

## CHAPTER IV

### TAXES ON VEHICLES

#### 4.1 Results of Audit

Test check of records in the offices of the Commissioner of Transport, Regional Transport and Assistant Regional Transport offices in the State, conducted in audit during the year 2001-02, disclosed under assessments, etc. amounting to Rs.22.14 crore in 492 cases. These cases broadly fall under the following categories:

(Rupees in crore)			
Sr. No	Category	No. of cases	Amount
1	Non/short levy of Composite Tax	36	6.30
2	Non/short levy of Motor Vehicle Tax	415	2.28
3	Other irregularities	41	13.56
	<b>Total</b>	<b>492</b>	<b>22.14</b>

During the year 2001-02, the department accepted under assessment of Rs.96.65 lakh in 451 cases and recovered Rs.93.87 lakh in 449 cases of which 2 cases involving an amount of Rs.1.88 lakh were pointed out during the year 2001-02 and the rest in the earlier years. A few illustrative cases highlighting important audit observations involving Rs.23.40 crore are given in the following paragraphs.

#### 4.2 Non-levy of interest on belated payment of passenger tax/ incorrect/non-adjustment of subsidy

Under Section 3 of the Bombay Motor Vehicles (Taxation of Passengers) Act, 1958, and Rules made thereunder, fleet owners are required to make payment of passenger tax before the end of the month immediately succeeding the month to which it relates. Failure to pay the tax in time attracts simple interest at the rate of 12 *percent* per annum for the period of default.

(i) During test check of records of office of the Commissioner of Transport, it was noticed (May 2001) that GSRTC<sup>#</sup> had paid only an amount of Rs.37.77 lakh as against the dues of Rs.170.02 crore for the period 2000-01. This

<sup>#</sup> Gujarat State Road Transport Corporation

resulted in non levy of interest of Rs.12.81 crore for the period from April 2000 to March 2001, besides penalty.

The above facts were brought to the notice of the department (August 2001) and of Government (March 2002). The department accepted the audit observation and issued demand notice for the entire amount (May 2001). Further details of recovery are awaited ( July 2002).

(ii) As per provision of the General Financial Rules and Government Resolution dated 16<sup>th</sup> October 1976, if any amount of principal alongwith interest is due to Government, credit should first be given towards the interest due and the balance, if any, to be adjusted against the principal amount.

Government gives every year subsidy equivalent to the loss incurred by the Transport Corporation in running the buses on different uneconomical routes and also for charging fare at concessional rates from the students.

During test check of records of the Commissioner of Transport, it was noticed (June 2001) from the monthly returns submitted by GSRTC in respect of passenger tax for the year 2000-2001 that the subsidy of Rs.20.62 crore sanctioned by the Government was adjusted against the tax arrears of Rs.601.53 crore due from the Corporation instead of adjusting the same first towards interest in terms of instructions contained in GFR. This resulted in loss of interest of Rs.1.25 crore.

The above facts were brought to the notice of the department (August 2001) and of Government (March 2002). The department replied (May 2002) that the matter has been referred to GSRTC. Further progress is awaited (July 2002).

### **4.3 Non-levy of Motor Vehicles tax**

Under the Act, tax is levied and collected in advance on all the motor vehicles used or kept for use in the State. An additional tax known as composite tax is leviable in lieu of passenger tax on all 'omni buses'/luxury buses exclusively used or kept for use as contract carriage in the State.

(i) During test check of records of 14<sup>\*\*</sup> taxation authorities, it was noticed (between February and October 2001) that in 695 cases, motor vehicles tax was not levied for the year 1999-00 and 2000-01. This resulted in non-levy of motor vehicles tax of Rs.58.57 lakh.

The above facts were brought to the notice of the department (between March and November 2001) and of Government (February 2002). The department accepted the audit observations involving an amount of Rs.17.01 lakh in 304 cases and recovered an amount of Rs.8.72 lakh in 82 cases. Particulars of

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<sup>\*\*</sup> Ahmedabad, Amreli, Bhavnagar, Godhra, Himatnagar, Jamnagar, Junagadh, Mehsana, Navsari, Nadiad, Palanpur, Rajkot, Surat and Vadodara.

recovery, if any, and reply in the remaining cases have not been received ( July 2002).

(ii) During test check of records of 16<sup>#</sup> taxation authorities, it was noticed (between November 2000 and October 2001) that operators of 435 omnibuses who exclusively kept these vehicles for use as contract carriages had not paid tax for various periods between November 1996 and March 2001. The tax recoverable in these cases worked out to Rs.5.48 crore.

The above facts were brought to the notice of the department (between November 2000 and November 2001) and of Government (February 2002). The department accepted the audit observations involving an amount of Rs.2.65 crore in 220 cases and recovered Rs.7.71 lakh in 21 cases. Particulars of recovery, if any, and reply in the remaining cases have not been received (July 2002).

