

## CHAPTER-IV:

### TAXES ON VEHICLES, GOODS AND PASSENGERS

#### 4.1 Results of audit

Test check of the records of the motor vehicles, goods and passengers tax, conducted during the year 2007-08, revealed evasion, non/short realisation of tax and other irregularities amounting to Rs. 10.75 crore in 271 cases, which fall under the following categories:

(Rupees in crore)

Sr. No.	Particulars	Number of cases	Amount
1.	Evasion of <ul style="list-style-type: none"><li>• Token tax</li><li>• Passengers and goods tax</li></ul>	105 12	2.58 0.24
2.	Non/ short realisation of <ul style="list-style-type: none"><li>• Passengers and goods tax</li><li>• Token tax</li></ul>	16 12	0.51 0.09
3.	Other irregularities <ul style="list-style-type: none"><li>• Vehicles tax</li><li>• Passengers and goods tax</li></ul>	122 4	7.17 0.16
<b>Total</b>		<b>271</b>	<b>10.75</b>

During 2007-08, the department accepted under assessments of Rs. 10.40 crore involved in 60 cases which had been pointed out in audit in earlier years.

A few illustrative cases involving Rs. 5.65 crore are mentioned in the succeeding paragraphs.

## 4.2 Non-realisation of token tax

Under the Himachal Pradesh Motor Vehicles Taxation (HPMVT) Act, 1972 and Rules made thereunder, token tax is payable in advance and is collected quarterly or annually in the prescribed manner. The vehicles that have been declared off the road and have deposited registration certificate (RC) in the concerned registering and licensing authority (RLA), shall be exempted from payment of tax for that period. A register called “Token Tax Register” is required to be maintained by each RLA under the Act. Further, the State Government directed (20 March 2002) the Director Transport, all District Magistrates and RLAs to recommend exemption cases from payment of token tax by the owners of a tractor-trailor on the undertaking/documents prescribed to the effect that the tractor-trailor was not being used for commercial activity, for the sanction. If an owner of motor vehicle fails to pay the tax due within the prescribed period, the taxation authority after giving opportunity of being heard, shall direct the owner to pay the penalty at the rate of 25 per cent per annum of the tax due to be calculated/computed in the manner prescribed in the HPMVT (First Amendment) Rules, 2006.

During test check of the records of 31<sup>1</sup> RLAs and five<sup>2</sup> Regional Transport Officers (RTOs) and State Transport Authority, Shimla, it was noticed between April 2007 and March 2008 that for 3,626<sup>3</sup> vehicles, token tax amounting to Rs. 1.73 crore for the years 2005-06 to 2006-07, was neither deposited by the vehicle owners nor had the taxation authorities taken any action to recover it. There was nothing on record to show that any of these vehicles was declared off the road and their RCs were deposited with the concerned RLAs or had paid token tax in any other RLAs. No case of exemption from the Government for payment of token tax in respect of tractor-trailor was on record. Thus, failure to take action as per the rules/instructions by the concerned taxation authorities resulted in non-recovery of token tax of Rs. 1.73 crore. Besides, penalty<sup>4</sup> at the prescribed rate was also leviable for non-payment of tax.

After the cases were pointed out between April 2007 and March 2008, the RLAs Keylong, Nahan and Solan intimated in February-March 2008 that notices had been issued to the defaulters. Further report and reply from the remaining taxation authorities has not been received (September 2008).

The matter was reported to the department and the Government between May 2007 and April 2008; their reply has not been received (September 2008).

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<sup>1</sup> Amb, Arki, Baijnath, Bilaspur, Chamba, Dehra, Dharamsala, Gohar, Hamirpur, Kangra, Keylong, Kullu, Mandi, Manali, Nadaun, Nahan, Nalagarh, Nurpur, Palampur, Paonta Sahib, Parwanoo, Pooh, Rampur, Rohru, Sarkaghat, Shimla (Urban), Shimla (Rural), Solan, Sundernagar, Theog and Una.

<sup>2</sup> Bilaspur, Dharamsala, Mandi, Shimla (Flying squad) and Solan.

<sup>3</sup> Buses/mini buses/stage carriages: 609 cases: Rs. 1.07 crore; Construction equipment vehicles: 34 cases: Rs. 3 lakh; Goods carriers/other vehicles: 2,373 cases: Rs. 49 lakh, Tractors: 167 cases: Rs. 3 lakh and Maxi cabs/motor cabs: 443 cases: Rs. 11 lakh.

<sup>4</sup> Not worked out for want of recovery details.

