

CHAPTER 4
TAXES ON VEHICLES

CHAPTER-4: TAXES ON VEHICLES

4.1 Tax administration

The Transport Department levies and collects taxes on vehicles in the State, in terms of the Motor Vehicles (MV) Act, 1988, Central Motor Vehicles (CMV) Rules, 1989, Bihar Motor Vehicle Taxation (BMVT) Act, 1994 and BMVT Rules, 1994. The Department is headed by the Principal Secretary at the Government level and by the State Transport Commissioner (STC) at the apex level of the Department. The STC is assisted by two Joint State Transport Commissioners at the headquarters. The State is divided into nine Regional Transport Authorities¹ (RTAs) and 38 District Transport Offices. Motor Vehicle Inspectors (MVIs) assist them. The main function of the RTAs is to issue road permits to the vehicles and the responsibility of registration of motor vehicles, levy and collection of taxes, fees and grant of driving licences are performed by the District Transport Officers (DTOs) in the State.

4.2 Results of audit

Audit test-checked the records of five² out of 49 units of the Transport Department during 2018-19. Revenue collected by the Department during 2017-18 was ₹ 1,599.51 crore, of which the audited units collected ₹ 378.14 crore. Audit scrutiny of 3,01,720 cases (out of total 3,09,477 cases) revealed non/short realisation of taxes and road safety cess, leviable taxes not realised from transport vehicles, and other irregularities involving ₹ 545.13 crore in 2,70,998 cases (76 observations). Besides Detailed Compliance Audit on levy and collection of motor vehicles taxes and fees was also undertaken between June 2019 and February 2020 in which audit noticed irregularities involving ₹ 281.13 crore. Details are shown in **Table-4.1**.

Table-4.1: Results of Audit

(₹ in crore)			
Sl. No.	Categories	No. of observations	Amount
1.	Detailed Compliance Audit on levy and collection of Motor Vehicles Taxes and Fee	1	281.13
2.	Non-realisation of Motor Vehicles taxes	2	7.59
3.	Loss of Government revenue due to short/non realisation of One Time Tax from Tractor (Commercial)	2	0.38
4.	Loss of Government revenue due to non-renewal of fitness certificate of vehicles	1	7.23
5.	Loss of Government revenue in shape of road safety cess (RSC) due to incorrect mapping of RSC in VAHAN-4.0 software	2	6.13
6.	Irregular withdrawal of fund for payment to supplier for purchase of goods	1	42.23
7.	Non-realisation of principal and interest on loans resulted in loss to Government	1	413.71
8.	Others	67	67.86
	Total	77	826.26

The Department accepted short levy, short realisation and other deficiencies of ₹ 5.65 crore in 43 cases during April 2018 to April 2020 which were pointed out before 2018-19. The replies in respect of cases of 2018-19 and remaining cases of earlier years were not received (May 2020).

¹ Bhagalpur, Darbhanga, Chhapra, Gaya, Munger, Muzaffarpur, Patna, Purnea and Saharsa.

² **DTOs** –Patna and Purnea, **RTAs**-Patna and Purnea and Office of STC.

4.3 Detailed Compliance Audit on levy and collection of Motor vehicles taxes and fee

4.3.1 Introduction

The levy and collection of taxes on vehicles in the State is governed by the provisions of Motor Vehicles (MV) Act, 1988, Central Motor Vehicles (CMV) Rules, 1989, Bihar Motor Vehicle Taxation (BMVT) Act, 1994, BMVT Rules, 1994, Bihar Motor Vehicle Rules (BMV) 1992 and Circulars and Government Orders issued from time to time. Details of annual receipts from taxes on vehicle and its share in government revenue is given in **Table 4.2**.

Table 4.2: Receipts from taxes on vehicles

(₹ in crore)

Year	Annual receipts from taxes on vehicles	Total receipts of the State	Percentage of annual receipts vis a vis total receipts of the State
2016-17	1,256.67	1,05,584.98	1.19
2017-18	1,599.50	1,17,446.74	1.36
2018-19	2,085.94	1,31,793.45	1.58

(Source: Finance Accounts, Government of Bihar)

The main functions of the Transport Department are to regulate motor transport in the State of Bihar through issue of certificate of registration, driving licence, certificate of fitness, trade certificate, national permit, contract carriage permit, state carriage permit etc. and levy and collection of fees, fines and taxes on motor vehicles. The Transport Department is also empowered to ensure that no vehicle shall be kept or maintained, operated or plied in Bihar without pollution under control certificate.

