

CHAPTER-IV: Taxes on Vehicles

4.1 Results of audit

Test check of the records of the Transport Department conducted during 2006-07, revealed non/short levy of motor vehicles tax, fees, penalty, fines etc. amounting to Rs. 207.33 crore in 25,310 cases, which broadly fall under the following categories:

(Rupees in crore)

Sl. No.	Category	No. of cases	Amount
1	Loss of revenue due to non-realisation of certified arrears	6,585	31.17
2	Discrepancy between the figures of register IX & X	140	19.46
3	Lack of control over collection of taxes	294	4.42
4	Non/short levy of taxes	357	0.61
5	Other cases	17,934	151.67
Total		25,310	207.33

During 2006-07, the department accepted underassessment and other deficiencies of Rs. 63.69 crore involved in 24,305 cases which were pointed out in audit during 2006-07.

A few illustrative cases involving revenue of Rs. 13.36 crore are discussed in the following paragraphs:

4.2 Deficiency in finalisation of certificate cases

Under the provisions of the Bihar Motor Vehicles Taxation (BMVT) Act, 1994 and the Rules made thereunder (as adopted by the Government of Jharkhand), road tax and additional motor vehicles tax are payable annually or quarterly in advance. Where the tax remains unpaid, the taxing officer (TO) may impose penalty. Any tax or penalty remaining unpaid may be recovered in the same manner as arrears of land revenue. Executive instructions issued in June 1988 and November 1990 require the TO to issue demand notices in those cases where the tax/penalty have not been paid for initiating certificate proceedings for recovery of the dues as arrears of land revenue. Under the Bihar and Orissa Public Demands Recovery (PDR) Act, 1914, any money, which is declared by any law for the time being in force as arrears of revenue, is recoverable as arrears of land revenue.

Scrutiny of the records in 11 out of 22 district transport offices* (DTOs) between June 2006 and March 2007 revealed irregularities in realisation of amount of certificate cases as discussed in the following paragraphs.

4.2.1 Non-realisation of interest due to non-initiation of certificate proceeding

Under the provisions of the BMVT Act and PDR Act, arrears of motor vehicles tax shall be recoverable as arrears of land revenue. The requiring officer (RO) is primarily responsible for systematic application of certificates. When the certificate officer (CO) is satisfied that any public demand payable to the Collector is due, he may sign a certificate in the prescribed form, stating that the demand is due and shall cause the certificate to be filed in his office. Interest at the rate of 12 *per cent* per annum is leviable from the date of signing of certificate till the date of realisation.

In 10 DTOs[▼], it was noticed that tax amounting to Rs. 123.50 crore was outstanding for the period from 2001-02 to 2005-06 against 14,161 defaulting vehicle owners. The ROs did not initiate certificate proceedings against these vehicle owners. The State Transport Commissioner (STC) also failed to monitor the lapse. Due to non-initiation of certificate proceedings against the defaulters, the amount could not be realised.

After the cases were pointed out, the district transport officers stated between June 2006 and March 2007 that certificate proceedings would be initiated against the defaulters. Further reply has not been received (November 2007).

* Bokaro, Chaibasa, Chatra, Dhanbad, Dumka, Giridih, Hazaribag, Jamshedpur, Koderma Lohardaga and Ranchi

▼ Bokaro, Chaibasa, Chatra, Dhanbad, Giridih, Hazaribag, Jamshedpur, Koderma Lohardaga and Ranchi

4.2.2 Irregularities noticed in dealing with certificate cases

Under the PDR Act, the RO is required to maintain Register IX in respect of the requisitions issued by him for institution of certificate proceedings while the CO is required to check the requisitions in all respects and thereafter enter these in Register X. Register IX is to be compared and reconciled every month with Register X of the CO. As per instructions issued by the Board of Revenue, the RO is primarily responsible for systematic application of certificate and prompt disposal of objections, if raised by CO. The RO and the CO are jointly responsible for timely disposal of certificate cases and are bound to bring any undue delay to each other's notice. It also provides for furnishing of correct address of the defaulting vehicle owners against whom the certificates are to be enforced.

4.2.2.1 Non-realisation of amount of certificate cases due to untraceable vehicle owners

Under the provisions of the Motor Vehicles Act and Central Motor Vehicles Rules, address proof of the vehicle owner is required at the time of registration of a vehicle and any subsequent change in address is to be brought to the notice of the registering authority within 30 days.

