

CHAPTER-IV

TAXES ON VEHICLES

4.1 Results of audit

Test check of records in the offices of Commissioner of Transport, Regional Transport and Assistant Regional Transport Officers in the State, conducted during the year 2005-06 disclosed under assessments, etc., amounting to Rs.10.98 crore in 86 cases. These cases broadly fall under the following categories:

(Rupees in crore)			
Sl. No.	Category	No. of cases	Amount
1	Non/short levy of motor vehicle tax	50	10.39
2	Other irregularities	35	0.59
3	Review on “ Inter State Check Post Automation System ”	1	-
	Total	86	10.98

During the year 2005-06, department accepted and recovered under assessment of Rs.62.63 lakh in 260 cases pertaining to earlier years.

A few illustrative cases involving important audit observations and review on **Inter State Check Post Automation System** in Motor Vehicles department involving Rs.17.80 crore are discussed in the following paragraphs.

4.2 Review: Inter state Check Post Automation System in Motor Vehicle Department.

Highlights

The department did not have any stated IT strategy. Implementation of CPAS also lacked a well defined ownership.

(Paragraph 4.2.7)

Non existence of well defined access controls resulted in unauthorised changes in system which could lead to embezzlement of Government revenue.

(Paragraph 4.2.8.2)

Total lack of input control and data validations resulted in invalid dates, invalid registration numbers and absurd weight getting fed in the system, making the data unreliable.

(Paragraph 4.2.12)

The system had faulty process which resulted in either non recovery or recovery of penalty at incorrect rate for excess laden weight in respect of 1.33 lakh vehicles, with an estimated loss of revenue of Rs.9.94 crore.

(Paragraph 4.2.13)

There was no segregation of duty, the cashier responsible for collecting the tax was also responsible for its accounting and remittance.

(Paragraph 4.2.14)

Many manual records like the memo books and cash receipt books were missing.

(Paragraph 4.2.15)

The centralised data bank was never maintained.

(Paragraph 4.2.18)

Many discrepancies were noticed between the CPAS data and cash book data.

(Paragraph 4.2.19)

4.2.1 Recommendations

Following recommendations are proposed to improve the system.

- * The department must have an IT strategy.
- * The system should have proper controls to ensure reliability and integrity of data.

- * Discrepancies in revenue collection must be got investigated to rule out possibility of fraud.

4.2.2 Introduction

Government of Gujarat in April 1999 introduced inter state check post automation system (CPAS) in 10 out of 14 inter state check posts at a cost of Rs.18.98 crore.

The system was introduced with objective of removing hardships faced by the transporters at check posts, increasing revenue through check posts by more than two fold, removing cash transactions thereby arresting the possibility of malpractices by the check post staff and ensuring 100 *per cent* checking of vehicles crossing the check posts.

CPAS, as envisaged initially, was an integrated system and the system design covered all the activities of the check posts viz.

- * checking of weight of each vehicle and charging for excess laden weight
- * recording of charges for offences like over dimensioned vehicles, etc
- * checking the status of national permits, fitness certificate, non use certificates, wanted vehicles etc by retrieving vehicle status data from the central data base
- * issuing penalty collection, receipt and accounting of cash collection on account of various penalties; and
- * recording entry and exit of each vehicle using video cameras.

4.2.3 Highlights of CPAS

Data relating to a vehicle crossing the check post was to be entered in CPAS. As soon as a vehicle having weight of over 1000 kg was to mount the weigh bridge for more than eight seconds, the system was activated by recording an 18 character string, which included the date and time of recording the transaction. The vehicle registration number was captured by the camera through the Licence Plate Recognition System (LPR) and fed into CPAS. As a data validation check, if the first two characters of the vehicle registration number did not match the two digit codes given in a list (e.g. GJ for Gujarat.), the system was to reject the entry by stating “Invalid Registration number”. The valid registration number was then to be checked with the central pool of data to be kept at the Central Monitoring Center (CMC) at Ahmedabad, and other details relating to the vehicle obtained electronically. These details included the permissible weight for that type of vehicle, registration details and previous offence. If the vehicle had a registration number outside the state of Gujarat and entered Gujarat for the first time, CPAS was to capture related details from documents like RC book etc., and feed them to the centralized database at CMC, thus creating a database of vehicles from outside the state as well. Weight of vehicle recorded by the weighbridge was to be fed to the system. Penalty was to be charged on excess laden weight of vehicles by comparing the permissible weight with the actual weight. Thus, the system

provided for minimal human intervention in recording the sensitive data like the registration number, permissible and actual weight ensuring complete data accuracy and authentication. Data was to be entered manually for other penalties, based on details obtained from the centralised data and physical inspection of the vehicle and other documents. The amount and type of penalties were to be recorded on a memo, against which penalty was to be paid and a receipt generated through CPAS. CPAS was to be used not only for recording details of penalty, related accounting functions. Other data, to be entered manually, related to name of the inspector, memo book challan no., fitness and emission certificate, revalidation details etc.