The major functions of the Department were computerised using two computer application software namely *SARATHI* (an application developed for issue of various driving licences and payment of fees) and *VAHAN* (an application developed for registration of vehicles and payment of road tax) for collection of fees and taxes on motor vehicles since May 2008 and February 2009 respectively. Presently upgraded versions i.e. *VAHAN* 4.0 and *SARATHI* 4.0 are being used since January 2017 and March 2018 respectively which have mandatory provisions for realisation of tax/fee before registration of vehicles/issuance of driving licence. Details of number of registered vehicles and number of driving licences issued are as under:

Table 4.3: Details of registered vehicles and issued driving licence

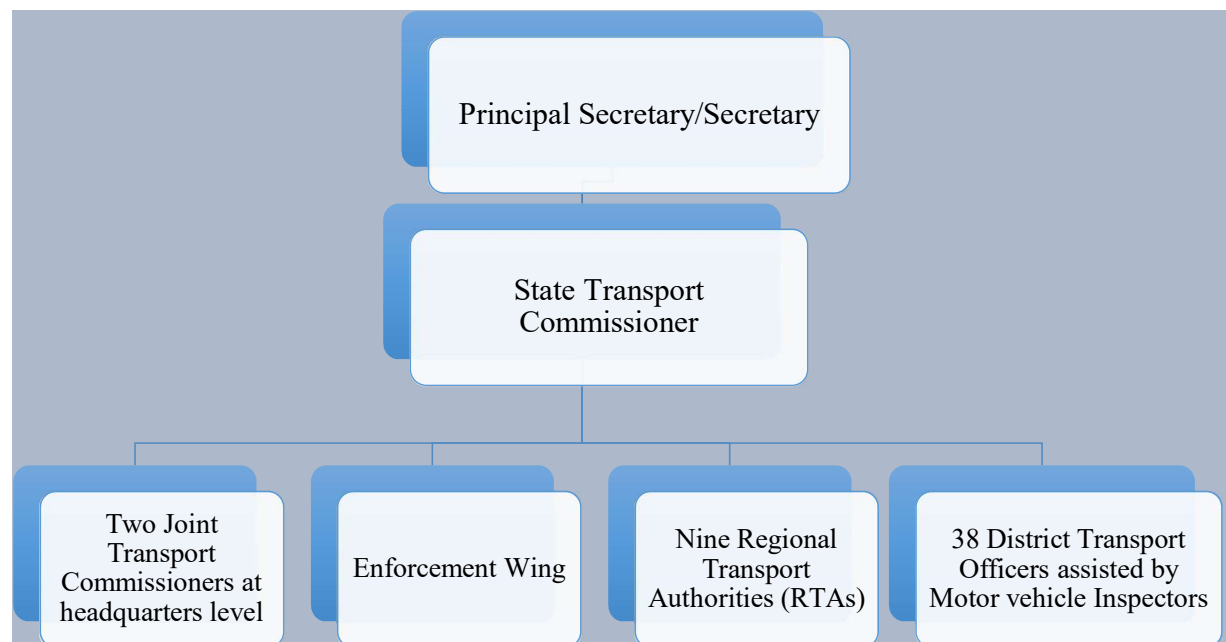
Year	Number of vehicle registered during the year	Number of driving licence issued during the year
2016-17	7,63,618	4,44,295
2017-18	11,18,075	3,28,703
2018-19	11,89,161	2,04,618

4.3.2 Organisational setup

The Transport Department is administrated by the Principal Secretary/Secretary at the Government level and by the State Transport Commissioner (STC) at the apex level of the Department. The State is divided into nine Regional Transport Authorities (RTAs) and 38 District Transport Offices (DTOs) and five check-

post. They are assisted by the Motor Vehicle Inspectors (MVIs) and enforcement sub-inspectors³ in discharging their duties.

RTAs issue permit to transport vehicles for plying within State and STC issue inter-state permit after realising applicable permit fee subject to fulfillment of fitness criteria and DTOs perform the work of levy and collection of taxes and fees relating to motor vehicles. The organisational set-up of the Department is as under:



4.3.3 Audit objectives

Audit was conducted with a view to ascertain whether:

- the provisions of the Acts and Rules and instructions of the Department were adequate to safeguard the revenue and properly mapped in the *VAHAN/SARATHI*;
- levy and collection of the motor vehicle taxes, fees and fines and its remittance into government account are done as per the relevant Act and Rules;
- the Department had adequate and robust internal control and monitoring system for levy and collection of taxes, fine and fees and issuance of permits, licences and certificate.