In five ROs and COs, it was noticed that notices could not be served by the COs in respect of 1,461 certificate cases involving Rs. 9.29 crore due to non-furnishing of correct addresses of the debtors by the ROs. This resulted in non-realisation of Rs. 9.29 crore as mentioned below:

(Rupees in crore)

Sl. No.	Name of RO and CO	Period during which information was sought for by COs	No. of cases	Amount involved
1	Dhanbad	February 2003 and October 2005	347	4.57
2	Dumka	July 2002 and September 2004	3	0.01
3	Hazaribag	December 2002 and March 2006	11	0.09
4	Jamshedpur	April 2005 and March 2006	362	0.49
5	Koderma	July 2003	738	4.13
		Total	1,461	9.29

After the cases were pointed out, it was stated by the ROs between June 2006 and March 2007 that the addresses of the debtors had been furnished as per addresses recorded in the Registration Register. This indicates that records maintained by the department are not correct and it needs to take immediate steps to rectify the situation and also to recover the dues. Unless quick action is taken, the chances of recoveries in these cases will become remote.

4.2.2.2 Non-entry of certificate cases in Register X

In four ROs and COs, it was noticed that 119 certificate requisitions involving Rs. 66.97 lakh were forwarded between 2001-02 and 2005-06 by the ROs but the same were not entered in Register X of the concerned COs. Non-initiation of certificate proceedings resulted in non-realisation of revenue of Rs. 66.97 lakh as mentioned below:

(Rupees in lakh)

Sl. No.	Name of RO and CO	Period of filing of cases by RO	No. of cases	Amount involved
1	Hazaribag	2001-02	37	36.41
2	Ranchi	2004-05	1	2.36
3	Giridih	2005-06	70	17.97
4	Jamshedpur	2005-06	11	10.23
		Total	119	66.97

After the cases were pointed out, the ROs stated between June 2006 and March 2007 that the matter would be taken up with the COs for necessary entry in Register X. Further reply has not been received (November 2007).

4.2.2.3 Irregular disposal of certificate cases

Certificate cases can be dropped by the CO under the PDR Act only after assigning adequate reasons.

In the offices of the ROs and COs of Bokaro and Chaibasa, it was noticed that 185 certificate cases involving tax dues of Rs. 83.77 lakh were irregularly dropped by the COs between April 2004 and June 2006 without assigning any reason. Consequently, Rs. 83.77 lakh remained unrealised as mentioned below:

(Rupees in lakh)

Sl. No.	Name of RO and CO	Period during which intimation of dropping of cases was sent by CO	No of certificate cases disposed of	Amount involved
1.	Bokaro	April 2004 to March 2005	32	14.09
2.	Chaibasa	July 2005 to June 2006	153	69.68
		Total	185	83.77

After the cases were pointed out, the RO, Bokaro stated in August 2006 that the necessary information would be obtained from the CO, Bokaro. RO, Chaibasa stated in February 2007 that the notice could not be served as the debtors were not found on the addresses as available in the records of the office. This indicates that the RO needs to take corrective measures in respect of the records maintained by it of the debtors and also obtain correct addresses in respect of the above cases quickly as any delay will reduce the chance of recovery in these cases.

4.2.2.4 Discrepancy between the figures of Registers IX and X

On receipt of a requisition from the RO, the CO is required to check the requisition. Information, if any, required to be called for is to be obtained from the RO and thereafter entered in the Register X. In order to have a proper check over these two registers and to ensure that requisitions are promptly attended to, Register IX is to be compared every month with the Register X of the CO.

In five ROs and COs, it was noticed that there were discrepancies between the figures of Register IX and X as on March 2006 as mentioned below:

(Rupees in crore)

Sl. No.	Name of RO and CO	Register IX		Register X		Difference	
		No. of cases	Amount involved	No. of cases	Amount involved	No. of cases	Amount involved
1	Bokaro	2,366	9.61	277	0.53	2,089	9.08
2	Chaibasa	1,433	3.17	580	1.52	853	1.65
3	Dumka	226	0.31	169	0.96	57	(-) 0.65
4	Hazaribag	4,774	24.21	3,935	19.23	839	4.98
5	Jamshedpur	2,212	10.89	2,344	7.63	(-) 132	3.26
Total		11,011	48.19	7,305	29.87	3,706	18.32

Thus, due to non-exercise of proper check over these two registers, Rs. 18.32 crore was not included in Register X and consequently remained unrealised.