#### **4.4 Short levy of tax due to incorrect issue of permit as taxi**

Under the Motor Vehicles Act, 1988, a "maxi-cab" constructed and adapted to carry more than 6 passengers, excluding the driver, for hire or reward, is defined as transport vehicle and the owners of these vehicles are liable to pay composite tax as applicable to "omnibuses".

During test check of records of 5\* taxation authorities, it was noticed (between October 1999 and August 2001) that 415 maxicabs viz. Bajaj Tempo, Bajaj Matador, Mahindra and Mahindra (Commander), Autorickshaws (Vikram, Kushboo etc.) having carrying capacity of more than 6 passengers, excluding the driver, have been incorrectly issued permit to run as motor cabs (taxies). This resulted in short levy of tax of Rs.2.04 crore.

The above facts were brought to the notice of the department (between December 1999 and November 2001) and of Government (February 2002); their replies have not been received ( July 2002).

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

Under the Act, the State Government prescribed rates of one time (lump sum) motor vehicles tax, with effect from April 1987, leviable on all non-transport vehicles used or kept for use in the State whose unladen weight does not exceed 2,250 Kgs. From April 1999, the lump sum tax was also levied on three/four wheelers plying for hire and used for carriage of not more than six passengers.

<sup>#</sup> Ahmedabad, Amreli, Bharuch, Bhavnagar, Dahod, Himatnagar, Jamnagar, Junagadh, Mehsana, Nadiad, Navsari, Palanpur, Rajkot, Surat, Vadodara and Valsad.

\* Baroda, Bharuch, Mehsana, Navsari and Palanpur.

During test check of records of 9\* taxation authorities, it was noticed (between March and September 2001) that lump sum tax in respect of 17 non-transport vehicles was levied short due to incorrect application of rate or incorrect calculation of cost of the vehicles etc. Further, tax in respect of 911 three/four wheelers registered prior to April 1999 plying for hire was not recovered. This resulted in non/short levy of lump sum motor vehicles tax of Rs.45.94 lakh.

The above facts were brought to the notice of the department (between March and October 2001) and of Government (February 2002). The department accepted the audit observations involving an amount of Rs.5.82 lakh in 185 cases and recovered an amount of Rs.4.54 lakh in 174 cases. Particulars of recovery, if any, and reply in the remaining cases have not been received ( July 2002).

#### **4.6 Incorrect grant of concession in composition amount**

Under Section 200 of the Motor Vehicles Act, 1988, any offence committed, which is punishable under different Sections of the Act, can be compounded for such amount as the State Government may specify by notification in the official Gazette. The Government vide notification of 1994 as amended in 1996 has fixed the rate of composition amount for different types of offences punishable under different Sections of the Act.

During test check of records of Regional Transport Office Ahmedabad and Nadiad, it was noticed (February and March 2001) in respect of 9,292 offence cases finalised during 1999-2000, the composition amount was levied at 50 percent on the basis of instructions issued by the Commissioner of Transport in March 1999 though he is not empowered to reduce the amount of composition fee fixed by the Government. This resulted in short recovery of composition amount of Rs.45.64 lakh.

The above facts were brought to the notice of the department (between March and June 2001) and of Government (February 2002). The department stated (July 2002) that under Section 86(5) the Regional Transport Officer is competent to levy compounding fee without any restriction and it is not incumbent upon the authority to follow the notification issued under section 200 by the State Government. The reply is not acceptable as the rate notified by the Government under section 200 of the Act can only be amended by the Government and not by Regional Transport Authorities.

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\* Ahmedabad, Bhavnagar, Godhra, Junagadh, Nadiad, Navsari, Rajkot, Surat and Surendranagar.

#### 4.7 Incorrect grant of exemption

Under the Act, tax shall be levied and collected on all the motor vehicles used or kept for use in the State unless specifically exempted from payment. Tractor-cum-trailers belonging to agriculturists and used solely for agricultural purposes are exempted from payment of tax.

During test check of records of 5\* taxation authorities, it was noticed (between March and July 2001) that in 209 cases, exemption from payment of tax was granted for various periods between 1999-2000 and 2000-2001 to tractor-cum-trailers without obtaining proof of owners being agriculturists or without requisite application for exemption of tax in Form 'MT'. This resulted in non-levy of motor vehicles tax of Rs.31.75 lakh.

The above facts were brought to the notice of the department (between June and September 2001) and of Government (February 2002). The department accepted audit observations involving an amount of Rs.9.82 lakh in 80 cases and recovered Rs.0.03 lakh in one case. Particulars of recovery, if any, and reply in the remaining cases have not been received (July 2002).

The above matters were followed up with reminders to the Principal Secretary in April/May 2002 and Chief Secretary in July 2002. However, inspite of such efforts, no reply was received from the Government (July 2002).

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\* Bhavnagar, Dahod, Himatnagar, Patan & Vadodara.