

CHAPTER - IV
TAXES ON VEHICLES

4.1 Results of Audit

Test-check of records relating to taxes on vehicles during the year 2002-2003 revealed non-assessments, underassessment of tax and losses of revenue amounting to Rs.60.45 crore in 15,571 cases which can be broadly categorised as under:

(Rupees in Crore)

S. No.		Number of cases	Amount
1.	Review : Working of Reciprocal Transport agreements	1	37.14
2.	Non/short-levy of vehicle tax, penalty composition fee, on public service vehicles	2,889	17.03
3.	Non/short-levy of vehicle tax and penalty on goods vehicles.	1,408	4.99
4.	Others	11,273	1.29
	TOTAL	15,571	60.45

A few illustrative cases and findings of a review, 'Working of Reciprocal Transport Agreements' involving Rs. 48.51 crore are discussed in the following paragraphs:

4.2 Review : Working of Reciprocal Transport Agreements

Highlights

- Vehicle tax and penalty of Rs.68.98 lakh on public service vehicles of other states plying on inter-state routes were not recovered.

(Paragraph 4.2.5)

- Vehicle tax of Rs.11.51 crore and penalty of Rs.23.02 crore on public service vehicles owned by Madhya Pradesh State Road Transport Corporation plying on inter-state routes were not recovered.

(Paragraph 4.2.6)

- Non-recovery of vehicle tax of Rs.44.04 lakh and penalty of Rs.88.07 lakh on goods carriages of other states plying in Madhya Pradesh on countersigned permits resulted in loss of revenue to that extent.

(Paragraph 4.2.7)

- There was a short-levy of vehicle tax of Rs.18.04 lakh and non-levy of penalty of Rs.36.07 lakh on public service vehicles plying on inter-state routes.

(Paragraph 4.2.8)

Introduction

4.2.1 Section 88 of the Motor Vehicles Act, 1988, contemplates the execution of agreements between the states for regulation of inter-state traffic. Various States have entered into reciprocal transport agreements with other States and union territories, under which permits issued by other State Governments are valid in the home state subject to permits being countersigned by the State Transport Authority of the State. The levy and collection of tax on every motor vehicle used or kept for use in the state is regulated under the provisions of the Madhya Pradesh *Motoryan Karadhan Adhiniyam*, 1991 (*Adhiniyam* 1991) and *Karadhan Niyam*, 1991 (*Niyam* 1991).

Organisational set up

4.2.2 At state level, the Transport Department functions under the overall charge of the Principal Secretary. The entire process of levy and collection of tax/penalty/fee on vehicles is administered and monitored by the State Transport Commissioner at Gwalior assisted by nine Regional Transport Officers (RTOs), 11 Additional Regional Transport Officers (ARTOs) and 19 District Transport Officers (DTOs). The permits issued by other States in respect of vehicles plying in the state of Madhya Pradesh are countersigned by the State Transport Authority (STA) and tax is deposited by the owners of vehicles in the designated Regional/District Transport Authority.

Audit objectives

4.2.3 Detailed scrutiny of the records of the Office of the Transport Commissioner, eight RTOs¹, four ARTOs² and District Transport Office Tikamgarh for the period from 1998-99 to 2001-2002 was conducted during the period between April 2002 and May 2003 with a view to examine that the prescribed tax, fee etc. in respect of vehicles plying under reciprocal agreement were collected.

Position of vehicles plying under Reciprocal Transport agreements

4.2.4 The position of vehicles plying under reciprocal agreement in regard to public carriers (i.e. goods carriages) as on 31 March 2002 are given below:

Sl. No.	Name of State	Quota of Public Carriers	Number of public carriers plying as on 31.3.2002	Short fall	Percentage of short fall
1.	2.	3.	4.	5.	Col. 5 to 3
1.	Maharashtra	12,000	2,506	9,494	79 %
2.	Uttar Pradesh	3,000	2,118	882	29 %
3.	Gujarat	600	108	492	82%
4.	Rajasthan	190	121	69	36 %

The quota in respect of goods carriages in respect of vehicle of Maharashtra was revised in August 1998 from 2,500 to 12,000, but 2,506 vehicles only were plying as on 31st March 2002 which is 21 percent of total quota. Thus, revision in quota does not appear to be reasonable. In Gujarat, Rajasthan and Uttar Pradesh the shortfall ranged between 29 to 82 percent.

