

## CHAPTER-IV: Taxes on vehicles

### 4.1 Results of audit

Test check of records of the transport offices during the year 2002-03, revealed non-levy and short levy of motor vehicles tax, fees, penalties, fines etc. amounting to Rs. 21.46 crore in 4,192 cases, which broadly fall under the following categories: -

(Rupees in crore)			
Sl. No.	Category	No. of cases	Amount
1.	Non/short levy of taxes	1054	6.68
2.	Non- imposition of fees and fines	28	0.40
3.	<b>Information Technology Review of Road Transport Management Information System (NICTRAN)</b>	1	2.85
4.	Other cases	3109	11.53
<b>Total</b>		<b>4192</b>	<b>21.46</b>

During the year 2002-03, the concerned Department accepted under-assessment etc. in 18 cases involving Rs.18.67 crore of which seven cases involving Rs 9.61 crore were pointed out in audit during 2002-03 and rest in earlier years.

A few illustrative cases including **Information Technology Review of Road Transport Management Information System (NICTRAN)** involving Rs 15.67 crore are given in the following paragraphs:

## 4.2 Information Technology Review of Road Transport Management Information System (NICTRAN)

### *Highlights*

- 292 vehicles were registered in “BR” series allotted for Bihar instead of in “JH” series allotted to Jharkhand.

*(Paragraph 4.2.5)*

- Lack of control over monitoring of duplicate engine/chassis number led to evasion of state taxes.

*(Paragraph 4.2.7)*

- Lack of control over duplicate insurance certificate/cover note number revealed that same insurance cover note number had been misutilised for registration of multiple vehicles.

*(Paragraph 4.2.8)*

- Entry tax of Rs. 62.02 lakh on 183 buses purchased from outside the state was not levied.

*(Paragraph 4.2.9)*

- Analysis of database of DTO Ranchi and its subsequent physical verification revealed that Rs. 80.22 lakh was outstanding from 57 school buses.

*(Paragraph 4.2.10)*

- Additional taxes of Rs. 74.44 lakh in respect of 1306 vehicles were not collected.

*(Paragraph 4.2.11)*

- Rs. 57.08 lakh was outstanding towards vehicle tax from 987 defaulter vehicles.

*(Paragraph 4.2.12)*

- There was short realisation of choice fees of Rs. 11.27 lakh from 230 vehicles.

*(Paragraph 4.2.13)*

## ***Introduction***

**4.2.1** The Transport Department of Government of Jharkhand is governed by Motor Vehicles Act, 1988, Central Motor Vehicles Rules, 1989, Bihar Motor Vehicles Rules, 1992, Bihar Motor Vehicles Taxation Rules, 1994 and Bihar Motor Vehicles Taxation Act, 1994 which was adopted from erstwhile state of Bihar under section 82 of Bihar Reorganisation Act, 2000. Major activities of Transport Department include a) registration and taxation of vehicles, b) issue of driving license and road permit, c) monitoring of transport system in the State. Motor Vehicle Taxation is one of the important functions performed by Transport Department, which accounted for Rs 86.10 crore and Rs 104.91 crore for the year 2001-02 and 2002-03 respectively.

As a measure of reform in monitoring, controlling and streamlining of timely realisation of taxes, the Transport Department of Government of Bihar (prior to creation of the state of Jharkhand) decided to computerise the system of taxation and implemented (1992) Road Transport Management Information System (NICTRAN) in active collaboration with Bihar State Unit of National Informatics Centre (NIC). NICTRAN was conceived as a comprehensive transport management system to effectively monitor the vehicles' registration, tax collection, preparation of defaulter's list and issuing demand notices. The pilot project was launched in the district of Dhanbad and after stabilisation of the system it was implemented in the offices of District Transport Officers (DTOs) of erstwhile state of Bihar. After the creation of the state of Jharkhand (15 November 2000), the system is being monitored by Jharkhand State Transport Department. NICTRAN was operational in seven<sup>1</sup> districts out of 22 districts of Jharkhand state as of October 2003.

The NICTRAN package was developed on UNIX operating system using FoxBASEPlus DBMS<sup>2</sup>. The package being user friendly and menu driven was intended for providing quick and accurate tax calculation procedures. It also provided for vehicle registration, fast disposal of tax token slips on counters and generation of demand notices and reminders in cases of defaulters. Apart from these functions, the package was able to generate daily, monthly and yearly Cash Book.