The system also envisaged other physical controls like locking the gate, in case of a system failure, allowing a vehicle to pass only after ensuring that penalty has been paid etc. CPAS provided for data validation checks as well. It was envisaged as an integrated system continuously interacting with the centralized data base, retrieving information for vehicles whose details were available there and feeding details of vehicles passing first time through Gujarat into it.

4.2.4 Organisational set-up

The Motor Vehicles Department functions under the control of Secretary (Transport Wing), Ports & Transport Department, assisted by Commissioner of Transport (CoT) and a Joint Director. The Regional Transport Officers (RTOs), Assistant Regional Transport Officers (ARTOs) and Inspectors exercise all the powers and perform the duties of collecting taxes/ penalties and regulate inter state traffic as per the provisions of the Bombay Motor Vehicle Tax Act, 1958. The CPAS was implemented through Design Solutions Ltd. (DSL) from 1 Aug 2000 to 30 April 2002 and M/s Chashmita Engineer Pvt. Ltd. (CEPL) thereafter. The implementation of CPAS was supervised by the COT.

4.2.5 Scope of audit

Records/data maintained in the office of the Commissioner of Transport, Gandhinagar, inter-state check post of Shamlaji and the Central Monitoring Centre (CMC) of the computerised check posts at Ahmedabad for the period 2001-02 to 2004-2005 were test checked using Standard Audit Analysis Software viz. Structured Query Language (SQL) and Interactive Data Extraction and Analysis (IDEA) package. Audit applied both substantive and compliance tests to evaluate the extent of reliability of various controls.

The Department provided CPAS data for all the check posts for the period from 5 March 2001 to 27 July 2005 (94.08 lakh records). One year data was obtained (April 2004 to March 2005) from Shamlaji Check Post from the computerized cash book accounting system (4.44 lakh records).

A review of the CPAS pertaining to awarding of contract for the turn key project, purchase of computer etc. was included in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2003 (Civil) Government of Gujarat.

4.2.6 Audit Objectives

The review was conducted with a view to:

- * examine implementation of CPAS with respect to collection of various penalties, fines etc.
- * examine and evaluate the controls provided in CPAS, for safeguarding the data and the programme, for their availability and effectiveness,
- * analyse the available data from CPAS and other related sources to look for inconsistencies and resultant loss of revenue and lack of confidence in CPAS, and
- * evaluate the audit trails as existing in CPAS.

4.2.7 Weaknesses in implementation of CPAS

There was no evidence of any feasibility study done by the department before implementing the system.

- * Apart from deciding to implement CPAS with its stated objectives, an IT strategy was not framed by the department.
- * There was no administrative set up for implementation of IT related plans, except that one officer was made in-charge of CPAS implementation who resigned and left the department in September 2005.
- * Involvement of the top management in implementation of CPAS was not found and it lacked a well defined ownership.
- * Implementation was left unsupervised resulting in weakening of controls
- * Implementation only covered checking of vehicles with excess laden weight. Provisions for recording other penalties were not implemented.
- * A parallel system, completely isolated from CPAS, for cash accounting was developed and implemented without any authorization..
- * The centralised data bank at CMC was never maintained.
- * No stated disaster recovery plan existed in the department.

4.2.8 IT Controls in CPAS

IT controls in a computerized system are the physical and programmed methods, policies and procedures that ensure the protection of the entity's assets, the accuracy and reliability of its records and the operational adherence to the management standards.

Access Controls

4.2.8.1 Physical Access Controls

No physical access controls existed and unauthorized persons could also enter the area where computers were kept for recording the transactions.

