

CHAPTER - IV : TAXES ON VEHICLES

4.1 Results of audit

Test check of records relating to taxes on vehicles during the year 2005-06 revealed non assessment of tax and losses of revenue amounting to Rs.40.88 crore in 22,211 cases which can broadly be categorised as under:

(Rupees in crore)

Sl. No.	Category	Number of cases	Amount
1.	Non/short-levy of vehicle tax, penalty and composition fee on public service vehicles	3,413	9.40
2.	Non/short levy of vehicle tax and penalty on goods vehicle	1,942	3.83
3.	Others irregularities	16,855	15.81
4.	Review- Receipts from Transport Department	01	11.84
	Total	22,211	40.88

The department accepted under assessment/loss etc. in 6,198 cases involving Rs.9.55 crore, which were pointed out in audit during 2005-06.

A findings of a review on **Receipts from Transport Department** involving Rs.11.84 crore are detailed in following paragraphs.

4.2 Review: Receipts from Transport Department

Highlights

- Vehicle Tax of Rs.6.17 crore and penalty of Rs.3.88 crore in respect of 1,770 motor vehicles for the period between April 2001 and March 2005 was neither paid by the owners of the vehicles nor was it demanded by the taxation authorities.

(Paragraph 4.2.8)

- Vehicle tax and penalty of Rs.37.01 lakh in respect of 149 motor vehicles of other States plying in Madhya Pradesh under reciprocal transport agreement was not recovered.

(Paragraph 4.2.9)

- No action was initiated for issuance of RRCs against 92 vehicle owners . This resulting in non realisation of Government revenue of Rs.37.70 lakh.

(Paragraph 4.2.10)

- Failure of the department to recover the balance amount of life time tax and penalty on maxicabs plying on all India tourist permits resulted in short levy of life time tax and penalty of Rs. 39.49 lakh.

(Paragraph 4.2.18)

Recommendations

Government may consider taking following steps to improve the effectiveness of the system:

- evolve an effective mechanism for regular monitoring of assessment and realisation of tax and fees;
- strengthen the internal audit wing and ensure that it functions properly.

4.2.1 Introduction

Receipts from Transport Department comprise of taxes on vehicles commonly known as vehicle tax, fees and penalties. Vehicle taxes are levied and collected in the State under the provisions of the Madhya Pradesh *Motoryan Karadhan Adhiniyam, 1991 (Adhiniyam)* and the Madhya Pradesh *Motoryan Niyam, 1991 (Rules)* made thereunder. Besides this, license fees, registration fees, fitness fees and permit fees, etc. are levied under the provisions of the Motor Vehicles Act, 1988 (Act) and the rules made thereunder by the Central Government and the State Government.

According to provisions of *Adhiniyam* and Rules, tax shall be levied on every motor vehicle used or kept for use in the State at the rates specified in the schedules to *Adhiniyam*. If owner of the vehicle defaults in payment of tax, he/she shall be liable to pay penalty at the rate of one third of the unpaid amount of tax for the default of each month upto February 2003 and thereafter two *per cent* per month upto three months and four *per cent* thereafter but not exceeding twice the unpaid amount of tax upto September 2004; thereafter rate of penalty was four *per cent* per month.

If owner of a vehicle fails to pay the tax due/penalty payable under this Act, the Taxation Authority (TA) to whom such amount is payable shall serve on the owner a notice in form E-2 for the sum payable to the State Government. After service of notice, if within seven days, the sum is not paid, it is recoverable as arrears of land revenue under Madhya Pradesh Land Revenue Code (MPLR Code), 1959. The power of recovery of arrears as arrears of land revenue was delegated by the State Government to all the TAs with effect from 9 December 1969.

4.2.2 Organisational set up

The Transport Department functions under the overall charge of Principal Secretary (Transport). The levy and collection of tax/fee/penalty on vehicles is administered and monitored by the Transport Commissioner (TC). He is assisted by three deputy transport commissioners (DTC) and internal audit wing at headquarters level and nine regional transport offices¹ (RTOs), 13 additional regional transport offices² (ARTOs), 19 district transport offices³ (DTOs) at field level.