## ***Audit Objectives***

**4.2.2** Information Technology based review on Road Transport Management Information System (NICTRAN) was conducted for the period from 15 November 2000 to 31 March 2003 with a view to evaluate:

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<sup>1</sup> Bokaro, Dhanbad, Daltonganj, Giridih, Hazaribagh, Jamshedpur and Ranchi,

<sup>2</sup> Database Management System.

- controls in NICTRAN package.
- effectiveness of application in monitoring, controlling and timely realization of taxes.
- effective control over issue of registration certificate (RC).
- extent and correctness of uncollected revenue.

### ***Organisational set up***

**4.2.3** At apex level, the State Transport Commissioner (STC) is the head of the Directorate constituted under Transport Department and has been entrusted with the responsibility of administration of Acts and Rules and all policy matters. In performance of duties, he is assisted by one Joint State Transport Commissioner at Headquarters, four Secretaries of Regional Transport Authorities (RTAs), 18 District Transport Officers (DTOs), Motor Vehicles Inspectors (MVIs), the Enforcement Wing (EW) consisting of Enforcement Officers, Inspectors and Sub Inspectors at the district level and five Check Posts.

### ***Audit Scope and Methodology***

**4.2.4** The offices of DTO Ranchi, Jamshedpur and Dhanbad were selected for IT audit. The taxation and registration data was provided by DTOs in electronic format in August and September 2003. The taxation and registration data since creation of the state of Jharkhand (15 November 2000) upto March 2003 was analysed using Computer Assisted Auditing Tool namely IDEA<sup>3</sup> 2001 to examine the integrity, completeness, existence and availability of data. Besides examining the package and data, the existence and adequacy of general IT controls in the organisation was also assessed to verify its impact on data maintenance and IT asset safeguarding. IT audit work was performed during September 2003 to December 2003 at the premises of selected DTOs.

The NICTRAN system was implemented in March 1992 in DTO Ranchi and in January 1993 in DTO Jamshedpur and Dhanbad. Audit findings on the data of registration and taxation of DTO Ranchi, Jamshedpur and Dhanbad since 15 November 2000 to 31 March 2003 are discussed in the succeeding paragraphs.

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<sup>3</sup> Interactive Data Extraction and Analysis

***Non-compliance of instructions issued in respect of registration***

**4.2.5** Government of India through gazette notification issued on 31 January 2001 allotted “JH” alphabets to Jharkhand state. Accordingly, STC of Jharkhand issued a notification in January 2001 to all the DTOs to register vehicles in “JH-A” series.

Scrutiny of registration database of DTOs revealed that in violation of the instructions issued by STC in January 2001, 292 (Ranchi-57, Jamshedpur-221 and Dhanbad-14) vehicles were registered in “BR” series (allotted for Bihar) after date of issue of notification.

After this was pointed out, DTO Jamshedpur stated (November 2003) that after allotment of ‘likely number’, applicants in some cases furnished registration papers after considerable gaps. DTO Dhanbad replied that “JH” series was allotted after 19 February 2001. The reply of DTO Jamshedpur and Dhanbad was not tenable as registration fees were realised after 31 January 2001 and allotment of “BR” series was in violation of instructions issued by STC in January 2001.

***Incomplete database***

**4.2.6** As per Rule 47 of Central Motor Vehicles Rules, 1989, Form 20 has been prescribed for registration of vehicles which contains information about vehicles in 33 fields. In NICTRAN package, all 33 fields have been provided for data entry.

Analysis of registration database of DTO Ranchi, Jamshedpur and Dhanbad revealed that data capture was partial even in crucial fields (Annexure A). It was revealed that the data entry pertaining to mandatory fields for registration such as registration date, owner’s name, address, dealer’s name, engine/chassis number and insurance number/ date was not done in many cases in all the DTOs taken up for audit as per details in the following table:

DTO	Total no. of vehicles	Total number of fields having blank field values					
		Registration Date	Owner’s name	Address	Dealer’s name	Engine No. / Chassis No.	Insurance company / Insurance No. / Date
Ranchi	48,513	2,336	75	1,648	1,640	1,601	1,632
Jamshedpur	33,241	10,499	1,719	19,707	16,014	10,429	33,241
Dhanbad	29,983	20,976	6,127	25,032	29,983	29,983	29,983

The engine/chassis number, name of dealer and name of insurance company and insurance number/date were not being captured at all by DTO Dhanbad. The name of insurance company and insurance number/date was not being captured by DTO Jamshedpur.