4.2.8.2 Logical Access Controls

CPAS maintained a list of clerks and other persons, who were authorized to use the system for data input and data processing. Separate passwords were to be assigned to each user and log details were to be generated on the usage by each user. Scrutiny revealed that though the user table listed 70 users, the password table had just one entry. Thus all users could access the system with the same user name and password.

4.2.9 Unauthorised changes to programmes during implementation of CPAS

Generally acceptable IT standards require that all changes in the programme should be well documented and should be carried out after they have been properly authorized.

However, no system was in place to document changes/modifications made in the programme. No approvals of the Government were ever obtained for any changes/ modification. Original CPAS design provided for various data validation and input, process and output controls. These controls were never put in operation. No log books were available documenting any changes to which CPAS was subjected to. How and at what stage these changes were implemented remains unexplained.

4.2.10 Non generation of log files

Log files are used to record the actions of users and provide the system administrator with a form of accountability. Audit did not find any logs generated. Thus, to say as to who logged in at what time and for what purpose was not possible.

4.2.11 No data or programme security

Data input in the past could be changed anytime by any user as no systematic data protection was available. As manual records like memo books and cash receipts were missing, reliability of the data captured in CPAS as well as in the cash book system could not be certified. No system was in place to take periodic backup of CPAS data.

4.2.12 Input Controls and data validation

CPAS was designed to capture sensitive input like the vehicle registration number and the permissible as well as actual weight without any human intervention. However, it was observed that none of the data capture systems were functional and also no data validation checks were present. Data entry in CPAS was being done by staff of service provider.

The cameras at Shamlaji were functional, but the Licence Plate Recognition (LPR) system, the software for capturing and recording the vehicle registrations number in CPAS, was not functioning. LPR has not been implemented at any of the check posts. Registration numbers were entered manually.

Audit could not get evidence whether any feasibility study was done of LPR system. Moreover, no instructions were ever issued to license issuing authorities about standardising the number plates which was a prime requirement of the LPR system. Uniformity could not be ensured in the number plates of the vehicles registered in other states. Therefore, how this system would have ever worked efficiently is doubtful. Seen in this light, the installation of video cameras in each lane in all the check posts for the LPR system was a non-starter *ab initio* and was never used in any of the check posts. As the automotive validation checks were never implemented, any number could be entered and was acceptable to the system.

The centralised data bank was not available; CPAS was unable to collect vehicle related details and as such the permissible weight was fed manually. The weigh bridge was being used to record the weight of the vehicles, but lack of data validation checks and unauthorized changes in the programme resulted in absurd actual weights getting recorded in the system.

CPAS was being used only to record penalty for vehicles with excess laden weight. We analysed 94.08 lakh records downloaded from CPAS. These records were entered in CPAS between 5 March 2001, i.e. the date it was implemented and 27 July 2005, the date we downloaded the data for various analysis. Of these, 23.90 lakh records related to the Shamlaji check post. Results of analysis are given below.

4.2.12.1 Invalid Transaction dates

CPAS started its trial run from November 1999 and data was made available up to 27 July 2005. A valid transaction date should fall within this period. However there were 1435 vehicle entries with invalid transaction like 22 May 2022, 3 January 1980, 19 September 1993, 11 July 1994, 26 September 2006. Penalty in these cases amounted to Rs. 6.81 lakhs. There was no way to ascertain whether this amount was ever collected. Correctness of data recorded in other entries was also doubtful.

4.2.12.2 Invalid registration numbers of vehicles

CPAS was designed to validate data entry of vehicle registration numbers as per different RTO registration numbering conventions. Any entry of invalid vehicle registration numbers was to be rejected.

Analysis of CPAS data revealed that in 3.04 lakh cases, CPAS accepted invalid registration number (viz XXXX, YYYYY, *****H, 00000000, 00000000H3, etc.) and processed them for calculation of penalty. The total amount of penalty in these cases worked out to Rs.9.31 crore.

There was no way to ascertain whether this amount of Rs.9.31 crore was ever collected. Correctness of other vehicle registration numbers was also doubtful, as CPAS accepted even invalid registration numbers.

4.2.12.3 Absurd actual weights

Commercial vehicles have laden weight in the range of 5000 kg (Light Commercial Vehicles (LCVs)) to 49000 kg (Heavy Commercial Vehicles

(HCVs)). The range for the entry of permissible weight of vehicle field was set as 5010 to 49000 kgs. The system was designed to get activated, whenever it registered a minimum weight of 1000 kg.