### **4.3 Short levy of token tax due to incorrect application of rates**

According to the Department of Transport notification of December 2003, token tax in the case of construction equipment vehicles and crane mounted vehicles (based on the maximum prescribed mass) were leviable at the rate of Rs. 6,000 (light), Rs. 9,000 (medium) and Rs. 12,000 (heavy) per annum with effect from 1 January 2004.

Test check of the records of RLA, Bhawanagar and RTO, Kullu, between May 2007 and July 2007 revealed that token tax payable for 63 construction equipment vehicles, for the period January 2004 to March 2007, amounted to Rs. 8.86 lakh. The owners of vehicles, however, deposited tax at a lower rate and paid Rs. 1.89 lakh only. The department also treated these vehicles as heavy goods vehicles and failed to detect the mistake. This resulted in short levy of token tax of Rs. 6.97 lakh.

After the cases were pointed out between May 2007 and July 2007, the department stated between November 2007 and February 2008 that in case of RTO Kullu, efforts were being made to recover the balance amount. In the case of RLA Bhawanagar, notices had been issued to the vehicle owners to deposit the amount. Further development and report on recovery has not been received (September 2008).

The matter was reported to the Government between June and July 2007; their reply has not been received (September 2008).

### **4.4 Non/short payment of special road tax**

As per the HPMVT (Amendment) Act, 1999, there shall be levied, charged and paid to the State Government, a special road tax (SRT) on all transport vehicles used or kept for use in Himachal Pradesh. According to the Transport Department notification dated 22 March 2002, SRT is payable in advance on the 15<sup>th</sup> of every month. The rates are based on the classification of routes on which vehicles are plying such as national highways, state highways, rural roads and local buses/mini buses operating within a radius of 30 kilometers. The Transport Department had fixed (January 2006) the rates of SRT for the above routes as Rs. 6.04, Rs. 5.03 and Rs. 4.03 per seat per kilometer respectively effective from 1 April 2005. For failure to pay the SRT within the prescribed period, penalty at the rate of 25 *per cent* per annum of the tax due as prescribed in the Transport Department notification dated 26 July 2006, is also to be levied.

**4.4.1** Test check of the records of six<sup>5</sup> RTOs, between July 2007 and March 2008 revealed that in 144 cases, SRT amounting to Rs. 1.01 crore for the period 2005-06 to 2006-07 was not paid by the owners of the vehicles. The RTOs neither initiated any action for the recovery of SRT due nor issued notices to the

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<sup>5</sup> Bilaspur: 36 cases: Rs. 16.88 lakh; Chamba: 19 cases: Rs. 5.64 lakh; Dharamsala: 24 cases: Rs. 24.27 lakh; Kullu: 6 cases: Rs. 3.74 lakh; Shimla: 45 cases: Rs. 37.73 lakh and Solan: 14 cases: Rs. 12.42 lakh.

owners of the vehicles. Besides non-realisation of SRT, penalty for non-payment of tax by prescribed period was also leviable.

After the cases were pointed out between July 2007 and March 2008, the Additional Commissioner Transport, Shimla intimated in November 2007 that in the case of RTO Kullu, a sum of Rs. 72,000 had been recovered from four vehicles and efforts were being made to recover the balance amount. A report on recovery and reply from the remaining RTOs has not been received (September 2008).

The matter was reported to the Government between July 2007 and April 2008; their reply has not been received (September 2008).

**4.4.2** Test check of the records of five<sup>6</sup> RTOs, between October 2007 and January 2008 revealed that in 110 cases, SRT of Rs. 44.80 lakh for the period August 2005 to March 2007 was assessed short due to incorrect classification of routes/application of rates. The RTO concerned failed to detect the mistake. The owners of the vehicles also did not deposit the SRT of Rs. 44.80 lakh short assessed.

The matter was reported to the department and the Government between November 2007 and February 2008; their reply has not been received (September 2008).

**4.4.3** Test check of the records of two<sup>7</sup> RTOs, in October 2007 revealed that three route permits<sup>8</sup> were granted to Hamirpur and Shimla units of Himachal Road Transport Corporation (HRTC). Audit scrutiny revealed that while making payment of SRT by the Hamirpur unit, the amount of SRT of Rs. 2.04 lakh payable in respect of two route permits were not included in the calculation of SRT for the year 2006-07. The Shimla unit paid SRT for the route permit upto June 2006 at the rate of Rs. 14,193 per month and SRT for the period July 2006 to March 2007 amounting to Rs. 1.28 lakh was not paid. There was nothing on record to indicate that the route permits were surrendered by the HRTC or the RTO concerned had enquired about the non-plying of buses against these route permits. This resulted in non-realisation of Rs. 3.32<sup>9</sup> lakh.

