

CHAPTER-IV: TAXES ON VEHICLES

4.1 Results of audit

Test check of the assessment records in the offices of Commissioner of Transport, Regional Transport Officers and Assistant Regional Transport Officers conducted during 2007-08 disclosed underassessment of Rs. 134.61 crore in 289 cases. These cases fall under the following categories:

(Rupees in crore)

Sl. No.	Category	No. of cases	Amount
1.	Non/short levy of motor vehicles tax	84	29.14
2.	Other irregularities	204	22.39
3.	Administration of Motor Vehicles Tax in Gujarat (A review)	1	83.08
Total		289	134.61

During the year 2007-08, the department recovered an amount of Rs. 30.47 lakh in 37 cases.

Results of review of **Administration of Motor Vehicles Tax in Gujarat** involving Rs. 83.08 crore are discussed in the following paragraphs:

4.2 Administration of Motor Vehicles Tax

Highlights

- Growth in lump-sum (one time) component of MVT, applicable to LMVs, was static. In other segments of MVT, too, there was disconnect between growth in vehicular traffic and collections.

(Paragraph 4.2.7)

- Audit test checks revealed cases of non-realisation of MVT totalling over Rs 299.92 crore.

(Paragraph 4.2.8)

- Audit test checks also revealed short collection of various kinds of fees totalling Rs 16.75 crore. Besides shortfall in collections, absence of structured mechanism to identify cases requiring fitness certificate, renewal of permit, renewal of licenses of motor driving schools, etc. had road safety implications.

(Paragraph 4.2.9)

- GMVD did not follow any well-defined procedure in disposing of unclaimed seized vehicles. It did not have any central information as regards number of seized vehicles in the state.

(Paragraph 4.2.12)

- Internal control procedures in GMVD were weak having significant revenue implications. Revenue recovery process and reporting system between RTOs and CoT was flawed. GMVD did not have any departmental manual of instructions and guidelines. Its internal audit system was not commensurate with the size of its operations.

(Paragraph 4.2.13)

4.2.1 Introduction

Motor vehicles tax (MVT) is the collective name for tax on motor vehicles and passengers, and license fees, registration fees, fitness fees and permit fees which the State Government levies under various Acts and Rules enacted by the central and state Governments. The Gujarat Motor Vehicles Department (GMVD) administers these Acts and Rules and is responsible for planning, assessment, levy and collection of MVT. The Bombay Motor Vehicles Tax Act, 1958 (BMVT Act) authorises GMVD to recover unpaid tax dues as arrears of land revenue under Bombay Land Revenue Code, 1879.

4.2.2 Organisational set up

The State Commissioner of Transport (CoT) heads GMVD under the administrative control of the Secretary to the Government of Gujarat in Ports and Transport Department, assisted by a Joint Commissioner and 82 officials at GMVD head office. There are 25 Regional Transport Offices (RTO) for as many districts in Gujarat, except Dang. There are 10 permanent check posts¹

¹ Ambaji, Amirgarh, Bhilad, Dahod, Deesa, Shamlaji, Songarh, Tharad, Waghai and Zalod

and three internal check-posts² working under 10 RTOs. The numbers of sanctioned posts and persons-in-position in GMVD is 1,671 and 1,348 respectively. Audit observed that there are big staff shortages, especially in operating and enforcement position. The posts of RTO, Inspector of Motor vehicles and Mamlatdar were vacant by 55 per cent, 27 per cent and 16 per cent respectively, at an average during Tenth Plan period.

4.2.3 Scope of Audit and Methodology

Audit test checked records of all 25 RTOs and CoT for the five year period from 2002-03 to 2006-07 during the period from April 2007 to March 2008 for the vehicles registered during those years, and made a collateral performance evaluation within a pre-designed structure alongside normal transaction audit of RTOs.

4.2.4 Audit Objectives

The review seeks to determine efficiency and effectiveness of management and administration of MVT by GMVD during Tenth Plan period, with special emphasis on:

- Planning and monitoring of MVT by GMVD and the State Government,
- General management of MVT at the level of GMVD,
- Enforcement of penal provisions of existing law, and
- Adequacy of internal control procedures and internal audit system.

4.2.5 Government Response in audit review committee meeting

Audit findings, of working of Motor Vehicles Department were reported to the Government in June 2008, with specific request to discuss the issues in the Audit Review Committee meeting. The meeting could not take place due to engagement of the officers for election duty. Reply has not been received (November 2008).

4.2.6 Plan and achievements

Table below gives the targets and collections of MVT.