Analysis of CPAS data revealed that in 1.57 lakh records the actual weight recorded by the weighbridge was lower than 5000 kg and in 9 cases it was recorded below 1000 kg. The minimum weight recorded was 20 kg. (two cases).

In 7474 records, actual weight recorded was more than 60,000 kg. Of these 239 vehicles recorded actual weight more than 90000 kgs. Sample of 20 vehicles registered in Gujarat was checked for their registered laden weight with vehicle registration records maintained in RTO Offices. It was observed that these vehicles had registered laden weight in the range of 49000 kgs only as detailed in Annexure – II.

In one instance (Vehicle No GJ09V11422) the permissible weight was recorded as 16,200 kg., and the actual weight was recorded as 183690 kg. However, no penalty was charged. On checking of the registration of vehicle records in the RTO Office it was found that no vehicle had been in existence with such registration number.

Thus the data relating to actual weight was unreliable and it cannot be said whether it was recorded through the weighbridge or entered manually.

4.2.12.4 Non standard permissible weight

Calculation of penalty for excess weight was based on actual weight recorded by the weigh bridge and allowable permissible weight *i.e.* the registered laden weight of the vehicle.

Analysis of CPAS data revealed that the permissible weight of vehicle with the same registration number varied widely within the same check post at different time and also for from check post to check post leading to wide differences in the penalty calculation. 2,19,899 such vehicles (36,03,855 instances) were noticed where the standard permissible weight was different at different times. The range of variation was from 50 kgs to 43990 kgs.

Considering the minimum of these permissible weights was the correct weight, the revenue lost amounted to Rs.690.73 crore. However, taking the most frequently occurring value of permissible weight as the correct value, revenue loss was estimated at Rs. 33.13 crores. Taking the average value of permissible weight of each vehicle which had passed through these check post during the above stated period, revenue loss was estimated at Rs. 63.50 crores.

A sample of 140 vehicles which were registered in Gujarat were checked for the registered laden weight in the Registration Book Registers maintained at RTO Offices. In these 140 vehicles which had entered various check post on 377 instances there were difference between the registered laden weight and the permissible weight entered in the CPAS system in 122 instances. The variation was as high as 28,420 kgs. Thus the basic validation of the permissible weight on which the calculation of penalty was based was not being implemented leading to leakage of revenue.

4.2.13 Processing Controls

As per the technical manual, penalty was leviable as under:

- * Excess weight upto 2000 kg - Rs. 75 for every slab of 500 kg
- * Excess weight above 2000 kg - Rs. 300 plus Rs. 125 for every slab of 500 kg.

Analysis of CPAS data revealed that in 1.60 lakh cases penalty was calculated incorrectly for excess laden weight. In 1.33 lakh cases, penalty was either not calculated or calculated less than what was recoverable as penalty. The revenue loss on this count worked out to Rs.9.94 crore for all the check posts. In remaining 26,953 cases where the penalty for excess laden weight was over calculated by Rs. 2.92 crores. Of these in 13,229 cases where the actual weight recorded was less than the permissible weight, penalty totalling to Rs. 1.77 crores was charged. Thus the penalty calculation mode had been tampered with.

Manual controls

4.2.14 No segregation of duties

Segregation of duties is a fundamental control requirement as it reduces the risk of error and fraud. At Shamlaji check post, audit observed that the cashier responsible for collecting the cash was also responsible for its accounting and remitting into treasury.

4.2.15 Missing memo books and cash receipts book

In Shamlaji check post audit could not conduct any test check to ascertain whether a cash receipt existed for each memo issued as the records were missing and were not made available by the department, despite repeated specific requests.

4.2.16 Other physical controls

Non implementation of certain physical controls of CPAS and unauthorised validation of the system allowed vehicles to pass with or without payment of penalty with discretion solely in the hands of the check post staff. Effectiveness of CPAS suffered further with weakening of other manual controls as discussed below.

In the event of a system failure, the barrier was supposed to automatically get locked. This provision had been disabled at Shamlaji check post. The vehicles could also pass through the side lane which had no barriers, cameras, weigh bridges etc.

Even if a vehicle excess laden weight mounted the weigh bridge and excess laden weight penalty got fed into CPAS, it could actually pass through without paying any penalty at all. This was because there was no link between CPAS and the cash accounting system. No cross check was possible for such escapes.