After the cases were pointed out in October 2007, the Additional Commissioner Transport (ACT), Shimla intimated in April 2008 that in the case of RTO Hamirpur, notices had been issued to the concerned authority to deposit the amount. A report on realisation and reply from RTO Shimla has not been received (September 2008).

The matter was reported to the Government between November 2007 and February 2008; their reply has not been received (September 2008).

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<sup>6</sup> Bilaspur: 29 cases: Rs. 4.17 lakh; Chamba: 12 cases: Rs. 5.03 lakh; Dharamsala: 17 cases: Rs. 7.47 lakh, Hamirpur : 18 cases: Rs. 5.03 lakh and Shimla: 34 cases: Rs. 23.10 lakh.

<sup>7</sup> Hamirpur and Shimla.

<sup>8</sup> No. 14 dated: 29 March 2006: Hamirpur to Una; No. 169 dated October 2005: Hamirpur to Ludhiana and No. R-Stg/97 : Chail to Chandigarh.

<sup>9</sup> Hamirpur: two cases: Rs. 2.04 lakh and Shimla: one case: Rs. 1.28 lakh.

#### 4.5 Non-levy of penalty for late payment of special road tax

Under Section 3-A of the HPMVT Act, as amended from time to time, there shall be levied, charged and paid to the State Government, monthly SRT on all transport vehicles<sup>10</sup> used or kept for use in the State. SRT is payable in advance on the 15<sup>th</sup> of every month. As per the Transport Department notification dated 26 July 2006 deemed to have come into force on 31 July 2002, if the owner of a vehicle fails to pay the tax due within the prescribed period, the taxation authority after giving opportunity of being heard, shall direct the owner to pay the penalty at the rate of 25 per cent per annum of the tax due. The penalty so levied shall be calculated/computed proportionately on day to day basis in case the delay is less than one year and shall not exceed the sum of tax due from such owner.

Test check of the records of eight<sup>11</sup> RTOs, between July 2007 and March 2008 revealed that SRT amounting to Rs. 14.56 crore for the period August 2005 to March 2007 was not paid by the HRTC within the prescribed period. The delay in payment of SRT ranged between 4 and 276 days for which penalty of Rs. 1.11 crore though leviable was not levied by the RTOs concerned.

The matter was reported to the department and the Government between July 2007 and April 2008; their reply has not been received (September 2008).

#### 4.6 Undue retention of Government money

The Himachal Pradesh Financial Rules, 1971, stipulate that departmental receipts collected during the day should be credited into the treasury on the same day or latest by the morning of the next working day. Every officer receiving money on behalf of the Government should maintain a cash book in the prescribed form. All monetary transactions should be entered in the cash book as soon as they occur and attested by the head of the office or the officer authorised in this behalf, in token of check. The cash book should be closed daily and completely checked on the same day.

**4.6.1** Test check of the records of two<sup>12</sup> RLAs, Additional District Magistrate (Law and Order) (ADM-L&O), Shimla and RTO Chamba, between May 2007 and March 2008 revealed that Rs. 40.75 lakh<sup>13</sup> collected on account of permit fee, token tax, passing fee, driving licence fee etc. during the period falling between February 2005 and March 2007, were not deposited in the treasury within the prescribed period. The delay in deposit of the Government money ranged between 2 and 202 days. In two offices<sup>14</sup>, the entries in the cash book were

<sup>10</sup> It is a public service vehicle, a goods carriage, an educational bus or a private service vehicle.

<sup>11</sup> Bilaspur: Rs. 7.34 lakh; Chamba: Rs. 12.35 lakh; Dharamsala: Rs. 33.20 lakh; Hamirpur: Rs. 5.34 lakh; Kullu: Rs. 6.93 lakh; Nahan: Rs. 8.17 lakh; Shimla: Rs. 29.73 lakh and Solan: Rs. 8.29 lakh.

<sup>12</sup> RLA Bhawanagar and RLA Shimla (Urban).

<sup>13</sup> RLA Bhawanagar: Rs. 3.91 lakh; RLA Shimla (Urban): Rs. 12.66 lakh; ADM (L &O) Shimla: Rs. 69,000 and RTO Chamba : Rs. 23.49 lakh.

<sup>14</sup> RLA Bhawanagar and ADM (L&O) Shimla.

neither attested by the head of the office nor by any other officer authorised in this behalf. Such practices are fraught with the risk of misappropriation of public money.