DTO Jamshedpur replied (November 2003) that necessary instructions would be issued for capturing complete data. In the office of DTO Dhanbad, vehicle registration was switched over to manual system due to non availability of pre-printed RC Book thus data capture was incomplete. DTO Dhanbad replied (December 2003) that after receipt of pre-printed RC Book from STC office, data would be captured.

It was also observed in audit that data pertaining to annual income and PAN/GIR<sup>4</sup> number were not captured in respect of 48,100 vehicles which were registered during June 2002 to March 2003 in three DTOs of Ranchi, Jamshedpur and Dhanbad, though it was mandatory for vehicle owner to disclose such information as per Central Government notification<sup>5</sup> (May 2002). On being pointed out, DTO Jamshedpur and Dhanbad immediately notified (November 2003 and December 2003 respectively) for disclosure of annual income and PAN/GIR number by vehicle owners.

The scrutiny of taxation database of DTOs also revealed that while granting No Objection Certificates (NOC) to those opting for tax payment in other districts of Jharkhand, name of place where tax would be payable was not being captured. Thus, information regarding place wise NOC was not possible from the database and instantaneous information could not be passed on to other DTOs for cross checking and timely realisation of revenue.

Thus, any analysis and generation of reports for MIS based on incomplete database are likely to furnish incomplete and misleading information besides making database unreliable. Non capture of crucial fields such as engine/chassis number and insurance number/date in DTO Dhanbad made the database totally unreliable.

### ***Lack of control over monitoring of duplicate engine/chassis number***

**4.2.7** Engine and chassis number is the identification of a vehicle. There was no validation control in the system to check for duplication of engine and chassis number in the database.

An analysis of registration database of DTO Ranchi, revealed that out of 48,513 registration records, there were 26 cases of duplicate engine/chassis number. The mistake in data entry was ruled out on manual verification of these 26 cases from registration register available with DTO Ranchi. These 26 cases also contain five cases of duplicate insurance certificate/cover note certificate number. This led to apprehension of cases of stolen vehicle which have been reregistered to cover up the theft. For cross verification, City Superintendent of Police (SP), Ranchi was approached to cross verify the audit analysis with the information about stolen vehicles available with police. The

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<sup>4</sup> Permanent Account Number/General Index Number

<sup>5</sup> GSR 400 (E) dated 31-05-2002 w.e.f. 31-05-2002.

City SP investigated the matter and found *prima-facie* case of involvement of nine vehicle dealers, officials of DTO and four insurance companies of Ranchi along with vendors (Dalal). A First Information Report (FIR) was lodged (October 2003) by police in Kotwali Thana, Ranchi. The case is now under detailed investigation by police authorities (December 2003).

Similar analysis of registration database of DTO Jamshedpur revealed that there were 19 cases (38 vehicles) of duplication in engine and chassis number. On manual verification with registration registers and sales certificates (only seven sales certificates were produced to audit), it was found that in two cases double RC was actually issued. The possibility of issuing fake or wrong RCs could not be ruled out in remaining cases. DTO Jamshedpur replied (November 2003) that there was no provision in the system to check registration of vehicles having same engine/chassis number.

The analysis of duplicate engine number and chassis number of DTO Ranchi and Jamshedpur was reported to STC in October and November 2003. STC also issued instructions (November 2003) to all DTOs to tighten the procedure of vehicle registration in the state. As per instructions, all vehicle owners were required to submit application for registration and to produce photo identity so that involvement of agents could be mitigated. Motor Vehicle Inspectors were instructed to verify the papers relating to registration before issuing the fitness certificate.

Due to lack of validation checks in engine number and chassis number fields, it was possible for vehicle owners to manage two or more RCs in respect of self-vehicles under same or different names. The possibility of fraudulent insurance claims can not be ruled out in such a scenario. Also there was possibility of persons plying same vehicle under different registration numbers. As established in audit analysis, at DTO Ranchi and Jamshedpur, there were cases of double registration under same as well as different owner names.

Similar analysis of registration database of DTO Dhanbad was not possible as engine and chassis number along with insurance cover note certificate was not captured as vehicle registration was switched over to manual system due to non availability of pre printed RC Book.

### ***Lack of control over duplicate Insurance Certificate/Cover Note number***

**4.2.8** Rule 47 of Central Motor Vehicles Rules, 1989 has prescribed Form 20 for application of vehicle registration in which insurance certificate or cover note number is to be filled in by owner of the vehicle.

