⁴	3,275	08.78
Total		16,379	47.83

5.3 Additional tax not collected from UPSRTC buses

Additional tax of ₹ 6.27 crore was not recovered from the buses operated by UPSRTC.

Section 6(1) of Uttar Pradesh Motor Vehicles Taxation (UPMVT) Act, 1997 (as amended October 2009) provides that “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 under Section 4 has been paid in respect thereof”. Further 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 copy to concerned RTO.

The rate of Additional tax under the Section 6 (1) of the UPMVT Act on the buses operated by UPSRTC is as given below in **Table 5.2**.

Table-5.2

Sl. No.	Type of Vehicle	Rate of additional tax per seat (in ₹)		
		Monthly	Quarterly	Annual
1	Vehicles up to 2 years old	600	1,800	6,500
2	Vehicle more than two years but upto four years old	500	1,500	5,400
3	Vehicle more than four years but upto six years old	400	1,200	4,800
4	Vehicles more than six years old	150	450	1,600

As per Section 20 (3) of the UPMVT Act “The Taxation officer shall raise a demand in the form as may be prescribed, from the owner or operator, as the case may be, for the arrears of tax and additional tax and penalty of each year, which shall also include the arrears of tax, additional tax or penalty, if any, of preceding years”.

Audit test-checked the records⁵ of two⁶ RTO/ARTO for the period March 2020 to February 2022 and noticed (between February 2022 and March 2022) that in 174 out of 272 test-checked cases of UPSRTC buses, the additional tax amounting to ₹ 6.27 crore was not recovered from the vehicles operated by

⁴ Revenue not realised from surrendered vehicles for more than three months, Revenue not realised due to seized vehicle not auctioned, Loss of revenue due to vehicles having more than 15 years of not reregistered, Loss of revenue due to penalty under Carriage by Road Act, 2007 not imposed and Loss of revenue due to operation of vehicles without payment of tax.

⁵ VAHAN database, tax position, concerned files, receipt books, etc.

⁶ RTO Jhansi and ARTO Unnao.

UPSRTC. The taxation officers failed to realise the additional tax amounting to ₹ 6.27 crore.

The matter was reported to the Government (April 2022). Their reply is awaited (June 2022).

(B) STATE EXCISE

5.4 Tax administration

Various kinds of liquor, such as Country Liquor (CL) and Indian Made Foreign Liquor (IMFL) are manufactured from alcohol. Excise duty on production of alcohol and liquor in distilleries and breweries forms a major part of the State's excise revenue⁷. Apart from excise duty, license fee⁸ also forms a part of excise revenue. The United Provinces Excise Act, 1910 and Rules⁹ made thereunder govern the levy and collection of excise duty on liquor for human consumption and applicable license fee.

The Additional Chief Secretary (State Excise) is the administrative head of the State Excise Department (Department) at the Government level. The Department is headed by the Excise Commissioner (EC) who is assisted by two Additional Excise Commissioners (AECs). The Department has five zones headed by Joint Excise Commissioners (JECs), who are assisted by 18 Deputy Excise Commissioners (DECs). Assistant Excise Commissioners (AECs) head the districts. They are assisted by Excise Inspectors (EIs) to oversee and regulate levy/collection of excise duties and allied levies. Additional District Magistrate (Finance & Revenue) is in charge of collection and accounting of excise receipts under the overall administrative control of the District Collector.

5.5 Results of audit

During the year 2021-22, test-check of records in 29 units¹⁰ out of 128 auditable units of the Department revealed short realisation of excise duty/license fee/interest was and other irregularities involving ₹ 1,276.12 crore in 2,519 cases as mentioned in **Table-5.3**.

⁷ CL formed 50 per cent, IMFL 37 per cent, beer 11 per cent and others 2 per cent of total excise revenue of 2020-21.

⁸ License fee is applicable on licensees of CL, IMFL, beer, bars, distilleries, breweries, pharmacies, etc. and on other manufacturing units using alcohol as raw material.