After the cases were pointed out between May 2007 and March 2008, the ACT, Shimla intimated in February 2008 that concerned official, in case of RLA Bhawanagar, had been directed to deposit the Government money into the treasury by the next day and that the cash book would be maintained regularly. Reply from the remaining offices has not been received (September 2008).

**4.6.2** In RLA Shimla (Urban), it was noticed in January 2008 that out of Rs. 1.11 lakh collected on account of driving licence fee, passing fee and token tax etc. between June 2006 and December 2006, an amount of Rs. 69,000 only was deposited in the treasury within the prescribed period, while the remaining amount of Rs. 42,000 was not deposited at all.

After the cases were pointed out in January 2008, the RLA intimated in July 2008 that Rs. 42,000 had been deposited (May 2008) in the treasury.

The matter was reported to the department and the Government between June 2007 and April 2008; their reply has not been received (September 2008).

#### **4.7 Non/short realisation of permit fee**

As per the instructions of the Department of Home issued in December 2003, permit fee for plying of vehicles on sealed and restricted roads of Shimla town was to be charged at Rs. 3,000 and Rs. 2,000 per annum respectively for more than one route and Rs. 1,500 per annum in case of one route. As per the department's addendum dated 27 March 2004, temporary permit fee for issue of temporary permits for sealed and restricted roads, was chargeable at the rate of Rs. 200 and Rs. 100 per day respectively upto the maximum limit of seven days. Prior to the addendum, temporary permit fee for sealed road was Rs. 100 per day whereas for restricted road it was a minimum of Rs. 50 upto one month. As per the Home Department clarification dated 23 March 2004, permit fee for the permits issued for loading/unloading of construction material, allowing water tanker of private hotels, carriage of personal effects in the event of transfer/shifting of house etc. was chargeable at par with temporary permits. However, for specific purpose like shooting of film etc., permit fee was to be charged at Rs. 3,000 upto five vehicles and beyond five vehicles upto a maximum of eight vehicles at Rs. 500 per vehicle per day.

Test check of the records<sup>15</sup> of ADM (L&O), Shimla revealed between March 2007 and March 2008, that in 103 cases, annual permits were issued during the period falling between September 2003 and May 2007, for plying of vehicles on sealed/restricted roads. The permits were issued for different purposes<sup>16</sup>. The department instead of issuing temporary permits upto seven days as required, issued annual permits. As a result, against the chargeable permit fee of Rs. 24.12

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<sup>15</sup> Permission orders as available in files and cash book.

<sup>16</sup> Carriage of raw materials, eatables, household articles, carriage of water tankers, goods, exhibition items, equipments for shooting etc.

lakh, the department recovered Rs. 66,000 only. This resulted in short realisation of revenue of Rs. 23.46 lakh, worked out on per day basis.

After the cases were pointed out between March 2007 and March 2008, ADM (L&O) stated between March 2007 and March 2008 that action would be taken to recover the amount realised short. A report on realisation has not been received (September 2008).

The matter was reported to the department and the Government between April 2007 and April 2008; their reply has not been received (September 2008).

#### **4.8 Non-levy of special registration fee**

Under the Himachal Pradesh Motor Vehicles (Amendment) Rules, 2001, special registration fee for the allotment of registration marks was leviable with effect from 10 August 2001 at the prescribed rates. These rates were revised in June 2002. In September 2003, Principal Secretary (Transport), Government of Himachal Pradesh clarified that if registration numbers from 0101 to 0200 were to be allotted to personal vehicles, special registration fee at the prescribed rates was to be charged. The Transport Department further clarified (23 December 2003) that registration numbers from 0001 to 0100 shall not be allotted to the Government vehicles in future but shall be left open to private individual. In case these numbers had been allotted to the Government vehicles, notices were to be issued to the department/officer concerned to surrender these numbers.

**4.8.1** Test check of the records of seven<sup>17</sup> RLAs and RTO Nahan, conducted between April 2007 and December 2007 revealed that in 427 cases, special registration fee of Rs. 11.07 lakh, on allotment of registration numbers between 0001 to 0200, was not realised from the owners of personal vehicles for the period September 2003 to March 2007.

After the cases were pointed out in April 2007 and December 2007, the ACT Shimla intimated in February 2008 that in respect of RLA Bhawanagar, Rs. 45,000 had been recovered from 18 vehicles and efforts were being made to recover the balance amount. A report on recovery and reply from the remaining RLAs/RTO have not been received (September 2008).