Since there was no validation check in the system for avoiding duplication of insurance certificate/cover note number and analysis of 26 cases of duplicate engine and chassis number of DTO Ranchi revealed five cases of duplicate

insurance certificate/cover note number in the database, a further analysis of registration database of DTO Ranchi with a view to find out duplicity in insurance certificate/cover note number was done.

There were 3,530 vehicles' registration records having repeating insurance certificate/cover note number in the database of DTO Ranchi (Annexure-B). Out of 3,530 records having repeating field values, 100 vehicles of JH-01B, 48 vehicles of JH-01C, 32 vehicles of JH-01D and 19 vehicles of JH-01E series were found registered with same insurance certificate/cover note number '199392' issued by Oriental Insurance Co. Ltd. as per database for period ranging from December 2001 to March 2003. Similarly, 73 vehicles of JH-01D and 72 vehicles of JH-01E had been registered with same insurance certificate/cover note number '111873' issued by Oriental Insurance Co. Ltd. as per database for period ranging from September 2002 to July 2003. The recurrence of multiplicity of insurance certificate/cover note number indicated that insurance certificate/cover note number have been forged to get the vehicle registered.

The matter was reported to STC (November 2003) for detailed enquiry. STC replied (December 2003) that Joint STC has been entrusted to investigate the matter. STC accepted that proper validation had not been provided to check the duplication of insurance number in the system. The matter was also brought to the notice of the Oriental Insurance Co. Ltd. in November 2003 and an internal audit conducted between November 2003 and February 2004 in the Ranchi branch of Oriental Insurance Co. Ltd. revealed that the same insurance cover note number has indeed been mis-utilised for registration of multiple vehicles.

Similar analysis of registration database of DTO Jamshedpur and Dhanbad could not be done as insurance cover note number with date of insurance was not captured in the database at all where possibility of such recurrences can not be ruled out.

### ***Evasion of entry tax of Rs 62.02 lakh***

**4.2.9** A notification under section 3(1) of Bihar Tax on Entry of Goods Act, 1993 was issued in March 2002 by Commercial Tax Department, Government of Jharkhand where entry tax at five per cent on the sale value of the vehicle was to be levied on vehicles purchased in other states.

Scrutiny of registration database of three DTOs revealed that 183 buses were purchased by Tribal Welfare Department, Ranchi under MESO<sup>6</sup> (Micro Economic Social Organisation) project from outside the state but entry tax of Rs 62.02 lakh was not paid as detailed below:

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<sup>6</sup> Tribal Welfare Project of Government of Bihar.



Name of the DTO	Vehicle Series	Number of vehicles involved	Entry Tax (Rs in lakh)
Ranchi	-	108	36.60
Jamshedpur	JH-05C	59	20.00
Dhanbad	JH-10B & JH-10C	16	5.42
<b>Total</b>		<b>183</b>	<b>62.02</b>

Scrutiny of Registration Register maintained by DTO Ranchi revealed that 108 such vehicles were not yet registered although current applicable taxes were being accepted in respect of these vehicles. DTO Ranchi also accepted that the vehicles have not yet been registered. These unregistered vehicles were plying with likely number registration plates and their registration was pending due to entry tax of Rs. 36.60 lakh at five per cent of sale value not being deposited. The capturing of details of unregistered vehicles in database and collecting road taxes in respect of unregistered vehicles was in clear violation of the norms and Government instructions. In case of Jamshedpur, 59 vehicles were registered without verifying the clearance of entry tax certificate. DTO Jamshedpur replied that in respect of these 59 vehicles, matter has been referred to concerned beneficiaries through District Commissioner, East Singhbhum. DTO Dhanbad replied (December 2003) that matter would be brought to notice of STC in respect of 16 vehicles regarding non-deposition of entry tax. This resulted in non-realisation of payment of entry tax of Rs 62.02 lakh.

***Outstanding tax of Rs 80.22 lakh from private school buses***

**4.2.10** As per STC Bihar notification of July 1994, all school buses are to pay tax on seating capacity of seven instead of actual number of seating capacity. This notification was cancelled in May 1998 and all school bus owners were liable to pay tax as per actual seating capacity with effect from 14 May 1998. Against Government notification of May 1998, School Management Committees of Ranchi filed a writ in Hon'ble High Court, Ranchi Bench which was annulled (24 August 1999). Hon'ble High Court again annulled the leave petition filed by School Management Committee (April 2000). Further, STC Bihar clarified to DTO Ranchi (July 2000) that taxes were to be realised without penalty and with penalty w.e.f. 14 May 1998 and 25 August 1999 respectively.