The RTO inspector responsible for preparing the memo for various penalties, could record any amount as penalty as all data, which was supposed to be recorded through the computerized system, was being recorded manually and all controls had been rendered ineffective.

4.2.17 No inter linking of various check posts

When a vehicle passing through Gujarat state which had already paid penalty at a check post, enters another check post within the Gujarat State, the penalty payment chalan is just shown to the RTO Inspector and the vehicle is allowed to pass without payment of penalty for the second time. However, the amount of penalty is again calculated at the second check post and stored in CPAS. The fact cannot be verified in the system as the check posts are not interlinked. This totally cuts off the audit trail as whether a vehicle did not pay penalty because it had already paid the same at (previous) check post or the vehicle otherwise escaped without payment of penalty could not be ascertained.

4.2.18 Non maintenance of the centralized data bank

The centralised data bank was to provide a decision support system for the department. However, the data bank was never maintained as discussed below

4.2.18.1 Details of RC book not entered

Details of RC Books of vehicles registered in Gujarat were to be entered in the centralized data bank and linked with CPAS. Our analysis of CPAS data revealed that the RC Book table in CPAS contained no records. As a result, input of the vehicle in CPAS at the check post could not be queried and displayed on the screen, causing multiple entries getting recorded for permissible weight. It also could not be checked whether the vehicle had paid all taxes duly.

4.2.18.2 History of other state vehicles not maintained

History of other state vehicles which had entered the State through any check post was not maintained. This resulted in variation in the permissible weight of vehicles which passed through various check posts.

4.2.18.3 Details of National Permit not linked with CPAS

Details of national permits issued from Gujarat State, and information regarding non use commercial carriage report was not integrated with CPAS. Separate CD with the data was sent quarterly to various check posts. The data was queried not in the weighbridge lane computer but at check post office which was far off from the lane. Thus only random check of few selected cases were carried out by the RTO inspectors at the check post leaving scope for several vehicles to escape the check.

4.2.18.4 No list of wanted vehicles

List of wanted vehicles, which were involved in various offences were circulated by manual circulars. CPAS had envisaged this to be integrated with

the system. The system did not flash the message that the vehicle which entered the check post lane is a wanted vehicle and thus such wanted vehicles could pass undetected.

4.2.19 Cash accounting at check posts

CPAS had been designed to record and account for penalty including cash accounting. However, a separate package, “computerised cash book accounting” was got developed and implemented from April 2004. This computerised cash book accounting system ran independently of CPAS and recorded only cash transactions through a manually prepared memo. One year data from this system (April 2004 to March 2005) was downloaded and comparisons were made with CPAS data for Shamlaji check post for the same period where the following were noticed.

4.2.19.1 Difference in penalty amount between CPAS and the cash book

CPAS recorded 4,18,215 vehicles charged with Rs.35.99 crore as penalty for excess laden weight during April 2004 to March 2005 at Shamlaji check post. However, the cash book data for the same period indicated that only 2,93,726 vehicles paid a total of Rs.35.18 crore as penalty for excess laden weight.

4.2.19.2 Invalid vehicle registration numbers in cash book data

Of the 4.44 lakh records in cash book data, 2,483 records had invalid vehicle registration numbers (viz, 1353392018, 11KA01AB8455, 1030985EN0402147 etc.). As the cash book system printed the cash receipt, which was to be shown at the exit as a proof of payment of penalty, it is not understood how a vehicle could pass the check post by showing a cash receipt on which an invalid number was printed.

4.2.19.3 Cross checking CPAS data with cash book data

Vehicle registration numbers were picked one by one from CPAS data and were searched in the cash book data to verify whether vehicles recorded in CPAS for penalty for excess laden weight, did actually pay the correct amount.

15,799 vehicles charged with penalty for excess laden weight of Rs.54.54 lakh (CPAS data) did not pay any penalty for excess laden weight at the check post as zero amount has been shown in the cash book data. These vehicles had paid other penalties amounting to Rs. 1.44 crore, which, however, was not recorded in CPAS data.

45,320 vehicles charged with penalty for excess laden weight (CPAS data) paid lower amount, the difference amounting to Rs.1.35 crore. Cash book data for penalty for excess laden weight against these vehicle registration numbers totals Rs. 4,66,87,650, whereas as per CPAS data Rs.6,01,91,550 was payable.