**4.8.2** In two<sup>18</sup> RLAs, it was noticed in January 2008 that special registration numbers in 28 cases from the series 0001 to 0100 were allotted either to the Government vehicles or vehicles owned by the co-operative societies etc. treating them as Government vehicle between September 2005 and March 2007 in contravention of the instructions of December 2003. The RLAs also failed to issue notices to the concerned department/officers for surrendering the registration numbers. As a result, the Government suffered a revenue loss of Rs. 4.85 lakh on account of special registration fee.

The cases were reported to the Government between May 2007 and February 2008; their reply has not been received (September 2008).

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<sup>17</sup> Ani, Arki, Bhawanagar, Kalpa, Paonta Sahib, Parwanoo and Pooh.

<sup>18</sup> Shimla (Rural) and Shimla (Urban).

#### **4.9 Non-realisation of passenger tax and goods tax**

Under the Himachal Pradesh Passenger and Goods Taxation (HPPGT) Act, 1955 and the rules made thereunder, owners of vehicles are required to pay tax, etc. at the prescribed rates either monthly or quarterly. However, if the owner of the vehicle fails to pay the tax due, the taxation authority may direct him to deposit the tax due alongwith a penalty not exceeding five times of the amount of tax so assessed subject to a minimum of Rs. 500.

During test check of the demand and collection register maintained in 10<sup>19</sup> Assistant Excise and Taxation Commissioners (AETCs), it was noticed between July 2007 and March 2008 that passenger tax and goods tax amounting to Rs. 60 lakh for 1,430<sup>20</sup> vehicles, for the period January 2006 to March 2007, was not paid by the owners of the vehicles. The assessing authorities did not issue demand notices to the owners of the vehicles. This resulted in non-realisation of tax of Rs. 60 lakh besides minimum penalty of Rs. 7.15 lakh.

After the cases were pointed out between July 2007 and March 2008, the department intimated between October 2007 and February 2008 that Rs. 29,000 (passenger tax: Rs. 28,000; goods tax: Rs. 1,000) had been recovered by AETC, Kullu and he had been directed to recover the balance amount. In case of Shimla district, notices had been issued to the owners of the vehicles. A report on recovery and reply from the remaining AETCs has not been received (September 2008).

The matter was reported to the Government between August 2007 and March 2008; their reply has not been received (September 2008).

#### **4.10 Vehicles not registered with the Excise and Taxation Department**

Under the HPPGT Act and the rules made thereunder, owners of stage/contract carriages and goods carriers are required to register their vehicles with the concerned excise and taxation officers and pay passenger tax and goods tax at the prescribed rates. Administrative instructions issued in December 1984 also stipulate that the Excise and Taxation Department shall take suitable measures to ensure registration of all vehicles under the HPPGT Act and for that purpose maintain close co-ordination with the RLAs. For failure to apply for registration, penalty not exceeding five times the amount of tax so assessed, subject to a minimum of Rs. 500 is also leviable.

Cross verification of the records of nine RLAs and four RTOs with six<sup>21</sup> AETCs, between July 2007 and March 2008 revealed that 658<sup>22</sup> vehicles registered with the concerned RLAs and RTOs during 2006-07 were not registered with the

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<sup>19</sup> Bilaspur, Chamba, Hamirpur, Kangra, Kullu, Mandi, Nahan, Shimla, Solan and Una.

<sup>20</sup> Passengers vehicles: 388: Rs. 22.92 lakh and goods vehicles: 1,042: Rs. 37.08 lakh.

<sup>21</sup> Bilaspur, Hamirpur, Kullu, Mandi Nahan and Una.

<sup>22</sup> Passenger tax: 141 vehicles: Rs. 5.84 lakh and goods tax : 517 vehicles: Rs. 9.55 lakh.



Excise and Taxation Department under the HPPGT Act. As a result, tax amounting to Rs. 15.39 lakh for the period 2006-07 was not realised from the owners of the vehicles. There was no co-ordination between the RLAs/RTOs and AETCs to ensure the registration of the vehicles. A minimum penalty of Rs. 3.29 lakh was also leviable.

After the cases were pointed out between July 2007 and March 2008, Additional ETC, intimated in February 2008 that Rs. 20,000 had been recovered from 12 vehicles of Kullu district. The AETC had also been directed to dispose off the cases on priority basis. A report on recovery of balance amount and reply from the remaining AETCs has not been received (September 2008).

The cases were reported to the Government between August 2007 and March 2008; their reply has not been received (September 2008).