After the cases were pointed out, the concerned ROs stated between June 2006 and March 2007 that the figures of Registers IX and X would be reconciled. Further reply has not been received (November 2007).

4.2.2.5 Discrepancy between the two statements furnished to the Transport Commissioner

Audit scrutiny revealed that the DTO, Dhanbad had furnished information on two different occasions to the Transport Commissioner (TC) Jharkhand, Ranchi regarding the number of pending certificate cases as on 31.10.2005. Further scrutiny revealed that the number of pending cases as mentioned in the two statements differed. There was a discrepancy of 4,423 certificate cases involving Rs. 32.25 crore as mentioned below:

(Rupees in crore)

Date of despatch	No. of certificate cases as on 31.10.2005	Amount involved
14.11.2005	7,965	48.13
08.04.2006	3,542	15.88
Difference	4,423	32.25

This reflects that the figures of arrears as intimated to the TC were not authentic and prepared on *ad-hoc* basis indicating failure of internal control.

After the cases were pointed out, it was stated by the RO in November 2006 that the difference was due to non-entry of cases in Register X and that action was being taken to detect such cases and bring to the notice of the CO for needful action.

4.2.2.6 Misclassification of certificate cases

From the records of the RO and CO, Jamshedpur it was noticed in December 2006 that nine certificate cases involving Rs. 2.83 crore pertaining to the head "0041-Taxes on Vehicles" had been booked in Register X under

Miscellaneous. The error resulted in suppressing the number of certificate cases relating to road tax.

After the cases were pointed out, it was stated by the RO in December 2006 that the matter would be taken up with the CO, East Singhbhum, Jamshedpur for necessary rectification. Further reply has not been received (November 2007).

4.2.3 Other interesting issues

4.2.3.1 Non-pursuance of certificate cases

In DTO, Lohardaga, it was observed that 23 certificate cases involving Rs. 17.89 lakh were filed between 2001-02 and 2005-06. However, the revenue was not realised.

After the cases were pointed out, the district transport officer, Lohardaga stated in September 2006 that steps would be taken for early disposal of certificate cases.

4.2.3.2 Discrepancy in Register IX

In DTO, Hazaribag, it was noticed that there was a difference in 255 cases involving Rs. 20.38 crore between the closing and opening balances during 2001-02 and 2002-03 in the report on certificate cases. It showed that there was failure on the part of the district transport officer to monitor such discrepancy. The details are mentioned below:

(Rupees in crore)

Closing balance of 2001-02		Opening balance of 2002-03		Difference	
Cases	Amount	Cases	Amount	Cases	Amount
4,596	4.38	4,851	24.76	255	20.38

After the cases were pointed out, the district transport officer, Hazaribag stated in March 2007 that action would be taken after examining the matter. Further reply has not been received (November 2007).

4.2.3.3 Discrepancy noticed in totalling of certificate cases

In DTO, Ranchi, it was noticed in December 2006 that 168 certificate cases were filed during 2004-05 involving Rs. 3.16 crore. Scrutiny of the Register IX in which these were entered revealed that the amount was incorrectly totalled as Rs. 4.01 crore resulting in a difference of Rs. 85.37 lakh. It showed that there was failure on the part of the district transport officer to monitor such discrepancy.

After the cases were pointed out, the District Transport Officer, Ranchi stated in December 2006 that necessary correction would be made. Further reply has not been received (November 2007).

The matter was reported to the Government in April 2007; their reply has not been received (November 2007).

4.3 Non-collection of taxes

Under the provisions of the Bihar Motor Vehicles Taxation Act (BMVT Act), 1994, as adopted by the Government of Jharkhand, tax is to be paid by the owner of the vehicle, within 15 days of the commencement of the quarter, to the taxing officer in whose jurisdiction the place of registration falls. In case of change of place of residence/business, the owner can pay tax to the new registration authority subject to the production of “no objection certificate” from the previous taxing officer. For non-payment of tax within the stipulated period, the taxing authority may impose penalty at the prescribed rates. Instructions issued by the STC, Bihar, in November 1990 directed the taxing officers to raise demand notices against the defaulters.

