

Chapter - 3
Revenue Collection

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Transport Department is responsible for levy, assessment and collection of taxes and fees relating to vehicle registration, fitness certificate and other services rendered by them, for which financial targets are fixed by the State Government for each financial year. Observations in respect of collection of revenue and other financial issues are discussed in this Chapter.

Brief snapshot of the chapter:

- The targets set for revenue collection had not been achieved by the Department during the period 2019-24, except 2022-23.
- Total 65,931 vehicles were having tax arrears amounting to ₹ 361.86 crore. Out of which, arrears of ₹ 176.81 crore were outstanding from 18,892 vehicles for more than five years.
- Green Cess amounting to ₹ 209.20 crore was collected till 31 March 2024 for the purpose of implementation of various measures of air pollution and improvement of Urban Transport System, however, only ₹ 10 crore was released by the Government up to 31 March 2024.
- Revised rates of Green Cess were updated in Vahan application with a delay of 26 days, because of which Green Cess on transport vehicles was levied at lesser rates during this period, leading to short collection of Green Cess amounting to ₹ 9.77 lakh from 2,960 vehicles in the State.
- An amount of ₹ 3,819.00 crore was received by the Department as tax from vehicles during the period 2019-24, out of which ₹ 76.38 crore was to be deposited in Accident Relief Fund. However, an amount of ₹ 30.02 crore only (39 per cent) was deposited in the fund leaving the balance of ₹ 46.36 crore.
- Refunds of tax were being processed manually as there was no provision for it in the Vahan 4.0 application.
- An amount of ₹ 95.75 crore was collected in the Road Safety Fund till March 2024, however, only ₹ 39.74 crore was released for road safety measures to various departments.

3.1 Shortfall in achievement of targets

Estimates of income and expenditure are sought in the prescribed format by the Finance Department, based on which targets are determined by the State Government. The details of target fixed by State Government and achievements there against are given in the **Table-3.1** below:

Table-3.1: Shortfall in achievement of Revenue targets

(₹ in crore)

Financial Year	Target fixed by Govt.	Achievement*	Excess (+)/ Shortfall (-) (in per cent)
2019-20	965.00	880.03	(-) 84.97 (8.81)
2020-21	980.00	712.50	(-) 267.50 (27.30)
2021-22	1,050.00	861.10	(-) 188.90 (17.99)
2022-23	1,155.00	1,158.37	(+) 3.37 (0.29)
2023-24	1,475.00	1,296.46	(-) 178.54 (12.10)

Source: Departmental figures.

*Achievement includes the revenue received of the Transport Department under the Major Heads “MH 0041-Taxes on Vehicles” and “MH 1055-Departmental Receipts”.

It is evident from the above table that the Department could not achieve the targets fixed by the Government during 2019-24 except 2022-23.

The State Government, while accepting the facts, replied (August 2025) that the transport system was adversely affected by the COVID-19 pandemic from financial year 2019-20 to financial year 2021-22, which led to shortfalls in achieving the expected revenue targets. However, in financial year 2022-23, the department achieved 100 per cent of its target post-COVID. Consequently, the targets for financial year 2023-24 were raised by 27.7 per cent. However, vehicle registrations increased by only 7.59 per cent, resulting in the target not being met for the year.

3.2 Assessment and realisation of Government dues

According to Paragraphs 81 and 82 of the Uttarakhand Budget Manual 2012, Government dues should be assessed, realised and duly credited into the Government account regularly and promptly. The amounts deposited into the treasury through the challans should bear full and correct classification of account and duly reconciled to minimise chances of discrepancies between the treasury figures and the departmental figures. In Audit, the following discrepancies were noticed:

3.2.1 Trend of recovery

As per the details of arrears of revenue made available by the Transport Department, year-wise data of opening balance, demand raised, recovered amount and closing balance is given in the Table-3.2 below:

Table-3.2: Year-wise data of pending recovery

(₹ in crore)

Financial Year	Opening Balance	Annual Demand	Total demand to be Recovered	Annual Recovery	Percentage of recovery to total demand	Closing Balance
2019-20	11.10	3.81	14.91	4.10	27.50	10.81
2020-21	15.04	7.31	22.35	2.97	13.29	19.38
2021-22	245.27	54.73	300.00	43.79	14.60	256.21
2022-23	256.21	142.09	398.30	110.79	27.82	287.51
2023-24	287.51	187.16	474.67	131.80	27.77	342.87
Total		395.10		293.45		

Source: Information furnished by the Department.