⁹ Uttar Pradesh Excise (Settlement of licenses for retail sale of foreign liquor) (excluding beer and wine) Rules 2001.

UP Excise (Settlement of licenses for retail sale of foreign liquor) (excluding beer and wines) (Third Amendment) Rules 2002.

UP Excise (Wholesale and retail vend of foreign liquor) (Thirteenth Amendment) Rules 2002.

UP Excise (Settlement of licenses for retail sale of country liquor) Rules 2002.

UP Excise (Settlement of licenses for country liquor bonded warehouse) Rules 2003.

UP Excise (Settlement of retail licenses for model shop of foreign liquor) Rules 2003.

¹⁰ This consists of office of the Excise Commissioner (HOD), 12 District Excise Offices and 16 Distilleries.

Table-5.3

Sl. No.	Categories	Number of cases	Amount (₹ in crore)
1	Excise duty not/short realised	5	29.00
2	License fee/interest not realised	2,508	164.00
3	Understatement of consumption of input excise material in excise records	1	1,078.09
4	Other irregularities ¹¹	5	5.03
Total		2,519	1,276.12

5.6 Understatement of consumption of input excise material in excise records

Failure of the Assistant Excise Commissioner, Radico Khaitan Limited, Rampur to monitor consumption of input excise material shown in excise records *vis-à-vis* returns filed in Income Tax Department resulted in not detecting understatement of consumption of input excise material involving excise revenue of ₹ 1,078.09 crore (including interest of ₹ 482.34 crore) during the period 2013-14 to 2019-20.

Section 28 of United Provinces Excise Act, 1910 provides that excise duty at such rate or rates as the State Government shall direct may be imposed on any excisable article manufactured in any distillery established or any distillery or brewery licensed under Section 18 of the Act *ibid*. Under the provisions of Section 38A of the United Provinces Excise Act, 1910, where any excise revenue is not paid within three months from the date on which it becomes payable, interest at the rate of 18 *per cent* per annum is recoverable from the date on which such excise revenue becomes due.

Molasses, grains and malt used as input material are fermented and distilled to obtain wash/spirit as an intermediate product, which is redistilled, compounded, blended, processed and diluted to produce final products like liquors and other intoxicants.

Audit examined (March 2022) the records¹² maintained in Office of the Assistant Excise Commissioner, Radico Khaitan Limited, Rampur for the period from 2013-14 to 2019-20 pertaining to various materials such as molasses, grain and barley malt used for manufacture of liquor.

Audit compared the consumption figures of molasses, grain and barley malt submitted by the assessee through statutory returns to the Income Tax Department (ITD) with the respective quantities depicted in the records of the Assistant Excise Commissioner (AEC), Radico Khaitan Limited, Rampur and noticed variations in the quantities disclosed in the records/returns submitted to the Income Tax Department with those available in State Excise Department. The variations found in the consumed material indicate that the assessee had understated the consumption of inputs items in excise records,

¹¹ Non-imposition of penalty for failure in compliance of rule, Short imposition of compounding money for failure in minimum production of alcohol, Proper action not taken in cases of over-rating, MGQ (minimum guaranteed quantity) not adjusted on settled shop, Non-imposition of penalty for not getting minimum distillation efficiency, etc.

¹² Monthly stock register for molasses (MF-6 Register) and returns submitted to the office of the Excise Commissioner and information provided by the audited entity.

involving excise revenue of ₹ 595.75 crore on which interest of ₹ 482.34 crore was leviable as detailed in the **Table-5.4** below:

Table-5.4: Consideration fee and interest not levied on understatement of consumption of excisable items