In 14 DTOs^{*}, it was noticed between March 2006 and February 2007 that the owners of 853 vehicles did not pay the tax between 2002-03 and 2006-07 in the office where they were originally registered. Although no reasons were found recorded for non-payment of tax, the department did not raise demand notices on the defaulters. Non-monitoring by STC of the process of recovery in these cases resulted in non-levy of tax of Rs. 1.66 crore and penalty of Rs. 3.32 crore.

After the cases were pointed out between March 2006 and February 2007, seven district transport officers¹ raised demand between April and August 2007 and realised Rs. 47.30 lakh from 91 vehicle owners while other district transport officers stated between March 2006 and February 2007 that demand notices would be issued against the defaulters. Further reply has not been received (November 2007).

The matter was reported to the Government in April 2007; their reply has not been received (November 2007).

4.4 Delay in deposit of revenue collected by banks

Under the provisions of the Bihar Financial Rules (adopted by the Government of Jharkhand), all transactions must be brought to account without delay and money received should be forthwith credited to the Government account. Instructions (March 1996) of STC, Bihar, and STC, Jharkhand (January 2001), stipulate that the amount collected by the banks during April to February should be transferred to the State Bank of India (SBI), Doranda branch, Ranchi in such a manner that all receipts during a particular month are transferred latest by the first week of the following month. The amount deposited in the month of March is to be transferred by

^{*} Bokaro, Chatra, Dhanbad, Dumka, East Singhbhum (Jamshedpur), Giridih, Godda, Gumla, Hazaribag, Koderma, Lohardaga, Pakur, Ranchi and West Singhbhum (Chaibasa).

¹ Bokaro, Dhanbad, Giridih, Gumla, Jamshedpur, Lohardaga and Ranchi

the 31st March positively so that all amounts deposited in the financial year are transferred to the Government account in the same financial year. As per the instructions issued by the Reserve Bank of India in April 2003, interest at the rate of eight *per cent* per annum on average quarterly balance exceeding Rs. 1 crore, is payable by the banks on delayed remittances to the Government account.

In six DTOs^{*}, it was noticed between April 2006 and January 2007 that the collecting banks i.e. Punjab National Bank (PNB), Bokaro, Dhanbad, Jamshedpur, Ranchi; Bank of India, Hazaribag and Central Bank of India, Chaibasa transferred the collected revenue of DTOs into the Government account through SBI Doranda branch, after delays ranging from 1 to 11 months and retained Rs. 59.49 crore at the end of March 2006. The collecting banks did not credit interest of Rs. 3.59 crore during 2005-06 for delayed transfer of the Government revenue into SBI, Doranda, Ranchi. The department also did not pursue with the banks the matter of payment of interest.

After the cases were pointed out between April 2006 and January 2007, District Transport Officer, Ranchi stated in May 2007 that the PNB, Ranchi had brought down the balance below Rs. 1 crore at the end of March 2007. However, no reply has been received on realisation of interest. The other district transport officers stated between April 2006 and February 2007 that correspondence would be made with the banks. Further reply has not been received (November 2007).

The matter was reported to the Government in April 2007; their reply has not been received (November 2007).

4.5 Non-levy of additional amount of tax on smart card

Under the provisions of the Central Motor Vehicle Rules, 1989, the registering authority shall issue a certificate of registration to the owner of the motor vehicle in form 23 or 23A. In September 2004, the Government of Jharkhand entered into an agreement with a contractor for issue of registration certificates and driving licences in the form of computerised smart cards and, by a notification issued in May 2005, prescribed Rs. 99 as service fee in addition to the additional fee leviable under the Rules.

In five DTOs[▼], it was noticed between October 2006 and February 2007 that 73,856 certificates of registration in the form of smart cards were issued without levying the additional fee between July 2005 and November 2006. Failure of the department to adhere to the provisions of the Rules, resulted in non-levy of additional fee amounting to Rs. 1.48 crore.

^{*} Bokaro, Dhanbad, Hazaribag, Jamshedpur, Ranchi & West Singhbhum (Chaibasa).

[▼] Dhanbad, East Singhbhum (Jamshedpur), Koderma, Ranchi and West Singhbhum (Chaibasa).