As evident from the above table, arrears of revenue increased from ₹ 11.10 crore to ₹ 342.87 crore during the period 2019-24. Further, recovery as a percentage of total demand during a year was also way below and ranged between 13 and 28 per cent. Moreover, opening balance for the years 2020-21 and 2021-22 do not reconcile with the closing balance of the year 2019-20 and 2020-21 respectively.

The State Government, while accepting the fact (August 2025), informed that the format for reporting outstanding revenue was revised at the Transport Commissioner's office during the financial years 2020-21 and 2021-22, which resulted in discrepancies between the opening and closing balances. Additionally, it was stated that the Vahan portal does not have a specific format to display arrears against individual vehicles. It was further clarified that since motor vehicle tax is collected in advance, arrears become due at the end of each quarter. Therefore, the closing balance as of 11:59 PM on 31 March differs from the opening balance calculated at 12:01 AM on 01 April.

3.2.2 Revenue deposit

Major Head 0041-Taxes on Vehicles includes receipts from Taxes on vehicles, fee, penalty, compounding fee (challan fee), and cess etc. under the Motor Vehicles Act and the State Motor Vehicles Taxation Act and rules made thereunder. The amount of compounding fee is being collected by the Transport Department as well as Police Department (traffic and general police) both.

Total revenue receipts under the MH 0041 including compounding fees collected by the Police Department during the period 2019-24 was provided by the Transport Department. Audit noticed that these figures did not match with revenue figures under MH 0041 shown in the Finance Accounts. Details are given in the **Table-3.3** below.

Table-3.3: Deposit of Revenue under MH 0041

(₹ in crore)

Financial Year	Revenue Collected under MH 0041				
	Transport Department	Police Department	Total	As per Finance Accounts	Difference
1	2	3	4	5	6
2019-20	876.43	33.75	910.18	907.80	2.38
2020-21	710.87	10.89	721.76	741.00	(-) 19.24
2021-22	859.18	26.99	886.17	889.02	(-) 2.85
2022-23	1,156.44	36.83	1,193.27	1,211.55	(-) 18.28
2023-24	1,294.09	38.74	1,332.83	1,389.67	(-) 56.84
Total	4,897.01	147.20	5,044.21	5,139.04	(-) 94.83

Source: Information furnished by the Department and Finance Accounts.

As evident from the above table, there was a huge difference of ₹ 94.83 crore between the figures of Transport department and the figures of Finance Accounts during the period 2019-24. Departmental figures should have been reconciled with the treasury figures (finally reflected in Finance Accounts) as provided in Paragraphs 81 and 82 of the Uttarakhand Budget Manual, 2012.

The State Government, while accepting the fact (August 2025), informed that a meeting had been scheduled with National Informatics Centre (NIC) and the banks. Additionally, the reconciliation process of the Vahan portal is currently underway. Further, the revenue-related heads of account have been expanded on the IFMS portal to align with the revenue figures reflected on the Vahan portal.

