

# **Chapter - V**

## **Motor Vehicles Tax**

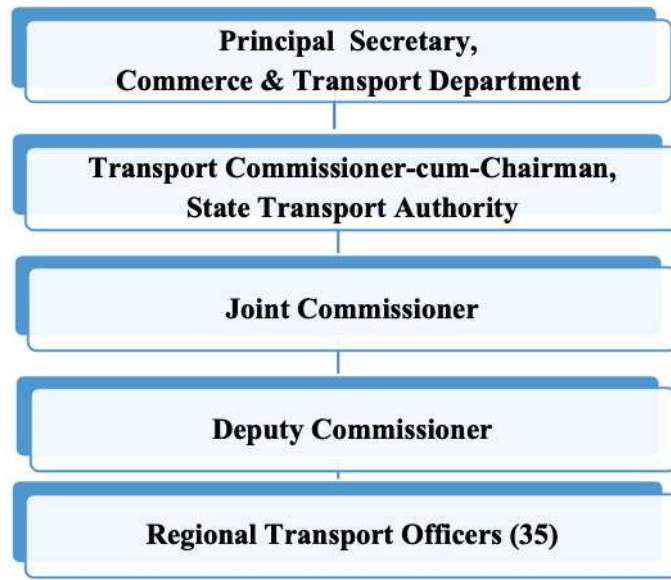


## CHAPTER V

### MOTOR VEHICLES TAX

#### 5.1 Tax Administration

The receipts from Motor Vehicles (MV) tax are regulated under the provisions of the Central and the State Motor Vehicles Acts and Rules made thereunder. The organisational setup for administration of motor vehicles tax is as under:



#### 5.2 Internal Audit

During 2019-20, Internal Audit Wing of the Department, which is responsible for evaluating the Internal Control measures in the Department and its field offices, had audited six out of 10 units planned for audit. The shortfall was attributed to shortage of manpower by the Department. Audit noticed that 731 paragraphs in Internal Audit Reports having money value of ₹752.80 crore issued up to 31 March 2020 were pending for disposal as on date.

#### 5.3 Results of Audit

Audit was conducted in 20 out of 35 units (57 per cent) in Commerce & Transport Department during 2019-20. Revenue receipts collected in the test checked 20 units was ₹1,164.02 crore, which is 66.68 per cent of total revenue receipts worth ₹1,745.58 crore collected in 35 units during the year 2018-19. Test check of assessment and other records showed under assessment of tax and other irregularities involving ₹36.99 crore in 11,950 cases. This related to non-levy/realisation of Motor Vehicles tax/additional tax and penalty, non/short realisation of compounding/permit fee and fitness fee etc., Short levy/realisation of Motor Vehicles tax/additional tax and penalty, non/short realisation of penalty on belated payment of tax as given in **Table 5.1**.

**Table 5.1: Details of category-wise audit observations**

Sl. No.	Category	No. of Cases	Amount (₹ in Crore)
1	Non levy/ realisation of Motor Vehicles tax/ additional tax and penalty	9,804	33.87
2	Non/ short realisation of compounding/ permit fee and fitness fee etc.	1,384	0.87
3	Short levy/ realisation of Motor Vehicles tax/ additional tax and penalty	735	2.14
4	Non/ short realisation of penalty on belated payment of tax	27	0.11
	<b>Total</b>	<b>11,950</b>	<b>36.99</b>

During 2019-20, the Department accepted underassessment and other deficiencies worth ₹36.01 crore in 11,727 cases pointed out in Audit and realised ₹0.36 lakh pertaining to five cases during the year 2019-20.

There are four broad categories of audit observations on levy of Motor Vehicles tax and additional tax. Most of them are of a nature of similar errors/ omissions in other units under the Commerce & Transport Department, but not covered in the test audit.

Department may, therefore, like to internally examine all the other units with a view to ensure that the taxes are levied as per provisions of the Act and Rules.

#### **5.4 Other Audit observations**

Audit scrutinised records relating to assessment and collection of Motor Vehicles tax in offices of the Transport Commissioner (TC)-cum-Chairman, State Transport Authority (STA) and the Regional Transport Officers (RTOs). Audit found several cases of non-observance of some of the provisions of Acts/ Rules and other cases as mentioned in the succeeding paragraphs of this chapter. The cases are illustrative and are based on test check carried out by Audit. Such omissions remain undetected till next audit is conducted. The Government may direct the Department to improve the internal control system including strengthening of internal audit so that such omissions can be detected, corrected and avoided in future.