After the cases were pointed out between October 2006 and February 2007, the district transport officers, Dhanbad, East Singhbhum (Jamshedpur), Ranchi and West Singhbhum (Chaibasa) stated between November 2006 and February 2007 that matter would be referred to the TC as there was no adequate provision in the software to realise additional fee. The District Transport Officer, Koderma stated in January 2007 that appropriate action would be taken after obtaining guidelines from the TC. The reply is not tenable as the provisions to levy additional fee already exist in the Rules. Further reply has not been received (November 2007).

The matter was reported to the Government in April 2007; their reply has not been received (November 2007).

4.6 Non/short levy of trade tax

Under the BMVT Act and the Rules framed thereunder, tax at the annual rate as prescribed is leviable on a manufacturer/dealer in respect of motor vehicles in his possession in the course of his business as manufacturer/dealer. Further, as per the executive instruction issued in May 2001 by the department, penalty on delayed payment of trade tax is leviable at the prescribed rate.

In 11 DTOs*, it was noticed between April and December 2006 that 30 manufacturers/dealers of motor vehicles had not deposited the requisite trade tax in respect of 80,099 vehicles possessed by them between 2002-03 and 2005-06. The department did not raise any demand on the defaulters. Failure of the department to enforce the provisions of the Act/Rules resulted in non-levy of trade tax of Rs. 76 lakh including penalty.

After the cases were pointed out between April and December 2006, district transport officers stated between April and December 2006 that demand notices against the dealers would be issued. Further reply has not been received (November 2007).

The matter was reported to the Government in April 2007; their reply has not been received (November 2007).

4.7 Non-levy of tax against trailers

Under the provisions of the BMVT Act and the Rules framed thereunder, every owner of a registered motor vehicle is required to pay road tax and additional motor vehicle tax at the prescribed rates. The Act further provides that trailer is a transport vehicle and shall not be entitled to any exemption from payment of tax, irrespective of its use. If delay in the payment of tax exceeds 90 days, penalty at twice the amount of tax due may be imposed.

* Bokaro Chatra, Dhanbad, Dumka, Gumla, Hazaribag, Jamshedpur, Koderma, Lohardaga Pakur and West Singhbhum (Chaibasa).

In 13 DTOs[≈], it was noticed between March 2006 and February 2007 that the owners of 640 trailers did not pay road tax and additional motor vehicle tax for the period between March 2002 and February 2007. The department also failed to raise demand on the defaulters. Failure of the department to enforce the provisions of the Act/Rules resulted in non-levy of tax of Rs. 75.46 lakh including penalty.

After the cases were pointed out between March 2006 and February 2007, six district transport officers² raised demand between April and August 2007 and realised Rs. 5.08 lakh from 57 vehicle owners while other district transport officers stated between March 2006 and February 2007 that demand notices would be issued against the defaulters. Further reply has not been received (November 2007).

The matter was reported to the Government in April 2007; their reply has not been received (November 2007).

4.8 Non-levy of tax from vehicles involved in surrender

Under the BMVT Act and the Rules made thereunder, when the owner of a motor vehicle does not intend to use his vehicle for a certain period not exceeding six months at a time, he can be exempted from the payment of tax by the competent authority provided his claim for exemption is supported by the required documents. In the absence of any extension, the vehicle would be deemed to have been used and he would be liable to pay tax. If the delay in payment of tax exceeds 90 days, penalty at twice the amount of tax due may be imposed.

In three DTOs[•], it was noticed between March and December 2006 that 19 vehicles were surrendered between November 2002 and April 2006 but after expiry of surrendered period, the vehicle owners neither applied for extension of surrender nor was the demand raised by the taxing officer beyond the expiry of the surrendered period between January 2004 and December 2005. This resulted in non-levy of tax amounting to Rs. 9.94 lakh including penalty, for the period between February 2004 and December 2006.

After the cases were pointed out between March and December 2006, District Transport Officer, Ranchi raised demand in April, 2007 while the other district transport officers stated between April and December 2006 that demand notice would be issued. Further reply has not been received (November 2007).

The matter was reported to the Government in April 2007; their reply has not been received (November 2007).

[≈] Bokaro, Chatra, Dhanbad, Dumka, East Singhbhum (Jamshedpur), Giridih, Gumla, Hazaribag, Koderma, Lohardaga, Pakur, Ranchi and West Singhbhum (Chaibasa).

² Bokaro, Dhanbad, Giridih, Jamshedpur, Lohardaga and Ranchi

[•] Giridih, Ranchi and West Singhbhum (Chaibasa)