4.3.4 Audit Criteria

The following comprised the audit criteria :

- The Motor Vehicles Act, 1988 (MV Act);
- The Central Motor Vehicles Rules, 1989 (CMV Rules);
- The Bihar Motor Vehicles Taxation Act, 1994 (BMVT Act);
- The Bihar Motor Vehicles Taxation Rules, 1994 (BMVT Rules);
- The Bihar Motor Vehicles Rules, 1992;
- Notifications, circulars, executive and departmental orders and instructions issued by the Department from time to time;

³ There are 39 enforcement sub-inspectors in the State attached to the office of the STC and deployed in districts and 24 motor vehicle inspectors (MVIs) posted at district level under the control and supervision of concerned DTOs.

- The Bihar and Orissa Public Demand and Recovery Act, 1914;
- Bihar Treasury Code, 2011;
- Rules of Executive Business;
- Bihar Financial Rules.

4.3.5 Audit Scope and methodology

Audit was conducted during June 2019 to February 2020 covering the period 2016-17 to 2018-19. For selection of units for audit, 38 districts were stratified into two categories, districts generating revenues of ₹100 crore and above and districts generating revenue below ₹100 crore. From first strata, 10 top revenue generating districts⁴ were selected for audit. In second strata, Nalanda was selected as it topped in this category, Aurangabad was selected as it had Institute of Driving and Training Research, Kaimur was selected as it had check post unit and other two units (Arwal and Sheohar) were randomly selected. Further, three (Patna, Purnea and Muzaffarpur) out of nine RTAs were randomly selected for audit. State Transport Commissioner (STC) Government of Bihar (GoB), being the apex unit, was also selected for audit.

The audit methodology included gaining insight and examination of records related to Tax Administration at the Apex unit (STC), collection of data from the Department/NIC, audit analysis of data, verification and examination with records in field units (DTOs and RTAs) to gather audit evidences, issue of audit memos, questionnaires and obtaining replies from audited entities and holding entry conference and exit conference to arrive at the audit conclusions.

In order to explain the audit objectives, its methodology, scope, coverage, focus and to elicit the departmental view/concerns, an entry conference was held with Deputy Secretary, Transport Department on 27 September 2019. An exit conference was held on 19 August 2020 with the Secretary, Transport Department in which audit findings were discussed. Response of the Department has suitably been incorporated in the report.

4.3.6 Acknowledgement

Indian Audit and Accounts Department acknowledges the co-operation of the Transport Department in providing necessary information and records to audit.

4.3.7 Trends in revenue from taxes on vehicles relative to Gross State Domestic Product (GSDP)

The buoyancy ratio of revenue from taxes on vehicles with respect to GSDP is given in the following **Table 4.4**:

Table 4.4: Trends in taxes on vehicles relative to GSDP

Particulars	2016-17	2017-18	2018-19
GSDP (₹ in crore)	3,23,004	3,56,768	3,94,350
Rate of growth of GSDP	8.94	10.45	10.53
Revenue from taxes on vehicles (₹ in crore)	1,256.67	1,599.51	2,085.94
Rate of growth of revenue from taxes on vehicles	16.23	27.28	30.41

⁴ Begusarai, Bhagalpur, Darbhanga, Gaya, East Champaran, Muzaffarpur, Patna, Purnea, Siwan and Vaishali.

Particulars	2016-17	2017-18	2018-19
Contribution of taxes on vehicle in GSDP in per cent	0.39	0.45	0.53
Buoyancy ratio of revenue from taxes on vehicles with respect to GSDP	1.82	2.61	2.89

(Source: Finance Accounts of the State for the respective years)

Further, it was noticed that buoyancy ratio of tax on vehicles of Bihar is better than its neighbouring States like Jharkhand⁵ and Orissa⁶, which indicates better tax administration of motor vehicle in Bihar in comparison to these states.