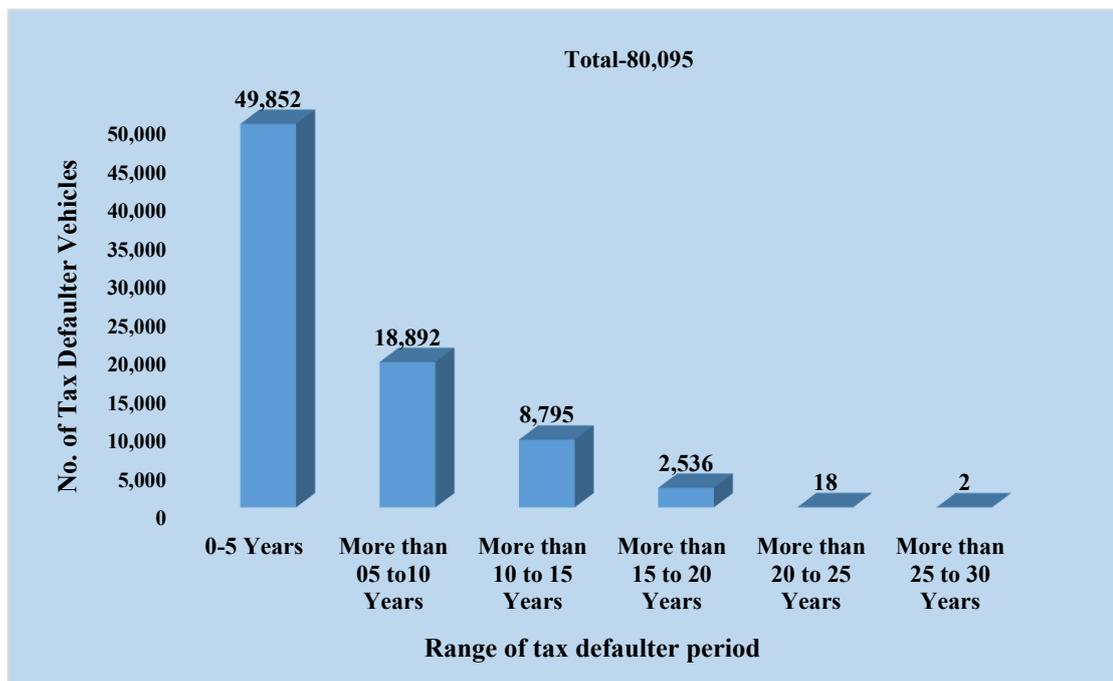
3.3 Defaulter's Report Module

As per Section 4 of Uttarakhand Motor Vehicles Taxation Reforms Act, 2003, no motor vehicle shall be used in any public place in the State, unless a tax at the rate applicable

in respect of such motor vehicle, (as may be specified by the State Government by notification issued from time to time) has been paid in respect thereof.

As per tax defaulters' data provided by the department, total 80,095 vehicles of the State were tax defaulters as on 31 March 2024. Out of these, 65,931 vehicles¹, were having tax arrears amounting to ₹ 361.86 crore. For the rest of 14,164 cases, 'NA' was marked in tax arrears column, which leaves the probability of more tax arrears not being reflected in the data. The age-wise analysis of defaulter vehicles is shown below in **Chart-3.1** below:

Chart-3.1: Age analysis of tax defaulter vehicles



Note: 35 Vehicles having "NA" Tax Arrear falling under the range "0-5 Years" and 2,778 Vehicles having "NA" Tax Arrear falling under the range "More than 5 to 10 Years".

Further, above data of 80,095 vehicles also included 16 cancelled vehicles of one test-checked unit (ARTO, Udham Singh Nagar), which had been already cancelled² in old version Vahan-1.0 and tax amount of ₹ 45.33 lakh was shown outstanding against these vehicles in new version Vahan 4.0. This reflects the flaw of the system as no tax should be levied on a cancelled vehicle and in absence of any remark like cancellation of a vehicle, such undue arrears were getting piled up.

The State Government while accepting the fact (August 2025), informed that a letter had been forwarded to NIC for making available the arrears report of 65,931 vehicles. Further, during the exit conference (25 July 2025), it was clarified that some vehicles cancelled in Vahan 1.0 have been reflected in Vahan 4.0 with arrears. Regarding vehicles with arrear amount 'NA', it was clarified that vehicles paying additional tax, which was abolished in 2012, have been shown as NA in the tax defaulters report.

¹ Tax defaulter vehicle up to 10 years.

² As per Vahan-4.0 application.

3.4 Green Cess

According to sub-section (5) of Section 4 of Uttarakhand Motor Vehicle Taxation Reform Act, 2003, in addition to the tax levied under this Act, there shall be levied and collected a "Cess" called "Green Cess" on the motor vehicles suitable for use on road at such rate as may be notified by the State Government for the purpose of implementation of various measures of air pollution and improvement of Urban Transport System. As mentioned in sub-section (1) of Section 8-A of the said Act, the State Government shall establish³ a fund to be known as "the State Urban Transport Fund" for transport infrastructure development, road safety and air pollution control in urban areas. The Cess collected under sub-section (5) of Section 4 shall be credited to the said fund.

3.4.1 Short utilisation of collected Green Cess

As per Uttarakhand State Urban Transport Rules, 2015, the amount received by the Transport Department as Green Cess under sub-section 5 of Section 4 of the Act was to be deposited in the Treasury under MH 0041. Further, this collected amount was to be deposited by the Transport Department in the State Urban Transport fund through budget provision in the next financial year.

The year-wise details of Green Cess received by the State from the starting of cess up to 2023-24, are given in **Table-3.4** below:

Table-3.4: Details of Green Cess

Financial Year	Off-line received	On-line received	Total
Up to 2018-19	77.27	9.81	87.08
2019-20	9.02	14.08	23.10
2020-21	5.24	15.90	21.14
2021-22	5.02	18.04	23.06
2022-23	4.49	21.21	25.70
2023-24	6.37	22.84	29.21
Total	107.41	101.88	209.29

(₹ in crore)

Out of total Green Cess collected till 2023-24 (₹ 209.29 crore), only ₹ 10.00 crore was released in 2023-24 (March 2024) by the State Government, for the construction of Children Traffic Parks. This is clear from the above that Green Cess could not be fully utilised for underlying objectives.