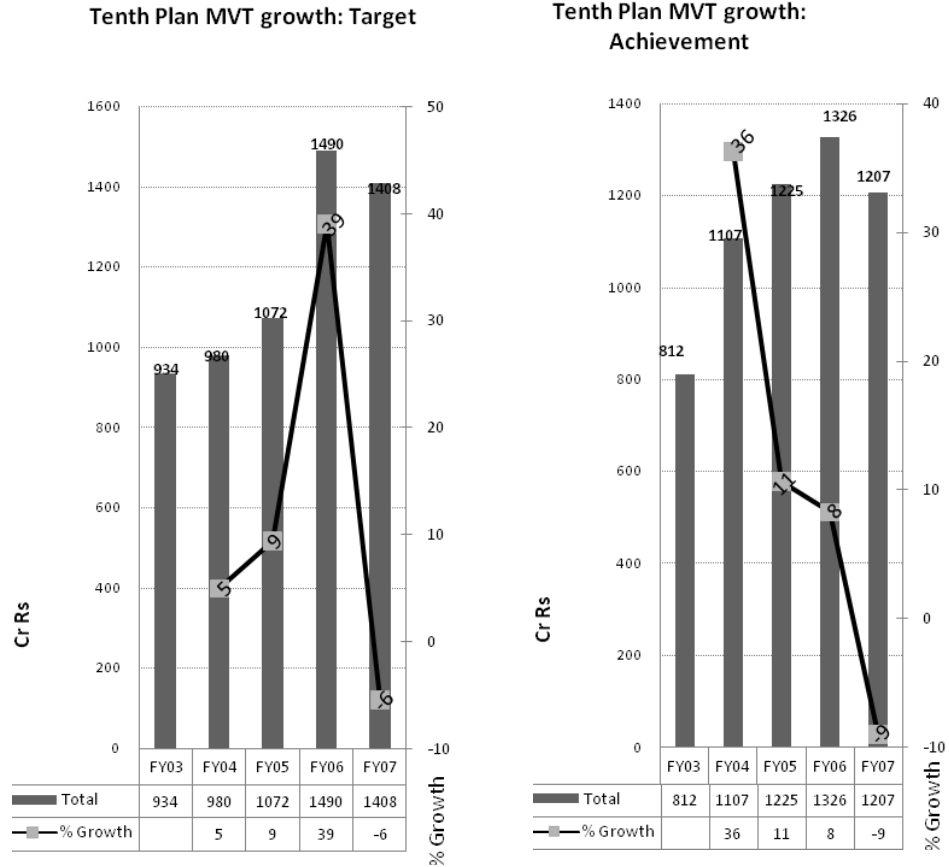
Tenth Plan Target and Collections

(Rupees in crore)

Year	MVT Revenue Receipts per GMVD		
	Target	Collections	Percentage achievement
2002-03	934.00	811.80	87
2003-04	980.00	1,106.78	113
2004-05	1,072.37	1,224.79	114
2005-06	1,489.49	1,326.20	89
2006-07	1,408.43	1,206.98	86

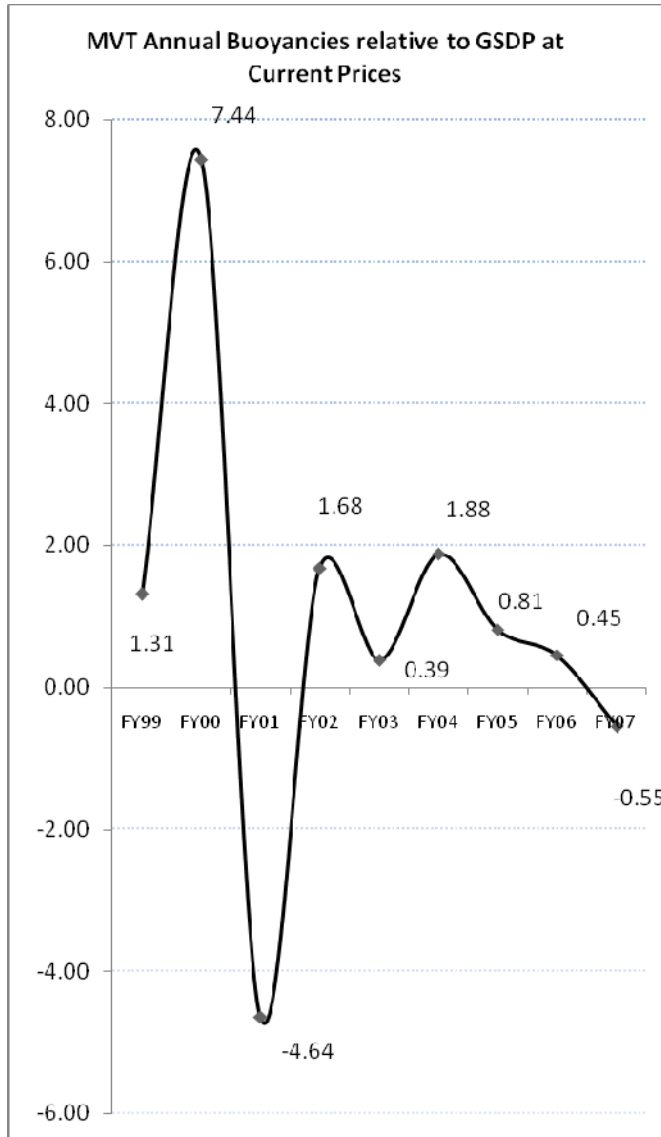
² Budhel (Bhavnagar), Khavdi (Jamnagar) and Samkhiyali (Bhuj)