SYSTEM ISSUES OF THE TRANSPORT DEPARTMENT

4.3.8 Irregular notification leading to short levy of Road safety cess from one-time tax paying commercial vehicles

As per BMVT Act, personalised vehicles had to pay One Time Tax (OTT) for the whole life of vehicle at the time of registration. Further, vehicles other than personalised vehicles (Commercial Vehicles) had to pay annual tax. The BMVT Act was amended through various Finance Act (2011-2016) for bringing the provision of One Time Tax for certain class of commercial vehicles⁷ which were earlier covered under the ambit of annual tax.

The Transport Department issued a notification for Levy of Road Safety Cess (RSC) in 2016 under the Section 6(A) of BMVT, 1994. The notification provides that:

- every vehicle liable to pay one-time tax (OTT) as per Section 7 (1) (personalised) of the BMVT Act, at the rate of **one per cent of value** of such vehicle and
- every vehicle other than a vehicle liable to pay OTT as per section 7(1) i.e. commercial vehicles, at the **rate of one per cent of annual tax payable** under this act.

Scrutiny of records (note sheet) revealed that the Transport Department had approved for levy of RSC on all OTT paying vehicles at the rate of one *per cent* of value of such vehicles at time of issue of notification. The said proposal also had the approval of the Finance Department. However, audit observed that the said notification was silent on the levy of RSC on the commercial vehicles who were liable to pay OTT at time of their registration.

Scrutiny of VAHAN database in test-checked DTOs and DTO Saran revealed that 81,177 commercial vehicles (Three wheelers-40,528; Light Goods Vehicles-25,297; Cab/Taxi-7,366 and E-rickshaw-7,986) were registered between September 2016 to March 2019 after payment of required OTT. Further, the concerned DTOs realised RSC on these vehicles at the rate of one *per cent* of OTT amounting to of ₹ One crore which was irregular in nature as the notification does not mention for levy of RSC at one per cent of OTT. The notification (2016) only talks about levy of RSC either at the rate of one per cent of cost of personalised vehicles or one per cent of the annual tax payable.

⁵ 0.74 in 2016-17, 1.12 in 2017-18 and 1.57 in 2018-19.

⁶ 1.05 in 2016-17, 3.93 in 2017-18 and 1.66 in 2018-19.

⁷ 2011- Three wheelers and Light Goods Vehicles, 2013- Motor Cabs, 2014- Tractors, 2016- E-Rickshaws.

Had the notification for levy of RSC (2016) stated that the RSC should be levied at one percent of sale value for all OTT paying vehicles rather than limiting it to those only personalised vehicles, the leviable RSC would have come to ₹ 20.48 crore, as the intent of Department was also to levy the RSC at rate of one *per cent* of cost of vehicles from all OTT paying vehicles irrespective of their category.

In response, the Department stated (June 2020) that only private (personalised) vehicles fall under one-time tax category which was factually incorrect as section 7 (3) of the BMVT Act as amended from time to time provides for levy of OTT from certain class of commercial vehicles. The Department further stated in exit conference (August 2020) that there was decision (of the Finance Department and the State Cabinet) of the Government to levy RSC at the rate one per cent of OTT from commercial vehicles in view of not to put extra burden on commercial vehicles as it had cascading effect.

However, the audit could not verify the decision of the Finance Department and the State Cabinet (as stated by the Transport Department in exit conference) as these was not available on record.

Recommendation: Road Safety Cess, on commercial vehicles paying OTT, at the rate of one *per cent* of the OTT or one *per cent* of the value of vehicles needs to be clarified by a requisite notification/amendment.

4.3.9 Irregular notification for levy of Surcharge

Irregular notification for levy of surcharge on various fees caused undue burden of ₹ 18.52 crore on the driving licence and learning licence holders.

Audit scrutinised the notification issued (26 September 2017) for levy of surcharge by the State Government and observed that while Section 211 of the MV Act, 1988⁸ provides for levy of fees etc, it does not provide for levy of any surcharge. However, the GoB invoked the section for issuing of notification for levy of surcharge on various fees prescribed for providing various services. Audit could not examine the concerned file to ascertain and analyse the actual approvals and vetting by the Department due to non-production of related records/files in the office of the STC. As per the data made available by the NIC, Patna, surcharge of ₹ 18.52 crore was collected by the Department on the fees prescribed for issuing driving license (DL) and learner license (LL) during the period from April 2018 to 3 January 2019 thus putting undue burden on the DL and LL holders.