Scrutiny of database of DTO Ranchi and its subsequent manual verification revealed that Rs. 80.22 lakh was outstanding from 57 school buses plying in Ranchi upto March 2003. Though the system was able to generate instantaneous demand notices and reminders, the same was not being done resulting an outstanding tax of Rs 80.22 lakh. DTO Ranchi replied (October 2003) that demand notices will be issued against defaulter vehicles.

### ***Non-collection of additional tax of Rs 74.44 lakh***

**4.2.11** As per section 5 of the Bihar Motor Vehicles Taxation Act, 1994, every owner of a registered vehicle shall pay road tax and additional motor vehicle tax as prescribed in the schedule. Schedule II of the Act prescribes annual additional motor vehicle tax of Rs 240 for every seat in respect of transport vehicles with seating capacity of more than six but not exceeding 15 persons exclusive of the driver. Further, as per Rule 4 of the Bihar Motor Vehicles Taxation Rules, 1994, penalty on delayed payment of taxes shall be imposed. Further, additional tax is leviable even from private vehicles in terms of instructions issued by Joint STC of Bihar in May 2002 as per provisions of Bihar Motor Vehicles Taxation Rules, 1994 which was adopted by Jharkhand Government.

Scrutiny of tax database of DTO Ranchi, Jamshedpur and Dhanbad in respect of vehicles having seating capacity of seven to 11 persons (Maruti Gypsy, Mahindra Jeep, TATA Spacio, Marshal Jeep, Toyota Qualis etc) revealed that additional road taxes amounting to Rs.74.44 lakh were not being paid by 1,306 transport vehicle owner during 15 November 2000 to 31 March 2003 as detailed below:

Name of DTO	Vehicles series	Number of Vehicles	Category of vehicles as per database	Amount of Additional Road Tax with penalty (Rs. in lakh)
Ranchi	JH-01A to JH-01E	281	Commercial	36.64
	JH-01B to JH-01D	350	Self vehicle	
Jamshedpur	JH-05B to JH-05D	3	Commercial	20.19
	JH-05B to JH-05D	427	Self vehicle	
Dhanbad	JH-10A to JH-10C	229	Commercial	17.61
	JH-10A to JH-10C	16	Self vehicle	
<b>Total</b>		<b>1,306</b>		<b>74.44</b>

DTO Ranchi replied (October 2003) that commercial vehicles as per database were actually those vehicles which had been categorized as commercial vehicles for the purpose of fitness certificate but were otherwise self vehicles and additional motor vehicle tax is not leviable on these vehicles. The reply of DTO Ranchi was not tenable as vehicles requiring fitness certificate on a regular basis cannot be a private vehicle. Thus, non-imposition of additional road tax resulted in non-realisation of additional road tax of Rs 74.44 lakh including penalty.

### ***Outstanding tax of Rs 57.08 lakh from defaulter vehicles***

**4.2.12** Under section 5 of the Bihar Motor Vehicles Taxation Act, 1994 and rules framed thereunder, tax in respect of a vehicle is payable annually or quarterly within 15 days of the commencement of the year or quarter as the case may be. Further, under rule 4 of the Bihar Motor Vehicles Taxation

Rules, 1994, if the tax in respect of a vehicle has not been paid in time, a penalty is recoverable and DTOs are required to issue demand notices against the defaulter vehicles and initiate certificate proceedings in case demand notice fails to effect recovery.

The analysis of data of DTOs revealed that in respect of 987 defaulter vehicles of “JH” series, Rs 57.08 lakh was outstanding as per table below.

SL No.	Name of DTO	Total no of defaulter vehicles	Time period	Monetary value (Rupees in lakh)
1	Ranchi	602	January 2001- March 2003	22.39
2	Jamshedpur	24	January 2001- November 2003	13.43
3	Dhanbad	361	January 2001- November 2003	21.26
<b>Total</b>		<b>987</b>		<b>57.08</b>

DTO Ranchi replied (September 2003) that demand notices would be issued to defaulter vehicles. DTO Jamshedpur and Dhanbad replied (December 2003) that demand notices and certificate cases were instituted manually. However, it was observed that though the system provided for instantaneous generation of demand notices and certificate cases, the same was not done in Jamshedpur and Dhanbad due to improper coding in the programme. DTO Jamshedpur and Dhanbad replied that NIC would be approached in this regard. Thus, due to non-observance of the provisions of Act and Rules, taxes including penalty of Rs 57.08 lakh remained unrealised.