4.2.3 Audit Objective

The review was conducted with a view to evaluate:

- the efficiency of the departmental machinery in assessment, levy and collection of revenue,
- extent of compliance of procedure/codal provisions of the Acts, Rules and departmental instructions issued thereunder and
- effectiveness of efforts made to recover dues as arrears of land revenue.

¹ Bhopal, Gwalior, Hoshangabad, Indore, Jabalpur, Morena, Rewa, Sagar and Ujjain

² Barwani, Chhatarpur, Chhindwara, Dhar, Guna, Khandwa, Khargone, Katni, Mandsaur, Neemuch, Satna, Seoni and Shahdol

³ Balaghat, Betul, Bhind, Datia, Damoh, Dindori, Harda, Jhabua, Mandla, Narsinghpur, Panna, Raisen, Rajgarh, Sehore Shajapur, , Shivpuri, Sidhi, Tikamgarh and Vidisha

4.2.4 Scope of audit

The records of TC, seven⁴ out of nine RTOs, eight⁵ out of 13 ARTOs and two⁶ out of 19 DTOs for the period 2000-2001 to 2004-2005 were test checked during the period between April 2005 and April 2006. The units were selected on the basis of maximum collection of revenue.

4.2.5 Trend of Revenue

The position of budget estimate *vis a vis* revenue collected during the last five years was as under:-

(Rupees in crore)

Sl. No.	Year	Budget estimate	Collection	Variation	Percentage of variation
1.	2000-2001	484.00	405.90	(-) 78.10	16.14
2.	2001-2002	435.00	393.33	(-) 41.67	9.58
3.	2002-2003	519.00	428.64	(-) 90.36	17.41
4.	2003-2004	541.00	454.92	(-) 86.08	15.91
5.	2004-2005	550.00	488.65	(-) 61.35	11.15

It would be seen from above that there is a wide variation between budget estimates (BEs) and actuals indicating therein that BEs are not realistic.

After this was pointed out, TC stated in July 2005 that BEs were fixed by the State Government and these were based on receipts of preceding year. However, no reasons were furnished for wide variation between BEs and receipts.

4.2.6 Failure of the department to recover uncollected amount of tax

As per information furnished by TC, Rs.30.45 crore was pending collection as on 31 March 2005 as detailed below:-

(Rupees in crore)

Sl. No.	Year	Opening Balance	Addition	Total	Clearance	Balance
1.	2000-01	9.54	2.30	11.84	0.75	11.09
2.	2001-02	11.09	7.30	18.39	-	18.39
3.	2002-03	18.39	4.29	22.68	4.34	18.34
4.	2003-04	18.34	20.00	38.34	10.00	28.34
5.	2004-05	28.34	8.07	36.41	5.96	30.45

It would be seen from the above that amount of arrears increased from Rs.9.54 crore to Rs.30.45 crore during the last four years.

⁴ Bhopal, Gwalior, Indore, Jabalpur, Rewa, Sagar and Ujjain

⁵ Barwani, Chhindwara, Guna, Khandwa, Khargone, Satna, Seoni and Shahdol

⁶ Bhind and Raisen

After this was pointed out, the TC stated in April 2006 that the instructions were being issued to TAs for realisation of the arrears. It was further stated that information was being collected from TAs about the action taken for recovery of the arrears which would be supplied to audit.

4.2.7 Internal audit and inspection

4.2.7.1 The internal audit wing in the department was constituted in 1992 under the direct control of TC. The internal audit was conducted under the supervision of the DTC (Finance).

The sanctioned strength and the actual working strength of the internal audit wing during the last five years was as below:-

Sl. No.	Year	Assistant internal audit officer		Junior auditor	
		Sanctioned strength	Actual strength	Sanctioned strength	Actual strength
1.	2000-01	4	2	4	2
2	2001-02	4	2	4	1
3.	2002-03	4	1	4	1
4.	2003-04	4	1	4	1
5.	2004-05	4	2	4	1

Internal audit wing conducted audit of only one unit during 2002-03 and nine units during 2004-05. It is evident from the above table that internal audit coverage was not adequate when compared to men in position.

After this was pointed out, TC stated that internal audit staff was engaged in work of budget control. Thus, deployment of staff for purposes other than that of internal audit defeated the very purpose for which it was created.