The charts below depict the percentage growth of MVT as compared to the preceding years in terms of targets and achievement in Tenth Plan period.



Annual MVT targets (estimates) grew nominally during the first four years of the Tenth plan, followed by a decline in 2006-07. Audit observed that there was no definite correlation between the fixing of targets and achievement, as the above graphs would show.

After this was pointed out (March 2008), the department replied (August 2008) that “The budget was prepared as per the guidelines given by the Finance Department. The elements considered for the preparation of budget were (i) actual receipt/expenditure of first four months of current year and (ii) actual receipt/expenditure of last eight months of previous year.” However, this reply can not explain as to how a lower target was fixed for 2006-07, where as the collections had shown an upward trend during 2005-06.



Annual MVT collections grew only marginally during the first four years, before registering a fall in 2006-07. The rate of growth of annual MVT collections declined continuously during Tenth Plan.

Chart alongside shows annual MVT buoyancies³ over a longer time series relative to GSDP at current prices, and their general decline over years. Audit did not find any evidence that GMVD was seized with the question of total disconnect of MVT collections with ever visible growth of vehicular traffic during Tenth Plan. GMVD ascribed reasons (March 2008) for fall in the growth rate to: (a) decision of Hon'ble

Supreme Court preventing overloading of goods carriers even on penalty (leading to fall in penal 'departmental action' receipts effective from January 2006); and (b) non-payment of assessed passenger tax by Fleet owners⁴, namely Gujarat State Road Transport Corporation (GSRTC) and Ahmedabad Municipal Transport Service (AMTS). Citation of court judgement about for fall in penal receipts is not a reasonable explanation. GMVD would do well by not treating this component of receipts as a source of its revenue growth, but as a penal assessment whose decline over years should be welcome.

³ This is calculated as annual percentage change in MVT divided by annual percentage change in GSDP at current prices.

⁴ Fleet owner is the registered owner of a fleet of one hundred or more transport vehicles.

4.2.7 Growth trends of components of MVT

During Tenth plan, total MVT revenues in Gujarat (Rs 5,677 crore) accounted for eight *per cent* of the total state revenues (Rs 67,815 crore). It was the third largest tax receipt after the Sales Tax and Electricity Duty. Table below shows the compositional break-up.

Motor Vehicles Tax⁵ Revenue Composition in Tenth Plan

(Rupees in crore)

Year	LST	GCT	GT/PT	CCT	Misc.	NPF	DAR	Total
2002-03	177.59	203.20	10.41	92.30	73.25	37.78	217.27	811.80
2003-04	222.67	218.86	171.61	97.26	80.29	44.45	271.64	1,106.78
2004-05	296.16	219.00	160.68	107.27	85.83	49.17	306.68	1,224.79
2005-06	343.33	258.95	156.37	119.19	97.40	46.76	304.19	1,326.20
2006-07	399.66	286.05	5.91	131.16	108.37	69.97	205.86	1,206.98
Total	1,439.41	1,186.06	504.98	547.18	445.14	248.13	1,305.64	5,676.55

Source: GMVD

The following paragraphs present audit analysis of growth trends of some components of MVT.

4.2.7.1 Lump Sum (one time) Tax

GMVD levies lump sum tax (LST) at different rates on different types of vehicles having unladen weight up to 3000 kg (i.e. almost all personal vehicles, taxis, etc. which flood the streets and highways). Audit analysis revealed that growth rate of LST recorded at 25, 33, 16 and 16 *per cent* for the year 2003-04 to 2006-07 over previous year indicates a downward trend.

After this was pointed out in March 2008, the department stated that decline in growth rate was due to change in rate structure from fixed rate to fixed percentage on the cost of vehicles since April 2006.

4.2.7.2 Contract Carriage Tax

GMVD levies contract carriage tax (CCT) from all public vehicles having seating capacity more than six persons excluding driver.