### ***Short realisation of choice fees of Rs 11.27 lakh***

**4.2.13** As per Rule 64 of Bihar Motor Vehicles Rules, 1992, the choice fee of Rs 100 was realisable from the vehicle owners at the time of registration of vehicles if a preferred registration number is sought for. As per notification issued by Government of Jharkhand dated 13 July 2001, the choice fee rate was enhanced from Rs 100 to Rs. 5,000.

Scrutiny of registration database of DTOs revealed that in respect of 230 vehicles choice fees were realised at the rate of Rs 100 after 13 July 2001 which led to short realisation of choice fees of Rs 11.27 lakh as given below:

Name of DTO	Vehicle Series	Number of vehicles	Period up to realisation of choice fees @ of Rs 100 per vehicle	Differential choice fees not realized @ of Rs 4900 per vehicle (Rs in lakh)
Ranchi	JH-01A	61	19 September 2001	2.99
	JH-01B	8	08 November 2001	0.39
Jamshedpur	JH-05A	106	04 August 2001	5.19
Dhanbad	JH-10A	55	28 July 2001	2.70
<b>Total</b>		<b>230</b>		<b>11.27</b>

DTOs replied (October, November and December 2003) that choice fee of Rs 5,000 could not be realised due to late receipt (16 days to 133 days) of Government notification.

### *Non- vigilance of road permits cases*

**4.2.14** The system maintains centralised data bank in DTOs so that any information regarding transport/commercial vehicles can be cross checked with registration and taxation database. Road permits to commercial vehicles are issued by RTAs/STAs either permanent or temporary for a given period. The information regarding road permits can be obtained from RTAs/STAs and checked with number of transport vehicles plying on road. Any discrepancy would point on number of vehicles plying without permits or false permits and information can be sent to enforcement wing for taking action.

It was observed in DTOs that no such information was sent by RTAs/ STAs for cross checking though provided in user manual.

### *Recommendations*

**4.2.15** In view of the observations made in the review, Government may consider following suggestions:

- Rules as amended from time to time by STA need to be incorporated in the computer system to avoid loss of revenue to the Government.
- The system should have sufficient application controls so that consistent and complete database can be maintained by DTOs.

The matter was referred to Government (January 2004), the reply is awaited (October 2004) despite repeated requests.

## **4.3 Loss due to delay in deposit of revenue collected**

Under the provisions of the Bihar Financial Rules, all transactions must be brought to account without delay and should be credited to public account. According to instructions issued by the Government in March 1996, all collecting banks are required to transfer the amount of taxes, fees, etc. deposited by owners of vehicles under the taxation Act to the nodal bank i.e. State Bank of India (SBI), Doranda Branch, Ranchi. As per instructions of State Transport Commissioner (STC), the amount deposited in the bank during April to February is to be transferred latest by the first week of the succeeding month. The amount deposited in March is to be transferred by 31 March

positively so that all receipts of a financial year stand transferred to government account within the same financial year. As per STC's instruction of August 1995 the District Transport Officers (DTOs) were required to obtain certificate of collection of revenue by the collecting bank and transfer thereof to the nodal bank and intimate the same to Headquarters office alongwith a certificate of transfer of revenue. Further, the Reserve Bank of India, by instructions issued in 1995, had prescribed that interest at the rate of 11.30 per cent per annum would be payable by banks on delayed remittances to government account.

In respect of four DTOs and STC, Jharkhand, Ranchi it was noticed that Punjab National Bank at Bokaro, Jamshedpur and Ranchi, and Bank of India, Hazaribagh and State Bank of India, CMPDIL Branch, Ranchi did not transfer the amount of tax collected by them between 1999-2000 and 2002-03 to SBI, Doranda Branch, Ranchi within the prescribed time for remitting to government account. The delay ranged between one month to 11 months. As on 31 March 2002 Rs 24.43 crore was still pending in the banks for transfer. Moreover, no action was taken to levy interest amounting to Rs 3.45 crore as detailed below:

(Rupees in lakh)