The State Government, while accepting the facts (August 2025), stated that ₹ 10 crore had been utilised for the construction of children's parks⁴ during the financial year 2023-24.

Recommendation - 3:

The Department should prepare an annual action plan for the utilisation of Green Cess funds on eligible projects, as the accumulation of unutilised Green Cess defeats its intended purpose.

³ Uttarakhand Government, Transport Section -1, Notification No, 181/IX-1/42(2014)/2016 dated 15 March 2016.

⁴ Dehradun and Haridwar.

3.4.2 Short realisation of Green Cess of ₹ 9.77 lakh

Government of Uttarakhand provisioned (January 2019) to levy Green Cess at the rate of ₹ 600 at the time of renewal of fitness certificate under Section 56 of the MV Act, 1988 for transport vehicles which have completed six years of age from the date of registration. The rates of Green Cess for transport vehicles were revised *w.e.f.* 09 February 2024.

Audit observed that the revised rates were updated in Vahan application on 07 March 2024 *i.e.* with a delay of 26 days, because of which Green Cess on transport vehicles was levied at lesser rates during this period, leading to short collection of Green Cess amounting to ₹ 9.77 lakh from 2,960 vehicles in the State.

The State Government, while accepting the fact (August 2025), informed that the revised rates were updated in the software following live testing by NIC, which may cause delays in the process. The reply is not justified, as the department should establish a framework to minimise the number of days lost due to such delays.

3.5 Short transfer of ₹ 46.36 crore to the Uttarakhand Road Transport Accident Relief Fund

According to Section 8 of the Uttarakhand Motor Vehicles Taxation Reform Act, 2003, the State Government was to establish a fund to be known as “The Uttarakhand Road Transport Accident Relief Fund” for the purpose of providing relief to the passengers or other persons suffering casualty in any accident in which a public service vehicle is involved or to the heirs of such passengers or other persons. The amount equivalent to two *per cent* of the tax levied under Section 4 was to be credited to the said fund.

As per the information provided by the Transport Commissioner, the amount received by the department in the form of tax and deposited in the Accident Relief fund during the period 2019-24 is given in **Table-3.5** below:

Table-3.5: Detail of received tax and transfer to Accident Relief Fund during 2019-24

(₹ in crore)

Financial Year	Tax received in office	Tax received online	Gross Tax Amount	Two <i>per cent</i> to be deposited in Fund	Amount actually deposited in Fund	Short Deposit (in <i>per cent</i>)
1	2	3	4=2+3	5=2 <i>per cent</i> of 4	6	7=5-6
2019-20	244.50	409.01	653.51	13.07	4.23	8.84 (67.64)
2020-21	93.62	452.65	546.27	10.92	1.90	9.02 (82.60)
2021-22	110.98	564.40	675.38	13.51	3.13	10.38 (76.83)
2022-23	158.59	753.21	911.80	18.24	8.82	9.42 (51.64)
2023-24	153.96	878.08	1,032.04	20.64	11.94	8.70 (42.15)
Total	761.65	3,057.35	3,819.00	76.38	30.02	46.36 (60.70)

Source: Information furnished by the Department.

It is evident from the above table that during the period 2019-24 an amount of ₹ 3,819.00 crore was received by the department as tax from vehicles, out of which ₹ 76.38 crore was to be deposited in Accident Relief fund, whereas only an amount of ₹ 30.02 crore (39 *per cent*) was deposited in the fund leaving the balance of

₹ 46.36 crore. Short deposit in the fund ranged between 42 and 82 *per cent* during the period.

The State Government while accepting the fact (August 2025), stated that with the implementation of online tax payment, cash deposits at the offices have significantly decreased. Furthermore, due to the absence of a specific provision in the software, two *per cent* of the tax amount is not being deposited into the designated bank account but is instead being fully credited under MH 0041 in the treasury.

3.6 Collection of Uttarakhand Transport and Civil Infrastructure Cess after the abolition of check posts

Uttarakhand Transport and Civil Infrastructure Cess Bill, 2012 was passed by the Uttarakhand Legislative Assembly in January 2013, to impose and collect Transport and Civil Infrastructure Cess on motor vehicles, passing through any road in the State of Uttarakhand.