4.2.7.2 Non conducting of inspection by head of the office

As per Government of Madhya Pradesh General Administration Department⁷ instructions dated 31 March 1992 followed by TC's circular dated 15 December 1992, every head of office was required to inspect his office at least twice in a year. However, test check of records of five RTOs⁸, six ARTOs⁹ and DTO Bhind revealed that no inspection was conducted by the head of the office during the period covered in review. Some important records were either not maintained properly or were not maintained at all. A few instances are detailed below:

Demand and Recovery Register (DR) required to be maintained under Rule 20 of Rules did not contain essential details of vehicles like permits, routes, etc. As a result, correctness of the tax due could not be ascertained.

⁷ Memo No. F.2/1/90/9 dated 31.03.1992

⁸ Bhopal, Indore, Jabalpur, Rewa and Sagar

⁹ Barwani, Chhindwara, Khandwa, Khandwa, Khandwa, Seoni and Shahdol

Register of offence cases required to be maintained under the Act, was not maintained by the TC office.

After this was pointed out, concerned TAs stated that these points have been noted for future guidance.

4.2.8 Non levy of vehicle tax and penalty

According to section 3(1) of the *Adhiniyam*, a tax shall be levied on every motor vehicle used or kept for use in the State at the rates specified in the first schedule to the *Adhiniyam*.

Vehicle Tax of Rs.6.17 crore and penalty of Rs.3.88 crore in respect of 1,770 motor vehicles for the period between April 2001 and March 2005 was neither demanded by the TAs nor was it paid by the owners of the vehicles. These cases were not listed out by TA nor were recovery watched by higher authorities.

4.2.8.1 Public service vehicles (PSVs) plying on regular stage carriage permits

Test check of records of 15 offices¹⁰ revealed that 216 operators did not pay vehicle tax amounting to Rs.1.73 crore in respect of 233 PSVs plying on 245 regular stage carriage permits between April 2001 and March 2005, nor was it demanded by the TAs. This resulted in non realisation of tax of Rs.1.73 crore. Besides penalty of Rs.1.04 crore was also leviable.

After this was pointed out, the department accepted audit observation in 83 cases out of which in 23 cases tax and penalty of Rs.27.72 lakh was recovered by six TAs¹¹ while in 60 cases demand was raised. Reply from other offices was awaited (January 2007).

4.2.8.2 Public service vehicles kept as reserve

As per Item No. IV (e) of the first schedule under section 3(1) of the *Adhiniyam*, the tax for reserve stage carriage at the rate of 160 per seat per month for ordinary bus and 230 per seat per month for deluxe bus is leviable.

Test check of records of 17 offices¹² revealed that 442 ordinary buses and 12 deluxe buses were kept as reserve buses. The operator of these vehicles did not pay any tax nor was it demanded by the department. This resulted in non levy and recovery of vehicle tax of Rs. 2.89 crore for the period between September 2002 and March 2005. Besides penalty of Rs.1.85 crore was also leviable.

¹⁰ 7 RTOs Bhopal, Gwalior, Indore, Jabalpur, Rewa, Sagar and Ujjain, 7 ARTOs Chhindwara, Guna, Khandwa, Khargone, Satna, Seoni and Shahdol and DTO Bhind

¹¹ 4 RTOs Bhopal, Indore, Jabalpur and Sagar and 2 ARTOs Guna and Seoni

¹² 7 RTOs Bhopal, Gwalior, Indore, Jabalpur, Rewa, Sagar and Ujjain
8 ARTOs Barwani, Chhindwara, Guna, Khandwa, Khargone, Satna, Seoni and Shahdol and 2 DTOs Bhind and Raisen

After this was pointed out, the department accepted audit observation in 97 cases out of which in 36 cases tax and penalty of Rs. 31.91 lakh was recovered by 4 TAs¹³ while in 61 cases demand was raised. Reply from other offices was awaited (January 2007).

4.2.8.3 Goods carriages

As per Item No. V of the first schedule under section 3(1) of the *Adhiniyam* tax for goods carriage is leviable on the basis of the registered laden weight (RLW).