Sl. No	Name of the Bank	Period	Balance as on	Interest
1	2	3	4	5
1	State Bank of India, CMPDIL Branch, Ranchi	During 2002-03 the bank collected Rs 15.12 crore and transferred the entire amount to SBI Doranda (nodal bank) in one instalment in March 2003 though required to be remitted in the first week of every month following collection.	Nil (31.3.2003)	99.02
2	Bank of India, Hazaribagh	During 2001-02 the bank collected Rs 6.82 crore and remitted only Rs 6 crore in four instalment in July, September, November 2001 and February 2002 though required to be remitted in the first week of every month following collection.	82.18 (31.3.2002)	11.95
3	Punjab National Bank, Ranchi	1. During 2001-02 the bank collected Rs 15.87 crore and remitted the entire amount to the nodal bank during the year in instalments though the amount was required to be remitted in the first week of every month following collection.	Nil (31.3.2002)	5.94
		2. During 2000-01 the bank collected Rs 23.28 crore and remitted Rs 20.12 crore to the nodal bank in five instalments in April, May, July, August 2000 and February 2001 though required to be remitted it in the first week of every month following collection.	315.68 (31.3.2001)	54.18
4	Punjab National Bank, Jamshedpur	1. During 2001-02 bank collected Rs 15.20 crore and remitted only Rs 7.17 crore in nine instalments in each month except April, September and November 2001 though required to be remitted in the first week of every month following collection.	803.58 (31.3.2002)	64.99
		2. During 2000-01 bank collected Rs 16.57 crore and remitted only Rs 11.87 crore to nodal bank in six instalments in May, June, July, September, October and December 2000 though required to be remitted in the first week of every month following collection.	469.80 (31.3.2001)	64.91

<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>
5	Punjab National Bank, Bokaro	1. During 2001-02 bank collected Rs 7.51 crore and remitted only Rs 2.61 crore to nodal bank in two instalments in April and November 2001 though required to be remitted in the first week of every month following collection.	490.40 (31.3.2002)	27.40
		2. During 1999-2000 bank collected Rs 5.16 crore and remitted Rs 2.34 crore to nodal bank in four instalments in July, October, November 1999 and March 2000 though required to be remitted in the first week of every month following collection.	281.83 (31.3.2000)	16.27
		<b>Total</b>	<b>2443.47</b>	<b>344.66</b>

On this being pointed out, DTOs stated that the matter would be brought to the notice of the higher authorities and bank would also be instructed to transfer the amount timely. STC stated in July 2003 that all the amounts were deposited into Bank on 31 March 2003. The reply is not tenable as the collected amount was not transferred into government account within the prescribed time.

The matter was brought to the notice of Government in July 2003; their final reply is awaited (October 2004).

#### **4.4 Tax not collected**

Under the provisions of the Bihar Motor Vehicle Taxation (BMVT) Act, 1994, the tax is to be paid to the DTO in whose jurisdiction the vehicles are registered. In case of change of place of residence/ business, the owner can pay tax to the new Registration Authority subject to production of "No Objection Certificate" (NOC) from the previous DTO as prescribed. Penalty is leviable for non- payment of tax within time.

In 13 DTOs<sup>7</sup> there were 710 tax defaulter vehicles as on November 2002 involving tax dues of Rs 6.49 crore including penalty for the period between April 1997 and December 2002. Further, there was nothing on record about change of addresses of owners or surrender of documents of vehicles for securing exemption from payment of tax during the period of non- payment of tax in 710 cases. Even primary steps of issuing demand notices were not taken by the concerned DTOs for realisation of dues.

On this being pointed out, the DTOs stated between November 2001 and November 2002 that demand notices would be issued for realisation of dues.

The cases were reported to the Government in July 2003; their final reply is awaited (October 2004).

<sup>7</sup> Bokaro, Chaibasa, Deoghar, Dhanbad, Giridih, Godda, Gumla, Hazaribagh, Jamshedpur, Koderma, Palamau, Ranchi and Sahebganj.

#### **4.5 Non-realisation of trade tax and penalty**

Under the BMVT Act, 1994, tax at the annual rate as prescribed is to be paid by a manufacturer/dealer in respect of the motor vehicles in his possession in the course of his business as manufacturer/dealer. Further, as per the instruction issued in May 2001 by the Department, penalty on delayed payment of trade tax is leviable at the prescribed rate.

In DTO, Jamshedpur, it was noticed that a manufacturer of motor vehicles had not paid trade tax for the years 2000-01 and 2001-02 in respect of 60,939 vehicles manufactured by him. The Department had not taken any action to realise the same. Failure of the Department in realising trade tax resulted in non-realisation of trade tax of Rs 1.57 crore including penalty.

On this being pointed out, the DTO stated in November 2002 that demand notices would be issued.