Non-levy of vehicle tax and penalty on Public Service Vehicles plying on inter-state routes

4.2.5 As per *Adhiniyam* and *Niyam*, 1991 any motor vehicle of another state is permitted to ply in the state under reciprocal agreement on payment of tax at the rate prescribed to the designated authority, failing which the owner shall be liable to pay a penalty at the rate of one- third of the amount due which shall not exceed twice the amount due. In case the owner does not pay the tax or penalty or both, the taxation authority may proceed to recover the dues as arrears of land revenue.

Test-check of records of three RTOs³ and three ARTOs⁴ revealed that vehicle tax of Rs.22.99 lakh in respect of 48 public service vehicles pertaining to Rajasthan, Maharashtra and Uttar Pradesh plying on inter-State routes under reciprocal agreement during the period April 1998 to March 2002 was neither paid by the vehicle owners nor was it recovered by the taxation authorities. The Department had also failed to levy penalty. This resulted in non-levy of tax and penalty of Rs.68.98 lakh.

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

² Chhatarpur, Chhindwara, Mandsaur and Satna

³ Gwalior, Jabalpur and Sagar

⁴ Chhatarpur, Chhindwara and Mandsaur

This was pointed out in audit and the concerned RTO's/ARTO's stated between June 2002 and May 2003 that action for recovery was being taken. Further progress had not been received (June 2004).

4.2.6 Test-check of the records of Transport Commissioner Office and the RTO Bhopal, revealed that 219 inter-state permits were granted to Madhya Pradesh State Transport Corporation (MPSRTC) to ply their public service vehicles on inter-state routes during the period from April 1998 to March 2002. Neither the tax was paid by the corporation nor any action to recover the tax was taken by the Taxation Authorities. This resulted in non-recovery of tax of Rs.11.51 crore and penalty of Rs.23.02 crore.

This was pointed out in audit and the Transport Commissioner stated in February 2003 that action to adjust the arrears of tax due from MPSRTC was being taken at government level.

Non-levy of vehicle tax and penalty on goods carriages of other States

4.2.7 Under the *Adhiniyam* and *Niyam* 1991, a tax shall be levied on every goods carriages of other states plying in the state of Madhya Pradesh under reciprocal agreement at the rate of 85 percent of the rate specified in the *Adhiniyam*. If the tax due has not been paid to the designated authority, the owner shall liable to pay a penalty at the rate of one-third of the amount due which shall not exceed twice the amount due.

Test-check of the records of Transport Commissioner Office, the RTO Rewa and three ARTOs⁵ revealed that vehicle tax of Rs.44.04 lakh and penalty of Rs.88.07 lakh in respect of 316 goods carriages pertaining to Rajasthan, Maharashtra and Uttar Pradesh plying in Madhya Pradesh under reciprocal agreement during the period between April 1998 and March 2002 was neither paid by the vehicle owners nor was it levied/recovered by the taxation authorities. This resulted in non-levy/recovery of tax including penalty of Rs.1.32 crore.

This was pointed out in audit and the Transport Commissioner stated in July 2002 that concerned RTO's/ARTO's had been directed to recover the tax from defaulters. Further replies were awaited. (June 2004)

Short-recovery of vehicle tax and non-levy of penalty on public service vehicles plying on inter-state routes

4.2.8 *Adhiniyam*, 1991 provides that the vehicle tax on public service vehicles permitted to ply on reciprocal basis is to be calculated on the basis of every passenger which the vehicle is permitted to carry and the total distance permitted to be covered by a vehicle in a day at the rate specified in the First Schedule to the *Adhiniyam*.

Test-check of the records of ARTO, Chhindwara revealed that vehicle tax in respect of three public service vehicles of home State, plying on inter-state routes during the period between April 1998 and March 2002 was paid short due to application of incorrect rate of tax. The Department had failed to recover the same. This resulted in short-recovery of vehicle tax of Rs.8.04 lakh and non-levy of penalty of Rs.16.08 lakh.

⁵ *Chhattarpur, Mandsaur, Satna*

This was pointed out in audit and the ARTO, Chhindwara stated in March 2003 that matter would be examined. Further reply was awaited (June 2004).

Test-check of the record of RTO, Gwalior and Sagar revealed that the owners of three public service vehicles of other states paid vehicle tax short due to calculation mistakes during the period between April 1998 and November 2001. This resulted in short-recovery of vehicle tax of Rs.5.81 lakh. Besides, they were liable to penalty of Rs.11.62 lakh.