Test check of records of 17 offices¹⁴ revealed that vehicle tax of Rs.1.31 crore on 1,007 goods carriages for the period between April 2001 and March 2005 was neither paid by the vehicle owners nor was it demanded by the TAs. This resulted in non levy of tax of Rs.1.31 crore. Besides penalty of Rs. 89.50 lakh was also leviable.

After this was pointed out, the department accepted audit observations in 381 cases out of which in 111 cases tax and penalty of Rs. 22.54 lakh was recovered by five TAs¹⁵ while in 270 cases demand was raised. Reply from other offices was awaited (January 2007).

4.2.8.4 Vehicles plying on all India tourist permits

All India tourist permit is granted by the State transport authority (STA) under Section 88(9) of the Act. Tax is payable at the rates prescribed in the *Adhiniyam*.

Test check of records of four offices¹⁶ revealed that vehicle tax of Rs. 13.59 lakh and penalty of Rs.4.68 lakh on 10 PSVs plying on all India tourist permits for the period between April 2003 and March 2005 was neither paid by the owner of the vehicles nor was it demanded by the TAs. This resulted in non realisation of tax of Rs. 13.59 lakh. Besides penalty of Rs.4.68 lakh was also leviable.

After this was pointed out the department accepted audit observations in six cases out of which in four cases tax and penalty of Rs. 7.57 lakh was recovered by RTO Indore while in two cases demand was raised. Reply from other offices was awaited (January 2007).

4.2.8.5 Private service vehicles and school buses

As per Item No. VII and VIII of the first schedule under section 3(1) of the *Adhiniyam*, tax on private service vehicles and school buses is payable at the rate prescribed in the *Adhiniyam*.

¹³ 3 RTOs: Bhopal, Indore and Jabalpur and ARTO Guna

¹⁴ 7 RTO:s Bhopal, Gwalior, Indore, Jabalpur, Rewa, Sagar and Ujjain
8 ARTOs: Barwani, Chhindwara, Guna, Khandwa, Khargone, Satna, Seoni
and Shahdol and 2 DTOs Bhind and Raisen

¹⁵ 3 RTO:s Bhopal, Jabalpur and Sagar and 2 ARTOs Guna and Seoni

¹⁶ 3 RTOs: Indore, Jabalpur and Sagar and ARTO Khandwa

Test check of records of two offices¹⁷ revealed that vehicle tax of Rs.9.83 lakh of 10 private service vehicles and 56 school buses for the period between April 2002 and March 2005 was neither paid by the vehicle owners nor was it recovered by the TAs. This resulted in non-realisation of tax of Rs. 9.83 lakh. Besides penalty of Rs. 4.95 lakh was also leviable.

After this was pointed out, the concerned officers stated that action for recovery would be taken after examination of the cases. Further progress of action taken was awaited (January 2007).

4.2.9 *Non levy of vehicle tax and penalty on motor vehicles of other states plying on countersigned permits under reciprocal transport agreement.*

According to the provisions of the *Adhiniyam*, any motor vehicle of other State is permitted to ply in the State under reciprocal transport agreement on payment of tax to the designated authority at the rate specified in the first schedule to the *Adhiniyam*, failing which the owner shall be liable to pay a penalty at the rate specified in the *Adhiniyam*. In case, the owner does not pay the tax or penalty or both, the TA shall serve a demand notice and recover the dues as arrears of land revenue.

Test check of records of four offices¹⁸ revealed that vehicle tax of Rs. 23.07 lakh of eight PSVs and 141 goods carriages of Uttar Pradesh State plying in Madhya Pradesh under reciprocal transport agreement during the period between April 2003 and March 2005 was not paid by the vehicle owners. There was nothing on record to indicate that the vehicles had applied or were declared “off road”. However, no action was taken to raise the demand by the TAs resulting in non levy of tax of Rs. 23.07 lakh. Besides penalty of Rs. 13.94 lakh was also leviable.

After this was pointed out, the department accepted audit observation in four cases out of which in three cases tax and penalty of Rs. 0.77 lakh was recovered by RTO Sagar while in one case demand was raised. Reply from other offices was awaited (January 2007).