4.2.19.4 Invalid cash receipt numbers

The cash receipt numbers were to be generated by the cash book system. Analysis of cash book data revealed six records with invalid cash receipts number. It was not understood as to how the cash book system could generate invalid receipt numbers and how such receipts with invalid numbers were accepted at the check post.

4.2.19.5 Missing cash receipt numbers

The cash receipt numbers are system generated sequential numbers which are printed at the time of generation of receipt on receipt of cash. An analysis of the cash book files revealed that cash receipt sequence between 8000000 and 8410050, 1176 cash receipt numbers were missing leading to the conclusion that the data file has been manipulated at a later time by deletion of these records. This is indicative of inadequate security on data files.

4.2.19.6 No provision to enter memo number in the cash book data

Memo is an important document as it contains vehicle details and amount of penalty. Payment of penalty is made against the memo only and the memo serves as the input document for entering data in the cash book system. The memo book number is alpha-numeric, whereas in the cash book the field for capturing the memo book number is a numeric field. Initial letters of the memo book were never captured and to check as to against how many memos penalty had not been paid was not possible.

It was also observed that in 59,588 records in the cash book data, no entries were made against the memo number field.

4.2.19.7 Invalid memo number in the cash book data

The memo books receipt and issue register which were maintained manually was cross checked on random basis and the following was observed.

The cash book has 4,44,527 entries pertaining to the year 2004-05. Of these 59,588 entries in cash book had no memo numbers entered and penalties had been collected without issue of memo. During the year 2004-05 memo books containing 3,44,750 memos were issued to various inspectors. It could not be explained how against 3,44,750 memos, penalties could be collected from 3,84,939 vehicles.

Also on one to one matching of the cash book memo entries with the memo issue register it was found that 9,918 memo entries of cash book were not found in the memo issue register and 3,880 entries of the memo issue register were not found in the cash book. It was thus observed that there was no effective system of control over the use of memo books.

After this was pointed out in March 2006, the department replied in November 2006 that a proposal from Tata Consultancy Service is under active consideration for development of an integrated system incorporating all the

observations made by audit. On implementation of the new software, RTOs/ARTOs of concerned check post shall be given responsibilities for effective operation of the system and shall be completely monitored by the COT.

4.3 Non levy of motor vehicles tax

Under the Bombay Motor Vehicles Tax (BMVT Act) Act, 1958 and Rules made thereunder, tax is levied and collected in advance on all motor vehicles used or kept for use in the State. No tax is payable for the period of non use for which declaration is duly accepted by the taxation authority[#]. According to section 18(1) of BMVT Act and instructions issued from time to time, penalty at the rate of two *per cent* per month or part thereof, subject to maximum of 25 *per cent* of tax, is chargeable in cases of delay in payment of tax exceeding one month. Further, section 8A of the Act provides that interest at the rate of two *per cent* per month or part thereof is leviable on the tax remaining unpaid.

During test check of records of 20* taxation authorities, it was noticed between August 2004 and September 2005 that operators of 697 omnibuses, who kept their vehicles for use exclusively as contract carriage and 479 vehicles used for transport of goods had neither paid tax nor filed non use declarations for various periods between 2000-01 and 2004-05. Failure of the department in issuing demand notices and not taking recovery action prescribed under the Act resulted in non levy of motor vehicles tax (MVT) of Rs.17.16 crore including interest and penalty.

After this was pointed out between January and December 2005, the department accepted audit observations of Rs.16.92 crore and recovered Rs.1.04 crore in 227 cases. Particulars of recovery in remaining cases have not been received.

This was brought to notice of Government in January 2006; reply has not been received (October 2006).

4.4 Non/short levy of lumpsum tax

Under the BMVT Act, the State Government prescribed rates of one time tax (lumpsum tax (LST)), leviable on all non transport vehicles where unladen weight does not exceed 2,250 kgs. LST is leviable on the cost of vehicle in respect of non transport vehicles. From September 2001, LST was also leviable on transport vehicles used for carriage of goods or materials where registered laden weight does not exceed 3,000 kgs. In respect of such vehicles registered prior to September 2001, LST was recoverable according to the age of the vehicle in 12 equal monthly instalments. BMVT Act provides for levy of interest and penalty for non payment of tax in time.

[#] Regional Transport Officer (RTO), Assistant Regional Transport Officer (ARTO).