This was pointed out in audit and the RTO Gwalior stated in February 2003 that demand had been raised. The RTO, Sagar stated in May 2003 that action for recovery would be taken after scrutiny of records. Further reply was awaited (June 2004).

Test-check of the records of RTO, Sagar revealed that vehicle tax in respect of three public service vehicles of other States plying under reciprocal agreements during the period between April 1998 and March 2002 was paid short by the owners of vehicles due to adoption of lesser number of trips. This resulted in short-levy of vehicle tax of Rs.4.19 lakh and non-levy of penalty of Rs.8.37 lakh.

This was pointed out in audit and the RTO, Sagar stated in May 2003 that matter would be examined. Further reply was awaited (June 2004).

Loss of revenue due to non-adoption of distance of route as per agreements

4.2.9 As per *Adhiniyam*, 1991, tax is to be levied at the rates specified for the slab for each 10 kms or part thereof. The Transport Commissioner had clarified in July 1994 that distance of route specified in the Schedule appended to the reciprocal transport agreement was to be adopted for levy and collection of tax on inter-state permits.

Test-check of records of the RTO, Sagar and the ARTOs, Chhatarpur and Mandasaur revealed that in respect of 30 public service vehicles plying under reciprocal agreements, the distances of routes were adopted for payment of tax were less than those mentioned in the agreements. This resulted in loss of revenue of Rs.5.89 lakh for the period between April 1998 and March 2002.

This was pointed out in audit and the concerned RTO and ARTO's stated between June 2002 and May 2003 that matter would be examined. Further reply was awaited (June 2004).

Recommendations

4.2.10. Based on the above observations, Government may consider :

- to utilise full quota as envisaged in reciprocal agreements.
- to take effective steps to recover the tax from the defaulters at the prescribed rates.
- To strengthen enforcement wing to detect vehicles plying without payment of tax and take suitable penal action.

The matter was reported to the Government in March 2003; their reply was awaited. (June 2004)

4.3 Non-levy/recovery of vehicle tax and penalty on vehicles

Under the Madhya Pradesh *Motoryan Karadhan Adhiniyam*, 1991 (*Adhiniyam*, 1991) read with *Niyam* 1991 made thereunder, a tax shall be levied on every motor vehicle used or kept for use in the state at the rate specified in the First Schedule of the *Adhiniyam*. If the owner fails to pay tax due, he shall in addition to the tax, be liable to pay a penalty at the rate of one-third of the unpaid amount of tax for the default of each month but not exceeding twice the unpaid amount of tax.

4.3.1 Public Service Vehicles/Goods carriages

In 14 Regional Transport Offices (RTO)⁶/6 Additional Regional Transport Offices (ARTO) and 4 District Transport Offices (DTO)⁷, tax amounting to Rs.3.23 crore due for different period between July 1999 and March 2002 was not levied and recovered by the Department from the owners of 1,261 public service vehicles and goods carriages. The owners were liable to pay penalty of Rs.6.46 crore also.

This was pointed out in audit and the RTO, Jabalpur stated in February 2003, that show cause notices had been issued in 114 cases. The other RTOs/DTOs stated between April 2002 and March 2003 that action would be taken to recover the amount from the defaulting vehicles owners. Further reply was awaited (June 2004).

4.3.2 Vehicles plying on All India Tourist permits

In three RTOs⁸ vehicle tax of Rs.19.18 lakh on eight public service vehicles plying on All India Tourist permits for the period between April 2000 and March 2002 was not paid by the owners. Penalty of Rs.38.36 lakh in addition to vehicle tax was also leviable. This resulted in non-recovery of tax and penalty of Rs.57.54 lakh.

This was pointed out in audit and the RTO, Gwalior stated in January 2003 that demand notices of Rs.41.58 lakh had been issued. The RTOs, Bhopal and Sagar stated

⁶ RTO Bhopal, Gwalior, Indore, Jabalpur, Morena, Rewa, Sagar, Ujjain and ARTO Chattarpur, Chhindwara, Khargone, Mandsaur, Satna and Seoni

⁷ DTO Damoh, Raisen, Ratlam and Tikamgarh

⁸ Bhopal, Gwalior, Sagar

in August 2002 that action to recover the tax would be taken after scrutiny of cases. Further reply was awaited (June 2004).

4.3.3 Omni buses

In four RTOs⁹ and five ARTOs¹⁰, vehicle tax of Rs.13.47 lakh on 202 omni buses for the period between April 2000 and March 2002 was neither paid by the vehicle owners nor recovered by the Taxation Authority. The owners were liable to pay penalty of Rs.26.94 lakh in addition to tax. This resulted in non-realisation of Rs.40.41 lakh.