4.2.10 *Failure in taking follow up action in cases where demand notices were issued*

According to the provisions of *Adhiniyam* and Rules made thereunder, where any owner fails to pay the tax or penalty or both, the TAs shall serve on the owner a notice of demand for the sum payable to the State Government. In case of failure to pay the sum contained in the notice within seven days of the service of notice, the TA may proceed to recover the amount as arrears of land revenue.

Test check of records of two offices¹⁹ revealed that though demand notices were issued between March and September 2005 to 92 owners of vehicles for recovery of tax and penalty amounting to Rs.37.70 lakh for the period falling between April 2003 and March 2005, the same was not paid by the owner

¹⁷ 2 RTOs: Gwalior and Sagar

¹⁸ TC, 3 RTOs: Gwalior, Rewa and Sagar

¹⁹ RTO Ujjain and ARTO Barwani

of the vehicles. Thereafter no action for issuance of revenue recovery certificate was taken by the department. Failure of the TAs to adhere to the provisions of Act and Rules resulted in non recovery of tax including penalty of Rs.37.70 lakh.

After this was pointed out, the RTO/ARTO stated that further action for recovery would be taken according to the *Adhiniyam*. Further progress of action taken was awaited (January 2007).

4.2.11 Short levy of vehicle tax

According to first schedule under section 3(1) of *Adhiniyam*, tax on PSV is levied on the basis of distance covered by it in a day and on private service vehicle tax is levied on seating capacity excluding one seat of driver only and on goods vehicles tax is levied on quarterly basis.

Test check of records of nine offices²⁰ revealed that vehicle tax on 57 PSVs, 14 private service vehicles and 139 goods carriages for the period between April 2001 and March 2005 was paid short either due to application of incorrect rate of tax or due to adopting of the less seating capacity of vehicles. Failure of the department to detect the omission of application of incorrect rate of tax resulted in short levy of vehicle tax of Rs.20.23 lakh. Besides penalty of Rs.14.27 lakh was also leviable.

After this was pointed out the department accepted audit observation in 13 cases out of which in four cases tax and penalty of Rs. 1.12 lakh was recovered by two TAs²¹ while in nine cases demand was raised. Reply from other offices was awaited (January 2007).

4.2.12 Non levy /realisation of composition fee

The Central Motor Vehicles Rules, 1989 (CMVR) requires every holder of all India tourist permit to submit a quarterly return, indicating therein the name and residential address of self/hirer as well as driver and registration mark of vehicle, alongwith the particulars of starting and destination points of journey with time at both ends. TC was required either to cancel/suspend the permit or levy composition fee at the rate of Rs.1,000 per quarter with effect from 1 October 2001, on failure to submit return by any vehicle owners.

Test check of records of all India tourist permits maintained in the office of the TC revealed that holders of 213 all India tourist permits failed to submit 1,464 quarterly returns for the period between April 2003 and March 2005. Neither any action to cancel/suspend the permits was taken nor was composition fee of Rs.14.64 lakh levied on the defaulting permit holders by the department.

After this was pointed out, the TC stated that action for recovery of composition fee would be taken after examination of the cases. Further progress of action taken for recovery was awaited (January 2007).

²⁰ 4 RTO:s Gwalior, Rewa, Sagar and Ujjain and

4 ARTOs: Guna, Khargone, Satna and Shahdol and DTO Bhind

²¹ RTO Sagar and ARTO Guna

4.2.13 *Loss of revenue due to irregular grant of permits to contract carriage*

Tax is payable at the rates prescribed in the first schedule of the *Adhiniyam*. The rate of tax of vehicles acquired by the owner on hire under a lease agreement was Rs. 200 per seat per month, whereas rate of tax on contract carriage for ordinary bus was Rs. 500 per seat per month.

Test check of records of two offices²² revealed that eight vehicles were incorrectly treated as private service vehicles of four companies though these were not leased to those companies during the periods between April 2003 and March 2005. The vehicles were of private owners and were carrying the employees of the companies. These vehicles were required to be classified as contract carriage. Incorrect classification resulted in loss of revenue of Rs. 10.42 lakh.

After this was pointed out, the RTO Rewa and ARTO Chhindwara stated that action would be taken after examination of the cases. Further progress of action taken was awaited (January 2007).