From December 2021, the Uttarakhand Transport and Civil Infrastructure Cess was being collected through online process instead of previous provision of transport check posts in the State. Scrutiny of the records revealed that after the abolition of check posts and unavailability of the provision of depositing the cess online on the Vahan portal, the cess was not being collected from non-transport vehicles. In the case of transport vehicles, the cess was deposited only once at the time of seeking permit, instead of each time while entering in the State. Detail of collection of cess during the period 2019-24 is given in the **Table-3.6** below:

Table-3.6: Detail of collection of cess during 2019-24

(₹ in crore)

Financial Year	Off-line received	On-line received	Total amount received	Percentage against total amount received during 2019-24
2019-20	4.98	1.64	6.62	30
2020-21	2.37	1.46	3.83	17
2021-22	3.24	2.27	5.51	25
2022-23	0.17	2.96	3.13	14
2023-24	0.3	2.99	3.29	14
Total	11.06	11.32	22.38	

As evident from the above table, collection of cess reduced from ₹ 6.62 crore in 2019-20 to ₹ 3.29 crore in 2023-24. Further analysis revealed that the percentage of amount received during a year to total amount received during the period 2019-24 has also reduced from 30 to 14 *per cent* during the period 2019-20 to 2023-24. Further, the annual average collection of cess reduced from ₹ 5.32 crore during 2019-22 to ₹ 3.21 crore during 2022-24.

During exit conference (25 July 2025), the State Government replied that check posts were abolished in compliance with GoI directives. Automatic Number Plates Recognition⁵ (ANPR) cameras have been installed and a system is currently being developed for the automatic collection of cess.

⁵ Automated Number Plate Recognition.

3.7 Absence of provision for refund of tax in Vahan Application

Section 12 of the Uttarakhand Motor Vehicles Taxation Reforms Act, 2003 provides for refund of taxes on the motor vehicle if such vehicle has not been used for a continuous period of one month or more since the tax was paid. Further, sub section (5) of the above section stated that the owner of a motor vehicle other than a transport vehicle shall be entitled to a refund of tax if such motor vehicle has been converted into a transport vehicle or the registration of such motor vehicle has been cancelled.

During scrutiny, no provision was found in Vahan 4.0 application for the processing of applications of such refunds. The test-checked offices could not provide any correspondence with the higher authorities regarding inclusion of such provision in the Vahan portal. However, Audit noticed that the refunds were being processed manually.

The State Government while accepting the fact (August 2025), replied that refunds are presently being processed manually and steps are being taken to implement an online refund system.

3.8 Short utilisation of Uttarakhand State Road Safety Fund

Under the Uttarakhand Road Safety Fund Rules, 2017, a fund was to be established by the State Government for the purpose of strengthening road safety in the State and implementing road safety measures. This fund was to be established by opening a separate sub-head 03-Motor Transport Reserve Fund (Uttarakhand Road Safety Fund) under the account head 8235-General and Other Reserve Funds. 25 per cent (30 per cent from the financial year 2022-23) of the compounding fee collected in a financial year was to be deposited in this fund by making budget provision in the next financial year.

During scrutiny of records, it was found that till March 2024, an amount of ₹ 95.75 crore was collected in the Road Safety Fund out of which ₹ 39.74 crore was released for road safety measures to various departments⁶. Out of this released amount only ₹ 28.98 crore⁷ was utilised. Thus, ₹ 66.77 crore (70 per cent) of the funds collected was not utilised for its intended purposes, impacting road safety works in the State.

The State Government while accepting the fact (August 2025), stated that ₹ 39.74 crore received had been deposited into the Road Safety Personal Ledger Account (PLA). However, no reply was furnished regarding unutilised funds.

⁶ Education Department- ₹ 29.23 lakh, Health Department- ₹ 174.00 lakh, Police Department- ₹ 663.50 lakh, Public Works Department- ₹ 365.03 lakh, Uttarakhand Privahan Nigam- ₹ 56.00 lakh, Transport Department- ₹ 2,686.39 lakh (Total ₹ 3,974.15 lakh i.e. ₹ 39.74 crore).

⁷ Education Department- ₹ 27.80 lakh, Health Department- ₹ 141.13 lakh, Police Department- ₹ 663.50 lakh, Public Works Department- ₹ 363.31 lakh, Transport Department- ₹ 1,702.14 lakh (Total ₹ 2,897.88 lakh i.e. ₹ 28.98 crore).