This was pointed out in audit and the concerned RTOs/ARTOs stated between April 2002 and March 2003 that action to recover the amount would be taken after scrutiny of records. Further reply was awaited (June 2004).

4.3.4 Private service vehicles.

In six RTOs/ARTOS¹¹, vehicle tax of Rs.11.15 lakh and a penalty of Rs.22.29 lakh in respect of 21 private service vehicles for the period April 1999 and March 2002 were neither paid by the vehicle owners nor demanded by the Taxation Authority. This resulted in non-recovery of Rs.33.44 lakh.

This was pointed out in audit and the RTO, Gwalior stated in January 2003 that demand of Rs.16.96 lakh had been raised. In other cases, the RTOs stated between April 2002 and March 2003 that action to effect recovery would be taken after verification of records. Further reply was awaited. (June 2004)

The matter was reported to the Government between April 2002 and April 2003; their reply had not been received (June 2004).

4.4 Non-realisation of tax on Vehicles plying without permit or in contravention of permit conditions

According to Motor Vehicles Act, 1988, plying of vehicles without permit or in contravention of conditions of permits, certificate of fitness/insurance/licence etc. is an offence. The offence is compoundable by the Taxation Authority on payment of the prescribed composition fee for each offence as prescribed from time to time. As per *Adhiniyam*, 1991, if a motor vehicle is found plying in the state without permit, vehicle tax at prescribed rate is to be charged from the owners of such vehicles.

⁹ Gwalior, Indore, Morena, Rewa

¹⁰ Chhatarpur, Chhindwara, Khargone, Mandsaur, Satna

¹¹ Bhopal, Gwalior, Indore, Jabalpur, Morena, Chhindwara

Test-check of the records of four RTOs¹² and three ARTOs¹³ revealed that Department detected 113 public service vehicles plying without permits/certificates of fitness/insurance/driving and conductors licences between the period May 1999 and March 2002. The Department, however, did not recover the vehicle tax from such vehicles plying without permit and composition fee for such offences. This resulted in non-realisation of tax amounting to Rs.17.05 lakh and composition fee of Rs. 1.19 lakh.

The matter was reported to the Government between July 2001 and April 2003; their reply had not been received (June 2004).

4.5 Loss of revenue due to incorrect classification of vehicles

According to Motor Vehicles Act, 1988 and *Adhiniyam*, 1991 and *Niyam*, 1991 made thereunder vehicle tax is to be paid in respect of private service vehicles with seating capacity of more than six persons excluding driver and ordinarily used by or on behalf of owner for the purpose of carrying persons for or in connection with his trade or business otherwise than for hire or reward.

Test-check of records of RTO, Indore revealed that five motor vehicles purchased by a commercial organisation were registered in July 1999 as school buses, instead of as private service vehicles. The incorrect classification of vehicles resulted in loss of revenue of Rs.7.62 lakh for the period from July 1999 to March 2002.

This was pointed out in audit and the RTO, Indore stated in January 2003 that action would be taken after examination of the cases.

The matter was reported to the Government in March and April 2003; their reply had not been received. (June 2004)

4.6 Short-recovery of vehicle tax and penalty

According to section 3 (1) of the *Adhiniyam*, 1991 and *Niyam*, 1991 tax on every public service vehicle shall be levied at the rates specified in the First Schedule. If the tax is not paid, the owner shall in addition to the payment of tax due, be liable to pay a penalty at prescribed rates. The Government vide notification in July 2000 revised the rate of tax in respect of spare vehicles.

Test-check of records of RTO, Morena, ARTO, Chhindwara and DTOs Damoh and Raisen revealed that the owners of 91 spare vehicles paid the tax at pre-revised rates during the period between July 2000 and March 2001. This resulted in short-realisation of Rs.3.83 lakh. Besides, penalty of Rs.7.67 lakh was also not levied. This resulted in non-levy/recovery of revenue of Rs.11.50 lakh.

¹² Gwalior, Indore, Sagar, Ujjain

¹³ Chhattarpur, Chhindwara, Seoni

This was pointed out in audit and the concerned RTOs/DTOs stated in May 2002 and March 2003 that action for recovery would be taken after examination of the cases. Further progress of action taken has not been received (June 2004).

The matter was reported to the Government between September 2002 and April 2003; their reply had not been received. (June 2004)