* Ahmedabad, Amreli, Bardoli, Bharuch, Bhavnagar, Bhuj, Gandhinagar, Godhra, Himatnagar, Jamnagar, Junagadh, Nadiad, Navsari, Palanpur, Rajkot, Rajpipla, Surat, Surendranagar, Vadodara and Valsad.

During test check of records of seven[#] taxation authorities for the period 2003-04 and 2004-05, it was noticed between September 2004 and August 2005 that LST in respect of 59 non transport vehicles was levied short due to incorrect calculation of cost of vehicles. Further, tax in respect of 364 transport vehicles used for carriage of goods registered prior to September 2001 was not recovered which resulted in non/short levy of LST of Rs.51.46 lakh including interest and penalty.

After this was pointed out between January and October 2005, the department accepted audit observations in all cases and recovered Rs.5.02 lakh in 55 cases. Particulars of recovery in remaining cases have not been received.

This was brought to notice of Government in January 2006; reply has not been received (October 2006).

4.5 Non levy of service charges

Under section 12 of the BMVT Act, any tax of motor vehicles due and not paid by the defaulters within the date specified in the demand notice, shall be recoverable as arrears of land revenue. The *mamlatdar* (recovery) deputed to Motor Vehicle Department is required to recover the dues of MVT in respect of which revenue recovery certificate (RRC) had been issued by taxation authority as arrears of land revenue. Further, under Rule 117-C of the Gujarat Land Revenue Rules, 1972 five *per cent* service charge would be recoverable from the defaulters over and above the arrears of MVT recovered as arrears of land revenue.

During test check of records of four^{*} taxation authorities, it was noticed between August and September 2005 that *mamlatdars* (recovery) had recovered MVT of Rs.2.50 crore in 1,704 cases during the period 2001-02 to 2004-05 as arrears of land revenue from the defaulters. However, service charges were neither demanded nor recovered from the defaulters. This resulted in non levy of service charges amounting to Rs.12.50 lakh.

After this was pointed out between October and December 2005, the department accepted the audit observation and stated that service charge was not recovered due to ignorance of the provision and issued instructions to all taxation authorities/*mamlatdars* (recovery) for strict implementation of the provision of recovery of service charge.

This was brought to notice of Government in January 2006; reply has not been received (October 2006).

4.6 Recovery of arrears of motor vehicles tax

Under the BMVT Act, if MVT is not paid by the defaulter within 15 days from the date of issue of the demand notice, taxation authority is required to issue RRC to recover tax as arrears of land revenue through *mamlatdars*

[#] Ahmedabad, Bharuch, Himatnagar, Jamnagar, Rajkot, Surendranagar and Vadodara

^{*} Himatnagar, Palanpur, Rajkot and Surat

(recovery). Under the provisions, *mamlatdars* (recovery) can take action to recover the dues by distraint and sale of movable and immovable property of defaulters or can arrest and send the defaulters to prison.

During test check of records of 16* taxation authorities, it was noticed that in 10# offices, 8,554 RRC cases involving an amount of Rs.20.40 crore were pending for recovery with *mamlatdars* (recovery) and further action of detention/seizure/sale of movable/immovable property was not taken. In two* offices outstanding amount in 614 RRC cases was not available and in two* offices no details such as number of RRCs pending and amount involved were available at all. In RTO, Rajkot it was noticed that nine vehicles were seized in February/March 2000 for the recovery of outstanding dues of Rs.16.02 lakh and RRC was sent in December 2000 to *mamlatdar* (recovery). The upset price of Rs.11.70 lakh of these vehicles was fixed by RTO in August 2003. However, the *mamlatdar* (recovery) had not taken any action for auction of these vehicles as there was no time frame prescribed for auction after seizure of vehicles. This resulted in deterioration of vehicles and probable reduction in realisation of dues.

After this was pointed out in November 2005, the department replied that subordinate officers have been instructed in June 2005 to take effective steps to recover the dues. Further progress was awaited.

This was brought to notice of Government in April 2006; reply has not been received (October 2006).

* Ahmedabad, Amreli, Bhavnagar, Bhuj, Gandhinagar, Godhra, Himatnagar, Jamnagar, Junagadh, Nadiad, Navsari, Palanpur, Patan, Rajkot, Surat and Vadodara

Ahmedabad, Bhavnagar, Bhuj, Godhra, Himatnagar, Jamnagar, Nadiad, Palanpur, Rajkot and Vadodara

* Amreli and Junagadh

* Patan and Surat