4.2.14 *Failure to conduct reconciliation of departmental figures with treasury records*

According to the provisions contained in Madhya Pradesh Financial Code and instructions issued by the TC in June 1993, each revenue authority is required to maintain a separate account of amount remitted into treasury. In order to rule out the possibility of fraud, the amount is required to be written in words as well as in figures in the challan. It is to be ensured that the amounts have actually been credited into Government account. This has to be got verified/reconciled with the treasury records. A copy of the challans received from treasury is required to be noted in the challan register before the same is transmitted to the concerned tax section.

Test check of records of six offices²³ revealed that 286 challans involving Rs.15.41 lakh on account of vehicle tax were submitted by the vehicle owners during the period between December 2003 and February 2005. Reconciliation of these remittances with treasury records was not made by the concerned officials. However, verification of these challans by audit with the treasury records revealed that these challans were not found deposited. Failure of department to reconcile remittances with treasury resulted in suspected misappropriation of Government revenue.

After this was pointed out, the RTO, Indore confirmed that Rs.3.01 lakh in respect of 78 challans were not found deposited in treasury. However, further action taken was not intimated to audit. Reply from other offices was awaited (January 2007).

²² RTO Rewa and ARTO Chhindwara

²³ 3 RTOs Bhopal, Indore and Rewa and 2 ARTOs Khandwa and Khargone and DTO Bhind

4.2.15 *Short realisation of fee due to delay in implementation of enhanced rates of fees*

Government of India in their notification dated March 2001 enhanced rate of registration, fitness and hypothecation fees in respect of different classes of vehicles with effect from 28 March 2001.

Test check of records of eight offices²⁴ revealed that during 28 March 2001 to 27 November 2001, 14,359 vehicles were registered, fitness certificate was issued in 2,344 cases while 1,319 vehicles were hypothecated. The fee recoverable in these cases was realised at pre revised rates. This resulted in short realisation of fees of Rs. 13.83 lakh.

After this was pointed out, Government replied in July 2006 that due to late receipt of notification enhanced fees could not be realised in time. However, the instructions, for recovery are being issued.

4.2.16 *Failure to re assign new registration mark to non transport vehicles*

According to the provisions contained in sub-rule (1) of Rule 56 of the Madhya Pradesh Motor Vehicle Rules, 1994 (MPMVR) the State Government issued notification on 1 July 1995 that new registration mark under the Act shall be assigned in place of old registration mark allotted under the Motor Vehicles Act, 1939 to motor cycles and motor cars within eight months from the date of notification without charging any fee. After the expiry of prescribed period a late fee (Rs.100) shall be payable.

The TC also instructed on 22 July and 1 December 1995 all the registering authorities to complete the said work within eight months prescribed for it and if necessary, to organise camps.

As per a report on Motor Transport Statistics of Madhya Pradesh for the year 2004-05 issued by Government, 2,96,147 vehicle owners had not obtained new registration mark. The department had not prescribed any system to ensure that such vehicles do not ply on road without new number. Revenue of Rs.2.96 crore on account of late fee for reassignment of new registration mark could not be realised.

After this was pointed out, Government stated in July 2006 that if any of these vehicles was produced in the office, its tax along with late fee will be recovered. Instructions in this regard have already been issued. Further progress of recovery is awaited (January 2007).

4.2.17 *Non realisation of fee due to non renewal of certificate of registration of non transport vehicles*

The MV Act and Rules made thereunder provide that registration of vehicles other than transport vehicles shall be valid for a period of 15 years. It is renewable on payment of prescribed fee of Rs. 60 per motor cycle and

²⁴ TC office, 3 RTOs Bhopal, Jabalpur and Ujjain and 4 ARTOs Chhindwara, Khargone, Seoni and Shahdol

Rs. 200 per light motor vehicle as specified in Rule 81 of the MV Rules. In case of default, late fee of Rs. 100 is also leviable in each case.

Test check of records of five offices²⁵ revealed that certificate of registration in respect of 8,380 motor vehicles other than transport vehicles registered between July 1989 and March 1990 had expired. There was nothing on record to ascertain that these vehicles had been transferred to other states/regions or were declared obsolete. The department had not prescribed any system to ensure renewal of certificate of registration by the owner of such vehicle. Non renewal of certificates of registration resulted in loss of revenue of Rs. 14.57 lakh.