Audit analysis revealed that growth rate of CCT, recorded at five, 10, 11 and 10 *per cent* for the year 2003-04 to 2006-07 over previous year has remained stagnant.

4.2.7.3 Goods Carriage Tax

Audit analysis revealed that goods carriage tax (GCT) recorded no growth in 2004-05 after initial increase of eight *per cent* in 2003-04. Thereafter GCT

⁵ LST = Lump Sum Tax: levied one-time on private vehicles; CCT = Contract Carriages Tax- Annual taxes apply on Contract carriages, GCT = Goods Carriages Tax - Annual taxes apply on Goods carriages, PT = Passenger Tax = is applicable on public sector fleets, NPF = National Permit Fees is applicable on transporters plying inter-state services, DAR = Department Action Receipts.

recorded growth rate of 18 and 10 *per cent* for the year 2005-06 and 2006-07 over previous year.

GMVD stated (March 2008) that certain goods transport vehicles were either scrapped or put in non use or were transferred to other states.

4.2.7.4 Departmental action receipts

Departmental Action (DA) receipts relate to penal charges levied on breach of conditions and offences such as overloading, etc. Audit analysis revealed that DA receipts recorded growth of 25 and 13 *per cent* in 2003-04 and 2004-05 and thereafter a negative growth rate of one and 32 *per cent* during 2005-06 and 2006-07 over previous year.

4.2.7.5 Passenger Tax

Passenger tax is mainly payable by the fleet owners such as GSRTC and AMTS. Audit analysis revealed that growth rate of passenger tax recorded downward trend from six *per cent* in 2004-05 to 96 *per cent* in 2006-07.

GMVD stated (March 2008) that fall in growth rate was due to non payment of passenger tax even after issuance of demand notices and the position was brought to the notice of Government; and that coercive action could not be taken against the defaulters as they are public utility services.

4.2.7.6 National Permit Fee

National permit (NP) fee is paid by transporters to obtain the permit for plying vehicles in more than three states. It is collected by the state where the vehicle is registered and transmitted to the states covered by the permit.

Audit analysis revealed that growth rate of NP recorded at 18, 11 and 50 *per cent* for the year 2003-04, 2004-05 and 2006-07 over previous year, after negative growth of five *per cent* in 2005-06 over previous year.

GMVD stated (August 2008) “The NP holders had not chosen Gujarat state for their operation; hence number of demand drafts and amounts received were less”.

4.2.8 Short collection of taxes

Audit test check revealed non-realisation of taxes amounting to Rs. 299.92 crore in the following cases.

4.2.8.1 Non-recovery of MVT on transport vehicles

Section 3 and 4 of the BMVT Act and Rules made thereunder require owners of passenger transport vehicles (PTVs) and goods transport vehicles (GTVs) to pay tax monthly by the 20th day. The BMVT Act authorises GMVD to recover overdue as arrears of land revenue after one month. Delays invite interest and penalty.

Test check of the records of 25 RTOs⁶ disclosed that owners of 2,659 out of 17,040 (16 *per cent*) PTVs registered during 2002-03 to 2006-07 did not pay tax after payment for a few months. The total non-recovery was Rs. 26.05 crore. Similarly, out of 54,400 registered GTVs, 4,515 (eight *per cent*) defaulted resulting in non recovery of Rs 7.59 crore. However, GMVD did not initiate action to recover the dues as arrears of land revenue.

After this was pointed out, the department accepted the audit objection and stated (November 2008) that Rs. 1.54 crore (545 cases) and Rs. 1.72 crore (1,238 cases) have been recovered from owners of PTVs and GTVs respectively. A report on recovery in the remaining cases has not been received (November 2008).

4.2.8.2 Non-recovery of passenger tax from GSRTC and AMTS

Section 3 of the Bombay Motor Vehicle (BMV) (Taxation of passenger) Act, 1958 and Rules made thereunder provide for levy of tax on all passengers carried by a stage carriage at prescribed rate from the fleet owners, with provision for interest and penalty on delayed payments.

Test check of the records (March 2008) revealed that GSRTC and AMTS did not pay passenger tax of Rs. 200.60 crore collected from the passenger for the period from 2002-03 to 2006-07. Besides, interest and penalty of Rs. 63.74 crore was not demanded. GMVD did not initiate action to recover passenger tax alongwith interest and penalty. The BMV (Taxation of Passenger) Act governs the levy and collection of passenger tax and the fare income received by the said fleet owners is inclusive of tax element. Allowing anyone, especially public bodies, to collect but not to remit it in to the state exchequer is a violation of legislative mandate on MVT revenue receipts, for which GMVD is both directly and constructively responsible. Retention of collected tax revenues by GSRTC and AMTS also amounts to temporary misappropriation of government revenues.