(₹ in lakh)								
Type of material (in quintal)	Financial Year	Consumption as per ITR ¹³	Consumption as per Excise Department	Difference	Consideration fee involved	Period of delay in months ¹⁴	Interest due up to 31 March 2022	Total
Molasses	2013-14	28,75,826.00	28,63,956.00	11,870.00	1,269.64	96	1,828.28	3,097.92
	2014-15	21,01,363.00	20,93,214.00	8,149.00	1,042.13	84	1,313.09	2,355.22
	2015-16	22,36,773.00	21,93,281.00	43,492.00	6,858.00	72	7,406.65	14,264.65
	2016-17	29,01,022.00	28,45,293.00	55,729.00	8,498.50	60	7,648.66	16,147.16
	2017-18	25,92,165.00	25,38,563.00	53,602.00	7,334.43	48	5,280.79	12,615.22
	2018-19	25,88,483.00	25,33,726.00	54,757.00	9,068.74	36	4,897.12	13,965.86
	2019-20	23,17,076.00	22,75,990.00	41,086.00	5,900.44	24	2,124.16	8,024.60
Grain	2013-14	7,24,291.00	7,15,337.60	8,953.40	1,711.63	96	2,464.74	4,176.37
	2014-15	8,71,340.00	8,50,928.40	20,411.60	4,622.16	84	5,823.92	10,446.08
	2015-16	8,36,547.00	8,26,779.60	9,767.40	2,549.71	72	2,753.68	5,303.39
	2016-17	7,82,993.00	7,73,338.60	9,654.40	2,492.71	60	2,243.43	4,736.14
	2017-18	8,69,470.00	8,59,252.00	10,218.00	2,651.74	48	1,909.26	4,561.00
	2018-19	8,63,871.00	8,54,412.00	9,459.00	2,961.19	36	1,599.04	4,560.23
	2019-20	7,81,030.00	7,72,792.00	8,238.00	2,578.95	24	928.42	3,507.37
Barley Malt	2015-16	18,893.00	18,892.75	0.25	0.06	72	0.06	0.12
	2019-20	42,220.76	42,094.45	126.31	34.80	24	12.53	47.33
Total					59,574.83		48,233.83	1,07,808.66

This resulted in understatement of consumption of input excise material involving excise revenue amounting to ₹ 1,078.09 crore to the Government, details of which are shown in **Appendix-XLI, XLII and XLIII**.

The matter was reported to the Government (April 2022). Their reply is awaited (June 2022).

Recommendations:

The Government may:

- Analyse understatement of input excise material by the assessee and take action to recover the excise revenue.**
- Appropriate action should be initiated against the assessing officers who failed to discharge their duty and could not detect understatement of consumption of excise material.**

¹³ Information contained in Form 3CD of the Income Tax Department.

¹⁴ Delay is on account of non-payment of excise revenue and has been worked out from the last day of the financial year concerned up to 31 March 2022.

5.7 Failure to cancel the settlement of shops and forfeiture of basic license fee (BLF)/license fee (LF) and security deposit

The Department failed to ensure timely deposit of the basic license fee, license fee and security deposit on settlement of shops. It did not initiate any action for cancellation of settlement and forfeiture of renewal fee of ₹ 0.19 crore, license fee/basic license fee of ₹ 10.65 crore and security deposit of ₹ 0.21 crore totalling to ₹ 11.05 crore.

The various Uttar Pradesh Excise (Settlement of Licenses for Retail Sale) Rules¹⁵ stipulate that the amount of License Fee¹⁶ (LF)/ Basic License Fee¹⁷ (BLF) shall be deposited in full within three working days, half of the security amount within 10 working days and rest of the amount within 20 working days of receipt of intimation of the selection of the shop. The Excise Policy for the years 2019-20, 2020-21 and 2021-22 also stipulate that in case of renewal of shops, half of the LF/BLF shall be deposited within three working days of intimation of the approval of application of renewal, remaining amount of LF/BLF¹⁸ and the amount of difference in security deposit¹⁹ shall be deposited within the time frame as fixed in the Excise Policy of that year. In case of default, the settlement of shops would be cancelled and the amount of LF/BLF and percentage of previous years' security deposit as defined in the Excise Policy²⁰ are required to be forfeited and these shops need to be resettled.

Audit test-checked the records of 12 District Excise Offices (DEOs) and noticed (between October 2021 and March 2022) that licensees of 688 out of 2,687 Liquor shops (25.60 per cent of number of shops checked) in these Districts, which were settled or renewed during the years 2018-19 to 2021-22, did not deposit the entire amount of security deposit and LF/BLF within the

¹⁵ UP Excise (Settlement of Licenses for Retail Sale of Foreign Liquor) (excluding Beer and Wine) Rules 2001 and Amendment Rules 2019.

