



**CHAPTER III  
TAXES ON VEHICLES**



## CHAPTER III: TAXES ON VEHICLES

### 3.1 Tax administration

The Transport Department levies and collects taxes on vehicles in the State, in terms of the Motor Vehicles (MV) Act, 1988; Central Motor Vehicles (CMV) Rules, 1989; Bihar Motor Vehicles Taxation (BMVT) Act, 1994 and BMVT Rules, 1994. The Department is headed by the Principal Secretary at the Government level and by the State Transport Commissioner (STC) at the apex level of the Department. The STC is assisted by two Joint State Transport Commissioners at the headquarters. The State is divided into nine Regional Transport Authorities<sup>1</sup> (RTAs) and 38 District Transport Offices. Motor Vehicle Inspectors (MVIs) assist them. The main function of the RTAs is to issue road permits to the vehicles and the responsibility of registration of motor vehicles, levy and collection of taxes, fees and grant of driving licenses are performed by the District Transport Officers (DTOs).

### 3.2 Results of audit

Audit test-checked records of seven<sup>2</sup>, out of 49 units of the Transport Department during 2021-22. Audit scrutiny revealed non/short realisation of taxes, non-imposition of fees, fines & penalties and other irregularities involving ₹ 83.33 crore (55 observations). Details are shown in **Table 3.1**.

**Table 3.1**  
**Results of audit**

Sl. No.	Category	No. of observations	Amount (₹ in crore)
1.	Non-levy and short levy of Motor Vehicle taxes	11	16.20
2.	Non-imposition of fees, fines and penalties	13	15.81
3.	Other cases	31	51.32
<b>Total</b>		<b>55</b>	<b>83.33</b>

Replies in respect of cases of 2021-22, and earlier years were not received (March 2023).

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

*Concerned DTOs did not ensure renewal of fitness certificate of 20,189 vehicles during January 2017 to March 2022. This resulted in non-realisation of ₹ 1.27 crore (testing fee: ₹ 86.94 lakh and fitness certificate renewal fee: ₹ 40.38 lakh).*

Under Section 56 of the Motor Vehicle Act, 1988, read with Rule 62 of Central Motor Vehicle Rules, 1989 made thereunder, a transport vehicle shall not be deemed to be validly registered, unless it carries a certificate of fitness. As per

<sup>1</sup> Bhagalpur, Chhapra, Darbhanga, Gaya, Munger, Muzaffarpur, Patna, Purnea and Saharsa.

<sup>2</sup> DTOs: Aurangabad, Bhagalpur, Gaya, Katihar, Kishanganj, Madhubani and Patna.

notification (November 2018) of the Ministry of Road Transport and Highways (MoRTH), the fitness certificate granted, in respect of a newly registered transport vehicle, is valid for two years. It is required to be renewed after every two years, for vehicles up to eight years old and after one year, for vehicles older than eight years. MoRTH, vide notification dated 29 December 2016, prescribed a fitness certificate renewal fee of ₹ 200 for all categories of vehicles and testing fee of ₹ 400 for three wheelers, as well as light motor vehicles and ₹ 600 for heavy vehicles.

Audit examined (between April 2021 and May 2022), the details of vehicle, tax and fitness tables, in the *VAHAN* database, in eight DTOs<sup>3</sup>, in regard to transport vehicles (three wheelers, light goods vehicle (LGV), maxi/cab, e-rickshaw, goods carriage, tractor and bus). During examination, it was observed that 20,189 vehicles, out of the 43,196 test-checked vehicles, were without valid fitness certificates (between January 2017 and March 2022), although other taxes due had been realised. Expiry of the fitness validity in these cases, ranged between 16 to 1,946 days. The *VAHAN* software lacked any specific feature for preventing vehicle owners from paying taxes and getting permits issued/renewed, for unfit vehicles. Although, information regarding expiry of fitness of vehicles was available in the *VAHAN* software, the DTOs/MVIs concerned had not furnished a list of such vehicles to the Enforcement Wing of the Department for interception of the unfit vehicles. As such, the government could not realise revenue, amounting to ₹ 1.27 crore (testing fee of ₹ 86.94 lakh and fitness certificate renewal fee of ₹ 40.38 lakh), as detailed in **Appendix 3.1**. Further, plying of such unfit vehicles could not be ruled out.

Further, these DTOs had neither initiated any action for cancelation of the registrations/permits of these unfit vehicles, nor had they issued any notices to the owners of such vehicles, in this regard.

In reply, seven DTOs stated (July 2021 to May 2022) that necessary instructions would be issued to MVIs, for renewal of fitness certificates and lists of these vehicles would be made available to the Enforcement Wing, for necessary action. DTO, Nalanda, replied (June 2022) that action would be taken for renewal of fitness certificates, after verification.

It was observed that the DTOs/MVIs had not taken requisite action to prevent plying of these unfit vehicles on the road, or to augment the revenue due from such vehicles, on account of fitness certificate renewal fee, on the basis of the information available in the *VAHAN* software. Further, they had not taken timely action for mitigating the safety and environment related risks, posed by such vehicles.

The matter was reported to the department (November 2022); however, the reply was awaited (as of November 2023).

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<sup>3</sup> *Aurangabad, Bhagalpur, Buxar, Gaya, Katihar, Kishanganj, Nalanda and Samastipur.*

### 3.4 Non-realisation of penalty from transport vehicles for belated payment of One Time Tax

*Penalty for belated payment of One Time Tax was neither calculated/levied by VAHAN software nor by the concerned DTOs in respect of 581 defaulting vehicles which resulted in non-levy/realisation of penalty for ₹ 1.05 crore.*

Section 23 of the Bihar Motor Vehicle Taxation (BMVT) Act, 1994, read with Rule 4 (2) of the BMVT Rules, 1994, provides for levy of penalty (starting after 15 days of the due date), ranging between 25 per cent to 200 per cent of the tax due, in case of non-payment of tax within the due date.