GMVD stated (March 2008) that they (did issued demand notices to GSRTC and AMTS but) “could not take strict action as GSRTC and AMTS were public utility service”. They further stated (September 2008) that, demand notice for passenger tax including interest and penalty has now been raised to GSRTC and AMTS. A report on recovery has not been received (November 2008).

4.2.8.3 Non-cross verification of no dues certificates (NDC)

Rule 58 of the Central Motor Vehicles (CMV) Rules, 1989 and Section 48 of the Motor Vehicle (MV) Act, 1988 provides for issue of ‘No Dues Certificate’ (NDC) to the concerned RTO in case of transfer of vehicle to other district due to change of ownership or residential address, so that the receiving RTO could collect tax of transferred vehicle.

⁶ Ahmedabad, Amreli, Anand, Bardoli, Bharuch, Bhavnagar, Bhuj, Dahod, Gandhinagar, Godhara, Himmatnagar, Jamnagar, Junagadh, Mehsana, Nadiad, Navsari, Palanpur, Patan, Porbandar, Rajkot, Rajapla, Surat, Surendranagar, Vadodara and Valsad

Cross check of NDC issued due to change of ownership/address by RTOs⁷ of four major cities showed that NDC issued for 55 vehicles were not received by the receiving RTO either from the owner of the vehicle or issuing RTO. This resulted in non-realisation of tax of Rs. 47.33 lakh.

After this was pointed out in March 2008, the department stated (November 2008) that all RTOs/ARTOs were instructed to issue NDC to receiving RTO, in case of transfer of ownership or address change to safeguard all the dues and to endorse registration certificate to that effect.

4.2.8.4 Non-recovery of MVT on non-transport vehicles

Section 3 and 4 of the BMVT Act require owners of non-transport vehicles (cranes, compressors, rigs, excavators, loaders, etc.) to pay tax six monthly/annually in advance. The law also empowers competent GMVD authorities to detain defaulting vehicles.

Test check of the records of five RTOs⁸ revealed that in 102 cases between April 2005 and March 2008, 98 vehicle owners did not pay tax after payment of few instalments and four vehicle owners did not pay tax at all. The department did not initiate any action to recover the dues. This resulted in non-recovery of tax of Rs. 26.49 lakh.

After this was pointed out in March 2008, the department accepted (April 2007 to May 2007) the objection in 12 cases and recovered Rs. 4.01 lakh. A report on recovery in the remaining cases has not been received (November 2008).

4.2.8.5 Short levy of MVT on registration of imported private vehicles

Section 3 and 4 of the BMVT Act prescribes that tax shall be levied on imported vehicles at double the rate prescribed for domestic vehicles.

Test check of the records of nine RTOs⁹ and CoT, Gandhinagar revealed under assessment of Rs. 71.98 lakh in 71 imported vehicles either due to undervaluation or incorrect application of rate of tax.

After this was pointed out in March 2008, the department accepted (November 2008) the observation and recovered Rs. 2.96 lakh in 24 cases in respect of RTO Godhra and Surat. A report on recovery in the remaining cases has not been received (November 2008).

4.2.8.6 Non-recovery of tax from school buses

Section 3 and 4 of BMVT Act read with notification of March 2000 provides to levy concessional tax rates for the school buses. The school buses owned by educational institutions are charged tax at the concessional annual rate of Rs. 200 per person (sitting capacity of the vehicle) and at the rate of Rs. 500 per person from other operators of school buses. Delay attracts simple interest at the rate of two *per cent* for each month on the amount of tax due.

⁷ Ahmedabad, Rajkot, Surat and Vadodara

⁸ Bhuj, Jamnagar, Nadiad, Surat, and Vadodara

⁹ Ahmedabad, Bharuch, Godhra, Himatnagar, Mehsana, Nadiad, Rajkot, Surat and Vadodara

Further, penalty at the rate of two *per cent* for each month, not exceeding 25 *per cent* of tax is also leviable.

Test check of the records revealed that annual tax due from 174 school buses of other pliers registered with 11 RTOs¹⁰ was Rs. 49.20 lakh including interest and penalty.

After this was pointed out in March 2008, the department accepted (November 2008) the observation and recovered Rs. 18.69 lakh (81 cases) in RTO Ahmedabad, Bhuj, Mehsana, Rajkot, Surat, Vadodara and Valsad. A report on recovery in the remaining cases has not been received (November 2008).