UP Excise (Settlement of Licenses for Retail Sale of Beer) Rules 2001 and Amendment Rules 2019.

UP Excise (Settlement of Licenses for Retail Sale of Country Liquor) Rules 2002 and Amendment Rules 2019.

UP Excise (Settlement of Retail Licenses for Model Shop of Foreign Liquor) Rules 2003 and Amendment Rules 2019.

¹⁶ License Fee for foreign liquor/beer shop means a sum fixed in consideration of the grant of the license for exclusive privilege for selling of foreign liquor/beer in a retail shop. License fee for country liquor shop means the remaining part of consideration for grant of license for exclusive privilege of retail sale of country liquor, payable by the licensee, in addition to the basic license fee and this sum shall be equal to the consideration fee leviable on the annual minimum guaranteed quantity fixed for shop. Year-wise amount of LF- ₹ 222 per Bulk Litre (BL) (2018-19 and 2019-20) and ₹ 226 per BL (2020-21 and 2021-22).

¹⁷ Basic license fee means that part of the consideration for grant of license for the exclusive privilege of retail sale of country liquor, payable by the licensee before the license is granted to him.

Year-wise amount of BLF- ₹ 28 per BL (2018-19), ₹ 30 per BL (2019-20), 10 per cent increase over BLF of shops of 2019-20 (2020-21) and 7.5 per cent increase over BLF of shops of 2020-21 (2021-22).

¹⁸ Date of deposit of LF/BLF-28.02.2019 (2019-20), 28.02.2020 (2020-21) and 15.03.2021 (2021-22).

¹⁹ Date of deposit of security amount-31.03.2019 (2019-20), 20.03.2020 for CL and FL and 25.03.2020 for Beer and Model Shop (2020-21) and 20.03.2021 (2021-22).

²⁰ Percentage of forfeiture of security amount-15 per cent (CL) and 50 per cent (FL, Beer and MS) in 2019-20 and 2020-21 and 15 per cent (CL, FL, Beer, and MS) in 2021-22.

prescribed time frame. During examination of Departmental records (G-12 Register prescribed for settlement of shops) audit specifically checked therein the due date of deposit, actual date of deposit, delayed deposit of LF/BLF and security deposit, etc. and noted that only partial amount of LF/BLF and security deposit was deposited within the prescribed timelines by the licensees during the course of settlement of shops. Though the delay ranged from one to 173 days (delay up to 15 days, shops-482, amount- ₹ 77.00 crore; delay between 16 to 30 days, shops-108, amount- ₹ 12.67 crore; and delay more than 30 days, shops-98, amount- ₹ 11.05 crore), no action was however initiated by the concerned District Excise Officers to cancel settlement of shops as per Excise Rules/Policy. Inaction on delays in deposit of due amounts resulted in non-forfeiture of an amount of ₹ 100.72 crore. Audit in this observation, has raised objection on shops where inordinate delay (more than 30 days) were noticed. Inaction on inordinate delays in deposit of due amounts resulted in failure to forfeit an amount of ₹ 11.05 crore (renewal fee ₹ 0.19 crore, LF/BLF ₹ 10.65 crore and security deposit ₹ 0.21 crore), as shown in **Appendix-XLIV**.

The matter was reported to the Government (April 2022). Their reply is awaited (June 2022).

Lucknow

The **21 February 2023**



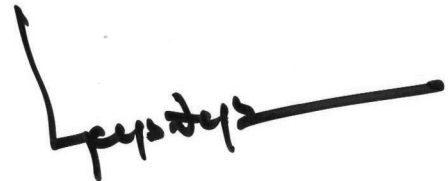
(TANYA SINGH)

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Countersigned



New Delhi

The **23 FEB 2023**

(GIRISH CHANDRA MURMU)

Comptroller and Auditor General of India