#### **5.5 Non-compliance of the provisions of the Acts/ Rules**

*The provisions of the Motor Vehicles (MV) Act, 1988, Odisha Motor Vehicles Taxation (OMVT) Act, 1975 and Rules made thereunder require levy and collection of:*

- (i) *motor vehicles tax (MV tax)/ additional tax from the vehicle owner at the prescribed rate in advance and within the grace period provided; and*
- (ii) *penalty up to double the tax for late payment of tax, if the tax is not paid in time within two months after the expiry of the grace period of 15 days.*

*Non-compliance of the provisions of the Acts/ Rules in some cases are mentioned in succeeding paragraphs.*

### 5.5.1 Non-realisation of Motor Vehicles tax and additional tax

**Regional Transport Officers failed to realise the Motor Vehicles tax of ₹ 9.52 crore and penalty of ₹19.04 crore from the owners of 7,634 registered vehicle.**

As per Section 3, 3A, 4(1) and 10 of Odisha Motor Vehicles Taxation (OMVT) Act, 1975, Motor Vehicles (MV) tax and additional tax due on every motor vehicle used or kept for use has to be paid in advance at the rates prescribed for different classes of vehicles as per Taxation Schedule I of the Act, as amended (21 November 2017), unless exemption from payment of such tax has been allowed for the period covered under ‘off-road undertaking’. As per Section 13(1) of the Act read with Rule 9(2) of OMVT Rules, 1976, if the tax was not paid within two months after expiry of the grace period of 15 days from the due date of payment, the registered owner or the person having possession or control thereof shall, in addition to payment of tax due, be liable to pay penalty which may be extended up to twice the tax due. Further, as per the instructions (February 1966) of State Transport Authority (STA), the Regional Transport Officers (RTOs) are required to issue demand notices within 30 days from the expiry of the grace period for payment of tax. In case of default, Tax Recovery Certificate (TRC) should be instituted within a period not exceeding 30 days from the date of service of the demand notice to pay the amount.

**(i) Non-realisation of Motor Vehicles tax from Goods Carriages and Contract Carriages:** Audit analysed *VAHAN* database with taxation records in 20 out of 35 RTOs relating to the period 2018-19. It was observed that

- out of 75,329 registered Goods Carriages<sup>81</sup>, owners of 7,457 registered Goods Carriages pertaining to 19 RTOs; and
- out of 27,541 registered Contract Carriages<sup>82</sup>, owners of 48 vehicles pertaining to nine RTOs

did not pay MV tax and additional tax for different periods between April 2018 and March 2019. The details of MV Tax and penalty of 7,505 vehicles are given in the **Table 5.2**.

<sup>81</sup> ‘Goods Carriage’ means any motor vehicle constructed or adapted for use solely for the carriage of goods, or any motor vehicle not so constructed or adapted when used for the carriage of goods. {Sec. 2(14) of MV Act, 1988}

<sup>82</sup> ‘Contract Carriage’ means a motor vehicle which carries a passenger or passengers for hire or reward and is engaged under a contract, whether expressed or implied, for the use of such vehicle as a whole for the carriage of passengers mentioned therein and entered into by a person with a holder of a permit in relation to such vehicle or any person authorised by him in this behalf on a fixed or an agreed rate or sum. {Sec. 2(7) of MV Act, 1988}

**Table 5.2: Details of non-realised MV tax and additional tax**

(₹ in lakh)					
Number of RTOs	Vehicle classes	Number of vehicles	Amount of tax not realised	Penalty to be recovered	Total
19 <sup>83</sup>	Goods Carriages	7,457	927.34	1,854.68	2,782.02
9 <sup>84</sup>	Contract Carriages	48	4.57	9.14	13.71
<b>Total</b>		<b>7,505</b>	<b>931.91</b>	<b>1,863.82</b>	<b>2,795.73</b>

(Source: compiled by Audit)

Similar draft para was incorporated in the Audit Report (Revenue Sector) 2018-19, but action on the same is yet to be taken.