4.2.9 Short collection of fees

The MV Act, 1988 and Rules made thereunder provide for collection of various fees for issue of certificate of fitness, national permit, licence for motor driving training school, trade certificate, etc. The collection of fees was less and there was no proper mechanism to follow realisation of various fees. Audit found non-realisation of fees totalling Rs. 16.75 crore in cases test checked described below:

4.2.9.1 Non-renewal of fitness certificate

Rule 62 and 81 of CMV Rules, 1989 provide that every public transport vehicle has to obtain certificate of fitness annually by payment of fees after completion of two years of registration. Section 56 of the MV Act, 1988 prohibits plying of vehicles on roads without the fitness certificate.

Test check of the records in 23 RTOs¹¹ disclosed that 3,29,337 vehicle owners did not present their vehicles for inspection for issue of fitness certificates. RTOs also did not issue any notices to them. The fees recoverable in those cases were Rs. 12.15 crore as worked out by Audit. There was no structured mechanism in GMVD to record and follow up the requirement of obtaining the fitness certificate. Audit could not, therefore, determine the loss of revenue on account of non-inspection of vehicles. Financial loss is only a pointer to the greater failure of GMVD in allowing vehicles to ply without fitness certificate, with serious implications on the road safety.

After this was pointed out in March 2008, the department stated (November 2008) that all the provisions related to transport vehicles put burden on the owner of a transport vehicle to get the certificate of fitness renewed and if he fails or ignore to renew it and booked on road, there are penal provisions provided in the MV Act. The reply is not tenable as compliance of the provision of said Act is mandatory for the owner in cases of expiry of fitness certificate, and the department should take suitable action to implement the same for road safety.

¹⁰ Ahmedabad, Bardoli, Bhavnagar, Bhuj, Gandhinagar, Junagadh, Mehsana, Rajkot, Surat, Vadodara and Valsad

¹¹ Ahmedabad, Amreli, Anand, Bharuch, Bhavnagar, Bhuj, Dahod, Gandhinagar, Godhara, Himmatnagar, Jamnagar, Junagadh, Mehsana, Nadiad, Navsari, Patan, Porbandar, Rajkot, Rajpipla, Surat, Surendranagar, Vadodara and Valsad

4.2.9.2 Non-renewal of national permit

The MV Act, 1988 requires a public transport vehicle plying in more than three states to obtain national permit and pay an annual fee in the range of Rs. 1,500 to Rs. 5,000 per state. GMVD charges an additional fee of Rs. 500 for authorisation of national permit every year, where it authorises the national permit. This authorisation is a continuous process unless the period expires or permits surrender.

Test check of the records of 21 RTOs¹² revealed that in 1,030 cases, the owners of public vehicles did not apply for renewal of national permits. The amount of fees due from them was Rs. 15.61 lakh for the State and Rs. 4.25 crore towards composite fees pertaining to the other states. RTOs did not have a system to follow up annual authorisations on due dates and to recover prescribed fees.

After this was pointed out in March 2008, the department accepted (November 2008) the observation and stated that suitable instructions would be issued to keep records of national permit vehicles and to device system for timely renewal of national permit authorisation. A report on recovery in these cases has not been received (November 2008).

4.2.9.3 Non-renewal of licence of motor driving training school

Rule 25 of the CMV Rules, 1989 provides that motor driving training schools need to obtain a licence from RTO and renew it every five years on payment of prescribed fee.

Test check of the records disclosed that 169 training schools of seven RTOs¹³ did not apply for renewal of licence on expiry and continued to function. Absence of follow up mechanism resulted in loss of revenue of Rs. 6.51 lakh.

After this was pointed out in March 2008, the department accepted (November 2008) the observation and recovered tax of Rs. 35,500 in 14 cases in respect of RTO Ahmedabad, Godhra, Nadiad, Rajkot and Surat. A report on recovery in the remaining cases has not been received (November 2008).

4.2.9.4 Non-renewal of trade certificates

Rule 37 and 81 of the CMV Rules, 1989 provide that every trader in vehicles needs to obtain a trade certificate to be renewed annually on payment of prescribed fee.

Test check of the records of 11 RTOs¹⁴, revealed that RTOs had not renewed 'trade certificates' of 615 traders. This resulted into non-recovery of renewal fee of Rs. 12.44 lakh.

¹² Ahmedabad, Anand, Bardoli, Bharuch, Bhavnagar, Bhuj, Dahod, Gandhinagar, Godhara, Himmatnagar, Jamnagar, Mehsana, Nadiad, Navsari, Palanpur, Porbandar, Rajkot, Surat, Surendranagar, Vadodara and Valsad

¹³ Ahmedabad, Bhavnagar, Godhra, Nadiad, Rajkot, Surat and Vadodara

¹⁴ Ahmedabad, Bharuch, Bhavnagar, Dahod, Gandhinagar, Godhara, Himmatnagar, Nadiad, Rajkot, Surat and Vadodara

After this was pointed out in March 2008, the department accepted (November 2008) the observation and recovered Rs. 1.20 lakh in 133 cases. A report on recovery in the remaining cases has not been received (November 2008).