Audit scrutinised (April 2021 to July 2022) the owner and tax tables of the VAHAN database, in nine DTOs<sup>4</sup>, for the period between May 2015 and August 2021, in regard to One Time Tax<sup>5</sup> (OTT) paying transport vehicles (*viz.* tractor/three-wheeler/LGV/motor cab/e-rickshaw). During scrutiny, Audit observed that the owners of 581, out of 61,817 test-checked vehicles, had made payment of OTT, after periods ranging from 31 days to 584 days, between June 2015 and March 2021. Delayed payment of OTT attracts penalty as per Rules *ibid* and was duly mapped in the VAHAN software. However, neither VAHAN 2.0, nor VAHAN 4.0 (updated version of VAHAN 2.0, introduced in FY 2017-2018 in the State), could calculate and levy, the penalty for belated payment of One Time Tax. Further, the DTOs had also not calculated/levied and realised the penalty for belated payments of tax. Consequently, penalty for belated payment of OTT amounting to ₹ 1.05 crore, had not been levied or realised, as detailed in **Appendix 3.2**.

In reply, the concerned DTOs, while accepting the audit observation, stated (July 2021 to July 2022) that demand notices would be issued to realise the penalty. Although, the issue of non-auto calculation and levy of penalty, for belated payments of One Time Tax, by the VAHAN 2.0 software, had been highlighted in the Audit Report<sup>6</sup> of the Comptroller and Auditor General of India, the department had not taken corrective measures and the issue persisted in VAHAN 4.0 also. The Department had also not made other proper alternative arrangements, to calculate/levy and realise the One Time Tax and penalty for its belated payment.

The matter was reported to the department (November 2022); however, the reply was awaited (as of November 2023).

<sup>4</sup> Aurangabad, Banka, Bhagalpur, Buxar, Gaya, Katihar, Kishanganj, Samastipur and Sitamarhi.

<sup>5</sup> Tax imposed for the life time of that vehicle, payable from the date of its registration.

<sup>6</sup> Para 4.5 of the Report of the CAG of India on Revenue Sector for the year ended 31 March 2018 (Report No. 2 of 2019).

### 3.5 Non-realisation of Motor Vehicle Tax

*Despite availability of information of non-payment of motor vehicles taxes by defaulter vehicle owners, the concerned DTOs did not monitor or review tax table of VAHAN to generate tax defaulter list. As a result demand notices were not issued by the DTOs to the tax defaulters and consequently tax and penalty for ₹ 22.16 crore remained unrealised.*

As per Sections 5 and 9 of the BMVT Act, 1994, the owner of a registered commercial motor vehicle is required to pay annual motor vehicle taxes to the concerned taxing officer and, in case of change of residence/business, the vehicle owner can pay the tax to the new taxing officer, subject to the production of a No Objection Certificate (NOC) from the previous taxing officer. Rule 4(2) of the BMVT Rules, 1994, provides that the taxing officer impose penalty, at the rates ranging between 25 per cent to 200 per cent of the tax due, if the tax on a vehicle remains unpaid for more than 15 days. Section 6A of the BMVT (Amendment) Act, 2016, provides for levy of road safety cess, at the rate of one per cent of the annual motor vehicle taxes payable (except in case of vehicles liable to pay tax, as per Section 7 (1) of the BMVT Act, 1994).

Audit scrutinised (between April 2021 and May 2022) defaulter, owner and tax tables, in the VAHAN database, in nine DTOs<sup>7</sup> and observed that annual/quarterly taxes were required to be paid by the owners of 6,761 transport vehicles (registered between March 2005 and December 2020). Out of these, the owners of 3,796 transport vehicles had not paid their motor vehicle tax, pertaining to the period between September 2016 and March 2022. In none of these cases, evidence of extenuating factors, such as change of address, surrender of RCs or non-plying of vehicles, in the jurisdiction of DTOs concerned, was found available on records.

Although, the information regarding non-payment of motor vehicle taxes, by defaulter vehicle owners, was available with the DTOs, in the VAHAN database, they had not monitored or reviewed the tax table of VAHAN, to levy/realise the taxes, from the vehicle owners appearing in the defaulters' list. As such, the concerned DTOs had neither issued any demand notices to the defaulters, nor had they sent lists of these vehicles to the Enforcement Wing. Consequently, tax and penalty amounting to ₹ 22.16 crore (Road tax: ₹ 7.36 crore, Road Safety Cess: ₹ 7.36 lakh and Penalty: ₹ 14.72 crore) had remained unrealised, as detailed in **Appendix 3.3**.

On this being pointed out, seven DTOs replied (between April 2021 and June 2022) that demand notices for recovery of tax would be issued. DTO, Aurangabad, stated (January 2022) that, although demand notices were being issued regularly against the defaulters, in light of the audit observation, demand notices would be issued, after verification. DTO, Katihar, stated (February 2022)

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<sup>7</sup> Aurangabad, Bhagalpur, Buxar, Gaya, Katihar, Kishanganj, Nalanda, Patna and Samastipur.

that demand notices had been issued to the owners of these vehicles earlier and further demand notices would be issued, for recovery of the balance amount. However, the statement was not supported by any documentary evidences.

The matter was reported to the department (August 2022). In reply, it was stated that ₹ 1.15 crore had been recovered from the defaulter vehicle owners and demand notices had been issued to the remaining vehicle owners under jurisdiction of DTO, Patna. Reply in regard to the remaining eight DTOs was awaited (as of November 2023).