**(ii) Non-realisation of Motor Vehicles tax from Private Service Vehicles:** Audit test checked VAHAN database in 20 out of 35 RTOs for the period 2017-19 for payment of MV tax and observed that registered owners of 36 out of 472 Private Service Vehicles<sup>85</sup> (PSVs) under nine RTOs did not pay tax worth ₹9.30 lakh and penalty worth ₹18.60 lakh for the period from April 2017 to March 2019.

**(iii) Non-realisation of Motor Vehicles tax from stage carriages<sup>86</sup> plying with valid route permits/ special contract carriage permits:** Audit test checked VAHAN database on payment of tax in 20 out of 35 RTOs and observed that 15 RTOs issued 2,242 permits (1,690 stage carriage permits during 2013-19 and 552 special permits during 2016-19) to 106 vehicles (65 vehicles to ply as stage carriage and 41 vehicles to ply as contract carriage). Registered owners of 93 stage carriages did not pay or paid less MV tax of ₹10.66 lakh and penalty of ₹21.32 lakh for the period April 2016 to March 2019 as given in the **Table 5.3**.

**Table 5.3: Details of non-realisation of MV tax and additional tax**

(₹ in lakh)					
Number of RTOs	Types of vehicles	Number of vehicles	Amount of tax due	Penalty leviable	Total
12 <sup>87</sup>	SCs plying with valid route permits	60	8.87	17.74	26.61
10 <sup>88</sup>	SCs issued with special permits	33	1.79	3.58	5.37
<b>Total</b>		<b>93</b>	<b>10.66</b>	<b>21.32</b>	<b>31.98</b>

<sup>83</sup> Balasore (289), Bargarh (47), Bhubaneswar-I (846), Bhanjanagar (16), Chandikhole (857), Ganjam (82), Gajapati (32), Jagatsinghapur (281), Jajpur (4), Jharsuguda (379), Kalahandi (48), Keonjhar (2587), Koraput (278), Mayurbhanj (87), Nabarangpur (108), Phulbani (35), Rourkela (620), Sambalpur (808) and Talcher (54)

<sup>84</sup> Bargarh (4), Bhubaneswar-I (8), Chandikhole (5), Jajpur (2), Keonjhar (11), Koraput (3), Mayurbhanj (4), Rourkela (4) and Sambalpur (7)

<sup>85</sup> Private Service Vehicle (PSV): A motor vehicle constructed or adapted to carry more than six persons excluding the driver and ordinarily used by or on behalf of the owner of such vehicle for the purpose of carrying persons for, or in connection with, his trade or business otherwise than for hire or reward but does not include a motor vehicle used for public purpose.

<sup>86</sup> 'Stage Carriages' means a motor vehicle constructed or adapted to carry more than six passengers excluding the driver for hire or reward at separate fares paid by or for individual passengers, either for the whole journey or for stages of the journey.

<sup>87</sup> Balasore (3), Bargarh (3), Bhanjanagar (1), Gajapati (4), Jagatsinghapur (2), Jajpur (1), Kalahandi (5), Koraput (23), Phulbani (3), Rourkela (12), Sambalpur (2) and Talcher (1)

<sup>88</sup> Balasore (8), Bargarh (2), Chandikhole (3), Jagatsinghapur (1), Jharsuguda (1), Kalahandi (1), Koraput (7), Mayurbhanj (2), Phulbani (3) and Talcher (5)

In the above cases, those vehicles were also not exempted under ‘off-road undertakings’ under Section 10(1) of the Act. Since, the periods of delay in those cases were more than two months, penalty at twice the tax due was also leviable. Besides, though the *VAHAN* software facilitates RTOs to generate tax defaulter list at any point of time, the concerned RTOs neither issued demand notices nor did take any action against the defaulting vehicle owners for realisation of tax and penalty thereon. Thus, MV tax amounting to ₹9.52 crore and penalty of ₹19.04 crore from 7,634 vehicles (7,457 GCs, 48 CCs, 36 PSVs and 93 SCs) plying with valid route permits/ special permits respectively could not be realised.

In reply, the RTOs stated (between August 2019 and January 2020) that steps would be taken to issue demand notices/ TRCs for realisation of tax and penalty. The matter was also intimated to the Government during June/ July 2021. Their reply is awaited (September 2021).

Similar para was incorporated in the Audit Report (Revenue Sector) 2018-19, but action on the same is yet to be taken.