4.2.10 Evasion of entry tax

Gujarat Government (Sales Tax Department) decided (September 2001) to levy entry tax at the rate 12 *per cent* on motor vehicles brought from other states in Gujarat within 15 months from the date of its registration. The GMVD instructions (October 2003) provided that RTOs should verify payment of entry tax by demanding prescribed documents from the vehicles owners.

Test check of the records revealed that 141 motor vehicles brought from other states between 2002-03 and 2006-07 into the jurisdiction of 12 RTOs¹⁵ in the border districts of Gujarat were registered without obtaining proof of payment of entry tax. Tax involved works out to Rs 1.83 crore.

After this was pointed out in March 2008, the department stated (November 2008) that although GMVD was not directly concerned with the realisation of the entry tax, however, instructions have been issued to all concerned RTO/ARTO to verify that the same has been duly paid before registering any vehicle within the State. Thus, due to lack of coordination between these two departments, proper recovery of due entry tax could not be ensured.

4.2.11 Non-levy of service charges

Section 12 of the BMVT Act prescribes that the tax arrears are to be recovered as arrears of land revenue. Further, Rule 117C of Gujarat Land Revenue Rules, 1972 provides to recover five *per cent* of service charges from the defaulters as cost of collections.

Test check of the records disclosed that 15 RTOs¹⁶ did not demand service charge of Rs 64.73 lakh in 5,621 cases.

After this was pointed out the department stated (September 2008) that necessary instructions have been issued to all Registering Authorities to recover the service charges.

4.2.12 Non-disposal of seized vehicles

Section 12, 12A and 12B of BMVT Act, 1958 empowers taxation authorities to detain and keep in custody the vehicles of the owners who defaulted in payment of the Government dues. In case of non-payment, the Act empowers the Mamlatdar (Recovery) to dispose of the vehicle by way of sale in auction after fixation of upset price of the vehicle. However, the Act does not stipulate any time limit for auction or sale of the seized and detained vehicles.

¹⁵ Ahmedabad, Amreli, Anand, Bhavnagar, Bhuj, Dahod, Gandhinagar, Nadiad, Porbandar, Rajkot, Surat, and Vadodara

¹⁶ Ahmedabad, Amreli, Bhavnagar, Bharuch, Bhuj, Godhra, Himatnagar, Nadiad, Palanpur, Patan, Rajkot, Surat, Surendranagar, Vadodara and Valsad

Test check of records of 13 RTOs¹⁷ revealed that 147 vehicles were detained during 2001-02 to 2006-07 and kept in custody of the department for non-payment of tax and other dues. In 11 RTOs, MVT of Rs. 72.15 lakh was outstanding against owners of 70 vehicles. In other two RTOs, details of tax dues outstanding against the owners were not available in respect of 77 vehicles. Audit noticed that the dues of 147 vehicles were pending disposal for period ranging between one to six years. GMVD had no mechanism for disposing of the seized or detained vehicles after a given period and for adjusting the proceeds against outstanding dues. It did not have information about the number of seized vehicles awaiting disposal in the State and the expenditure incurred on warehousing the seized vehicles.

After this was pointed out in June 2008 the department stated that (November 2008), 50 vehicles in respect of cases of RTO Ahmedabad, Godhra, Mehsana and Nadiad have been disposed of through public auction and an amount of Rs. 22.55 lakh has been deposited into Government Account and procedure is under process in remaining RTOs and would be intimated in due course.

4.2.13 Internal control mechanism

The internal control mechanism was weak, as is clear from various instances cited in the forgoing paragraphs. Information and communications technology, which could have been used as a cost effective and efficient tool of internal control, was virtually dysfunctional in GMVD. Other instances indicative of weak internal controls are as follows:

4.2.13.1 Flawed revenue recovery process

Submission of proof of address is a pre-requisite to register a motor vehicle. This helps the department to initiate follow up action on annual tax and fee payments. The Act requires RTOs to issue Revenue Recovery Certificate (RRC) against defaulters after one month of non-payment of MVT. At periodical intervals (differs from RTO to RTO), RTO prepares closing of cases in which RRC is to be issued. Out of these cases, the RTO issues RRC on selective basis. There is no system of watching as to how many RRCs were due and how many were issued. Audit scrutiny revealed that in several cases RRCs were issued much after the prescribed time and often with incorrect mailing address. Before issue of certificate of registration, RTO has to verify evidence of address by way of any one of the documents specified in the CMV Rules. However, RTOs failed to verify and maintain updated records of address. The following are the illustrative cases seen in audit test check:

- 22,108 cases of RRC pertaining to 16 RTOs¹⁸ were outstanding as on 31 March 2007. Out of these, in 5,389 cases having tax implication of Rs. 21.69 crore, RRCs were issued late with delay ranging from two months to 14 years.
- Postal department returned demand notices to the vehicle owners in 575 cases due to incorrect address. GMVD did not have any mechanism to

¹⁷ Ahmedabad, Anand, Bardoli, Bhavnagar, Godhara, Jamnagar, Junagadh, Mehsana, Navsari, Porbandar, Surat, Vadodara and Valsad

¹⁸ Anand, Bardoli, Bhavnagar, Bharuch, Bhuji, Godhra, Himatnagar, Jamnagar, Junagadh, Mehsana, Patan, Rajkot, Surat, Surendranagar, Vadodara and Valsad

update the address of owners of vehicles. Recovery action of revenue of Rs. 6.45 crore in these cases thus failed.

After this was pointed out (March 2008) the department replied (September 2008) that the process of recovery has been initiated in almost all the cases which are at different stages. Efforts would be made to expedite them by constant monitoring and augmentation of revenue staff. Further report has not been received (November 2008).

4.2.13.2 Weak reporting system between RTOs and CoT

Scrutiny of figures of registration of vehicles during 2002-03 to 2006-07 furnished by the respective RTOs and that furnished by the CoT disclosed that number of vehicles registered as per details furnished by 15 RTOs was overstated by 11,560 than that furnished by CoT. Similarly number of vehicles registered as reported by CoT was overstated by 24,941 than that recorded by nine RTOs. This indicated weakness in reporting systems from RTO to CoT.

4.2.13.3 Non-preparation of Departmental Manual

GMVD does not have any departmental manual setting out the functions and responsibilities of staff of all categories in accordance with instructions issued by the Government/Department, which could act as a key document for perspective planning, reference, and internal control. Report of the Comptroller and Auditor General of India (Revenue Receipts) for the year ended 31 March 1996 (vide paragraph 4.2.13(c)) had brought that to the notice of the department/Government. A departmental manual would be also a good beginning point to take up business process reengineering as a precursor to a meaningful computerisation.

After this was pointed out in March 2008, the department stated (November 2008) that the work of preparation of manual was under active consideration of the department.

4.2.13.4 Weak internal audit

Internal audit arrangements in GMVD are not commensurate with the size of its operations. It does have a Chief Internal Audit Officer reporting to Joint Director (Ideally, internal audit chief should report directly to CoT). There are three audit parties consisting of one Senior Auditor and one Sub-Auditor. As against prescribed annual audit for RTO and check posts, GMVD provided only biennial audit. Even with the diluted internal audit, there were huge arrears in internal audit.

During the period between 2002-03 and 2006-07, 131 units were due for inspection (including units in arrears). Internal audit wing could carry out inspection of 16 units, resulting in huge arrears of 115 units. Those 16 audit reports contained 263 paras, out of which action was pending on 248 paras. None of the systemic issues highlighted in this review were brought out by GMVD's internal audit.

After this was pointed out the department replied (November 2008) that there was no specific departmental audit manual prescribed and hence there was no specific format for the reporting of audit observation. Department did not furnish reasons for pending audit of 115 units and 248 outstanding paras.

4.2.14 Conclusion

Maintenance of records and monitoring of collection of tax and fees was not proper. Enforcement activity and action for recovery of outstanding tax was not effective. Internal control and internal audits performance was not commensurate with the size of its operations.

4.2.15 Recommendations

The State Government/GMVD may consider to:

- plan GMVD's annual targets of MVT collections with due diligence based on past collections and future prospects in a way that captures the obvious growth dynamics in vehicular traffic;
- monitor MVT collections through GMVD's supervisory hierarchy with reference to the well-considered targets; and, to propose for consideration of the Government such policy options as would improve overall enhancement of MVT from time-to-time, in a way that would connect with the growth dynamics of vehicular traffic;
- upgrade GMVD's enforcement mechanism with due regard to possibilities offered by appropriate information and communications technology applications;
- issue instructions for maintenance of the records and prescribe a return for monitoring the process of timely renewal of the fitness certificates;
- issue instruction to maintain records of National Permit vehicles and to devise system for timely renewal of National Permit authorisation so as to plug leakage of revenue;
- strengthen GMVD's internal control procedures and internal audit systems, and plug the leakage and loss of revenue; and
- put in place a proper mechanism for disposal of the seized and detained vehicles to facilitate timely action for disposal of the vehicles.