The matter was reported to the Government in July 2003; their final reply is awaited (October 2004).

#### **4.6 Non/short realisation of fees**

The Central Motor Vehicles Rules, 1989 prescribe rates of fees in respect of issue of driving licence, registration of vehicles, issue of certificate of fitness, testing fee etc. By a notification issued in March 2001, Government of India enhanced the rates of fees with effect from 1 April 2001.

In eight DTO<sup>8</sup> it was noticed that in respect of 49,717 vehicles and 84,473 licences, fees were realised at pre-revised rates during the year 2001-02. Failure of the Department in realising the fees at enhanced rate resulted in non/short realisation of fees amounting to Rs 1.11 crore.

On this being pointed out, the DTOs stated between April 2002 and February 2003, that due to late circulation of the notification in March 2002 by the Department, the fees at enhanced rates could not be realised. Reply is not tenable as the Department should have a system in place for prompt circulation of notification of the Government of India issued from time to time, delay on the part of the Department in circulating the notification resulted in non-realisation of fees at enhanced rate.

The matter was reported to the government in July 2003; their final reply is awaited (October 2004).

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<sup>8</sup> Deoghar, Giridih, Godda, Hazaribagh, Jamshedpur, Lohardaga, Palamu and Ranchi.

#### **4.7 Loss of revenue due to irregular acceptance of surrender**

Under the BMVT Act, 1994 and 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 payment of tax by the competent authority provided his claim for exemption is supported by the required documents such as certificate of registration, fitness certificate, tax token etc. For the period of non- use of vehicles, he is entitled for exemption from payment of tax after following the prescribed procedure. He shall also, from time to time, furnish undertaking to the concerned Taxation Officer of the extension, if any, of the said period.

In two DTOs, Dhanbad and Palamau, it was noticed that out of 44 motor vehicles for which documents were surrendered between October 1997 and February 2002 for non-use, 20 motor vehicles were kept under surrender without any extension of the prescribed period. In the case of the remaining vehicles surrender was incorrectly accepted as the vehicle owners had neither paid the tax nor furnished the prescribed undertaking. This resulted in non-realisation of tax amounting to Rs 8.37 lakh for the period February 1999 to September 2002.

On this being pointed out, the DTOs stated in September 2002 that the cases would be examined.

The cases were reported to the government in July 2003; their final reply is awaited (October 2004).

#### **4.8 Non-realisation of tax despite rejection of exemption cases**

Under the BMVT Act, 1994 read with rules made thereunder, the DTO on receipt of application accompanied by an affidavit of the owner that the vehicle has not been used in the State for a continuous period of not less than a calendar month, may exempt from payment of tax and dispose of the claim in prescribed manner if the amount of tax for the period concerned does not exceed Rs 4000. Otherwise, he shall forward the case record with his clear opinion to the State Transport Commissioner/ Regional Transport Authority (RTA) or the officer authorised by the State Government in this behalf for decision.

In three DTOs,<sup>9</sup> it was noticed from the surrender register, exemption register, case records and information furnished by the STC that in respect of 10 vehicles, exemption petitions were forwarded to the STC for granting exemption but the same were rejected by the STC between July 1999 and March 2002 due to incomplete application i.e. non-existence of important relevant information, period of exemption, amount to be exempted etc. No

<sup>9</sup> Dhanbad, Hazaribagh and Sahebganj.



steps were taken by the taxing officer to realise tax dues of Rs 6.52 lakh including penalty during the period between July 1997 and March 2002 for which the exemption was claimed.

On this being pointed out, the DTOs stated that demand notices would be issued.

The cases were reported to the Government in July 2003; their final reply is awaited (October 2004).

#### **4.9 Short realisation of tax due to irregular allowance of concessional rate of tax**

Under the provisions of the Motor Vehicles Act, 1988 and Bihar Motor Vehicles Taxation Act, 1994 buses run by educational institutions are liable to pay tax at the prescribed rates.

In three DTOs<sup>10</sup>, it was noticed that 15 vehicles were registered in the name of schools. Though such vehicles were liable to pay tax on their actual seating capacity, tax was levied for a seating capacity of seven. This resulted in short realisation of tax amounting to Rs 4.85 lakh during the period between April 1997 and December 2002.

On this being pointed out, the DTOs stated between August and December 2002 that the demand notices would be issued.

The cases were reported to the Government in July 2003; their final reply is awaited (October 2004).

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<sup>10</sup> Bokaro, Dhanbad and Ranchi.