

## 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 Offices in the State, conducted in audit during the year 2004-05 disclosed under-assessments, etc., amounting to Rs.17.80 crore in 85 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 | 65           | 16.98        |
| 2                 | Other irregularities                | 20           | 0.82         |
|                   | <b>Total</b>                        | <b>85</b>    | <b>17.80</b> |

During the year 2004-05, the Department accepted and recovered under assessment of Rs.1.36 crore in 645 cases pertaining to earlier years. A few illustrative cases highlighting important audit observations involving Rs.15.95 crore are given in the following paragraphs.

#### 4.2 Non/short levy of Motor Vehicles Tax

Under the Bombay Motor Vehicles Tax (BMVT) Act, 1958 and Rules made thereunder, tax is levied and collected in advance on all motor vehicles and omnibuses/luxury buses (exclusively used as contract carriage) used or kept for use in the State. The owner of a vehicle, who does not intend to use the vehicle or keeps it for use in the State but desires to avail exemption from payment of tax, has to make a declaration in advance. If a non-use declaration is accepted by the taxation authority, it is noted in the tax index cards/registers and no tax is payable for the period of such non-use. The taxation authorities are required to review the tax index cards/registers to identify the defaulters and take prompt action to recover the dues. According to Section 18(1) of the BMVT Act and Commissioner of Transport's circular dated 7 March 2001, penalty at the rate of 15 *per cent* of tax remaining unpaid is leviable when owner himself comes forward for payment of tax. In cases of vehicles found plying on road without payment of tax or where revenue recovery certificate has been issued to Mamlatdars, penalty at the rate of 25 *per cent* is leviable. The Government vide Resolution of 27 June 2003 further clarified that where delay in payment of tax exceeds one month, penalty at the rate of two *per cent* per month or part thereof, subject to maximum of 25 *per cent*, is chargeable from defaulters.

Further, Section 8A of the Act introduced with effect from 1 April 2003 provides that interest at the rate of two *per cent* per month or part thereof is leviable on the tax remaining unpaid within prescribed time.

During test check of records of 18\* taxation authorities, it was noticed between December 2003 and October 2004 that operators of 517 omnibuses, who kept their vehicles for use exclusively as contract carriage and 558 vehicles used for transport of goods had neither paid tax nor filed non-use declarations for various periods between 1999-2000 and 2003-04. Failure of the Department in issuing demand notices and not taking recovery action prescribed under the Act resulted in non/short levy of motor vehicles tax of Rs.15.65 crore including interest and penalty.

The above facts were brought to the notice of the Department between January and December 2004 and of the Government in February 2005. The Department accepted audit observations in all the cases and recovered Rs.88.83 lakh in 147 cases. Particulars of recovery in the remaining cases have not been received (June 2005).

#### **4.3 Non/short levy of lump sum tax**

Under the BMVT Act, the State Government prescribed rates of one time tax (lump sum tax), with effect from April 1987, leviable on all non-transport vehicles where unladen weight does not exceed 2250 kgs. From September 2001, lump sum tax (LST) is also leviable on transport vehicles used for carriage of goods or materials where registered laden weight does not exceed 3000 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. The Act provides for levy of interest and penalty for non-payment of tax in time.

During test check of the records of 10# taxation authorities for the period 2002-04, it was noticed between December 2003 and September 2004 that LST in respect of 277 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.30.26 lakh including interest and penalty.

The above facts were brought to the notice of the Department between January and December 2004 and of the Government in February 2005. The Department accepted audit observations in all cases and recovered Rs.8.16 lakh in 78 cases. Recovery particulars in remaining cases have not been received (June 2005).

#### **4.4 Delay in revalidation of drafts**

Under the BMVT Rules, 1959, as amended from time to time, payment of tax may be made by the vehicle owner in Government treasury or to the Taxation Authority in cash, by cheque or Demand Draft (DD). Under reciprocal

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\* Ahmedabad, Amreli, Bardoli, Bharuch, Bhuj, Dahod, Gandhinagar, Godhra, Junagadh, Mehsana, Nadiad, Navsari, Palanpur, Patan, Porbandar, Surat, Surendranagar and Valsad.

# Bhuj, Dahod, Gandhinagar, Godhra, Mehsana, Nadiad, Navsari, Porbandar, Surat and Valsad.

agreements, the Government of Gujarat collects the composite fee in the form of DDs through State Transport Authority of respective States by whom permits are granted to vehicles for plying in Gujarat State which is credited to government account by the Commissioner of Transport. If the validity of the DDs expires, these are returned to the authorities concerned of the home States for revalidation.

During test check of records of Commissioner of Transport, Ahmedabad it was noticed in January and December 2003 that 225 DDs for Rs.9.06 lakh received on account of composite fee from other States were either received late or not deposited promptly with the result validity of these drafts expired. Though these DDs were sent for revalidation between July 2001 and February 2003, the same were not received back. Failure on the part of departmental officials to initiate prompt action for revalidation of drafts resulted in non realization of composite fee of Rs.9.06 lakh.

The above facts were brought to the notice of the Department in March 2003 and March 2004 and of Government in February 2005. The Department replied in May 2003 that to avoid delay in realization of Government money, it has been decided by the States covered under reciprocal agreements that officials of taxation authority of the concerned States meet once in every three months to settle the issue. Out of 225 DDs only 20 DDs involving amount of Rs.70,400 have been stated to be revalidated. In respect of other DDs, reply has not been received (June 2005).

#### **4.5 Internal control**

The taxation branch maintains tax index card for each vehicle and determines and records the rate of tax appropriate to the vehicles. The tax index cards of all vehicles are to be reviewed twice a year as a measure of internal control to identify defaulters and to initiate recovery proceedings. Further as per Section 12B of BMVT Act, the Department has been empowered to seize and detain vehicles until dues are paid.

Demand drafts register is maintained in the office of the Commissioner of Transport to watch receipt of road tax in respect of vehicles holding national permits for plying in Gujarat. The receipt of DDs, their prompt deposit in banks for realization and effective steps to revalidate time barred DDs is watched through this register.

Scrutiny of records of various offices<sup>⊕</sup> between January and October 2004 revealed that though the register of recovery of tax and register of DDs have been maintained, entries of payment of tax are not made in time and timely action for remittance of DDs received was not ensured. The registers were not closed periodically with the result the amount of tax not paid at a given point of time was not known either to the officer maintaining the registers or to his superiors. Thus due to incomplete exercise, important internal control intended to identify defaulters and to initiate recovery proceedings by the taxation authorities and timely realization of DDs towards recovery of

<sup>⊕</sup> Commissioner of Transport, Ahmedabad and RTOs of Ahmedabad, Amreli, Bardoli, Bharuch, Bhuj, Dahod, Gandhinagar, Godhra, Junagadh, Mehsana, Nadiad, Navsari, Patan, Porbandar, Surat and Surendranagar.

Government dues were not adequately applied. Non collection of tax due to non-review of tax index cards was commented upon in Para 4.2.5 of Audit Report (Revenue Receipts) of Government of Gujarat for the year ended 31 March 1996.

After this was pointed out, the Commissioner of Transport replied (June 2005) that corrective measures have been adopted from 2005-06 onwards by maintaining details of movement of each DD and also streamlining the monitoring in this respect.