After this was pointed out, the concerned officers stated that action would be taken after examination of cases. Further progress of action taken was awaited (January 2007).

4.2.18 *Failure of the department to recover the balance amount of life time tax and penalty on Maxicab plying on all India tourist permits*

According to *Adhiniyam*, tax shall be levied on every Maxicab used or kept for use in the state and plying on all India tourist permit at the rate of Rs.100 per seat per month or lump sum tax at the rate of ten *per cent* of the cost of a new vehicle recoverable in two equal instalments in a year. Proviso to section 13 of the *Adhiniyam* further provides that if the life time tax had not been paid, the owner shall in addition to payment of tax due be liable to pay a penalty at the rate of one tenth of the life time tax for the default of each year or part thereof but not exceeding the lifetime tax.

Test check of records of five offices²⁶ revealed that 125 Maxicab newly registered and granted all India tourist permit between October 2002 and April 2004 paid one instalment of five *per cent* of the cost of new vehicle as a lump sum tax. The second instalment of tax due between March 2003 and March 2005 was neither paid by the owner of the vehicles nor was it demanded by the TAs. Failure on the part of the TAs to adhere to the provisions of Act resulted in short levy of life time tax including penalty of Rs.39.49 lakh.

After this was pointed out, the department accepted audit observation in 15 cases out of which in two cases tax and penalty of Rs.0.60 lakh was recovered by RTO Sagar while in 13 cases demand was raised. Reply from other offices was awaited (January 2007).

4.2.19 *Failure of the department to levy penalty on belated payment of vehicles tax*

According to *Adhiniyam*, if the tax due in respect of any motor vehicle had not been paid, the owner shall in addition to the payment of tax due, be liable to pay a penalty at the rate of two *per cent* per month upto three months and four *per cent* after three months on the unpaid amount of tax but not exceeding

²⁵ 4 RTOs: Bhopal, Indore, Jabalpur and Ujjain and ARTO Khandwa

²⁶ 2 RTOs: Rewa and Sagar, 2 ARTOs: Khandwa and Shahdol and DTO Raisen

twice the unpaid amount of tax. Rule further specified that the penalty shall be paid by the owner of the vehicle alongwith the amount of tax due.

Test check of records of 11 offices²⁷ revealed that vehicle tax in respect of 121 motor vehicles for the period between April 2001 and March 2005 was paid late by the owners, ranging from one to 32 months. Neither the penalty was paid by the owners along with tax nor was it levied/recovered by the TAs. Failure of the TAs to adhere to the provisions of the Acts and Rules resulted in non levy of penalty of Rs.13.95 lakh.

After this was pointed out, the department accepted audit observation in 12 cases of which in one case penalty of Rs. 0.09 lakh was recovered by RTO Bhopal while in 11 cases demand was raised. Reply from other offices was awaited (January 2007).

4.2.20 Failure to auction seized vehicles

According to the provisions of Land Revenue Code, 1959, the revenue authority may proceed to recover the dues as arrears of land revenue by auctioning the moveable property.

Test check of records of three offices²⁸ revealed that seven PSVs were seized by the department during the period between July 2002 and December 2005 against which dues were outstanding. However, the TAs had not initiated any action to auction these vehicles. This resulted in non recovery of outstanding dues amounting to Rs.18.76 lakh.

After this was pointed out, the TAs stated that action would be taken after verification. Further progress of action taken was awaited (January 2007).

4.2.21 Conclusion

Failure of the department to follow the system of scrutiny of declarations submitted by the owner of vehicles, non adhering the provisions of Acts/Rules and instructions issued by the department and inadequate monitoring in respect of recovery of uncollected dues resulted in non/short recovery and loss of Government revenue of Rs.45.96 crore.

The matter was reported to the TC and Government (between May 2005 and April 2006), their reply was awaited (January 2007). The Principal Secretary, Transport department was requested to attend the Audit Review Committee meeting but he has not participated.

²⁷ 4 RTOs Bhopal, Gwalior, Jabalpur and Ujjain 5 ARTOs Chhindwara, Khandwa, Khargone, Satna and Seoni and 2 DTOs Bhind and Raisen

²⁸ 3 ARTOs Barwani, Chhindwara and Khargone