The Department in its replies (June and August 2020) stated that Rules 32 and 81 of the CMV Rules provide for levy of additional amount to cover the cost of automation and technology utilised for conducting the testing or providing value added service. The Department further stated that surcharge was levied under section 211 of the MV Act for realisation of additional amount defined in Rules *ibid*.

Reply of the Department is not correct as both, the above mentioned Rules and section 211 of the MV Act do not provide for levy of any surcharge. Hence, notification for levy of surcharge was not regular.

⁸ Section 211 of the MV Act, 1988 provides that any rule, which the State Government is empowered to make under this Act, may, provide for levy of such fees in respect of rendering of services by the officers or authorities under this Act or any rule made there-under.

4.3.10 Deficiency in system of registration of Vehicles at dealer point

Absence of any return, binding obligation as well as deterrent measures for the dealers to ensure delivery of vehicles after assigning registration mark is indicative of the weak control mechanism in the Department which led to undue delay in payment of taxes and fee as well as registration of vehicles and plying of un-registered vehicles on roads.

Rule 42 of the CMV Rules, 1989, provides that no holder of a trade certificate shall deliver a motor vehicle to a purchaser without registration, whether temporary or permanent.

Audit observed that in *VAHAN-4*, dealer-point registration system was functional in all 38 DTOs of Bihar. These dealers were collecting Motor Vehicle Taxes and registration fee from the purchaser of vehicles and remitting the tax and fees so collected into the account of the State Government through e-payment/on-line system. Thereafter they upload all relevant documents such as Form-21 sale certificate, copy of invoice etc., for registration on *VAHAN* portal. After uploading of all required documents and payment of taxes and fees, the dealers submit hardcopies of uploaded documents to concerned DTO/MVI for approval. On approval, *VAHAN-4* generates registration mark to new vehicle. In this process, two to seven days is mapped in *VAHAN* portal for getting a new vehicle registered.

During scrutiny of dealer table in *VAHAN* database, Audit observed in all test-checked districts that 488 authorised dealers paid MV taxes and fees, in case of 4,23,897 out of 4,38,118 vehicles, with delay ranging between one day to 1,997 days.

Audit verified documents (sale certificate/Form-21) of 2,920 vehicles out of 4,23,897 as uploaded/submitted by dealer and observed that all these vehicles were delivered prior to issue of registration mark from the *VAHAN* system. Audit also observed that in DTO, Sheohar, that an authorised dealer delivered 24 vehicles in December 2018 and uploaded required documents for registration in March 2019 without payment of due tax.

As these vehicles were not allotted permanent registration mark at the time of delivery of vehicle, allotment of temporary registration mark was required as per Rule 42 of CMV Rules. Allotment of temporary registration number would have also brought in additional revenue to the State Government to the tune of ₹ 3.16 crore (**Annexure 9**).

Delivery of vehicles without registration mark not only compromised the objective of dealer-point registration, to ensure delivery of vehicle with registration mark and immediate realisation of road tax, but also posed a risk as such vehicles can be easily misused for unlawful activities.

Audit further observed that no periodic return from dealers (comprising the information of sale of vehicles, remittance of tax/fee, uploading of documents etc.), was prescribed by the Department for monitoring and control purposes. Moreover, no binding obligation or deterrent measures for payment of taxes/fees, uploading of documents was prescribed by the Department in respect of

defaulting dealers who do not deposit the taxes and fee and upload documents within the prescribed time.

During the exit conference (August 2020), the Department stated that Temporary Registration (TR) was not a matter of right instead it was matter of choice of the purchaser of the vehicle and hence the Department did not levy temporary registration fee. The Department further stated that after implementation (between May 2017 and February 2018) of VAHAN 4, vehicles were delivered only after realisation of due tax and fee and allotment of permanent registration mark. In respect of DTO Sheohar, it was informed that necessary instruction had since been issued to remit amount realised from dealer of motor vehicles within a fortnight.

Reply of the Department is not tenable. In the instant case, permanent registration mark was not allotted to any of these vehicles and therefore temporary registration was required before delivery of vehicles. Further, the Department did not reply as to why a system was not put in place to ensure timely remittance of tax/revenue realised by dealers after its realisation from buyer of motor vehicles.

4.3.11 Irregular realisation of fine from owners of personalised vehicles

Due to incorrect mapping of provision of fine for delayed payment of tax from owners of personalised vehicles, the Department collected fine of ₹ 2.83 crore.

As per section 7 (1) of BMVT Act, 1994, OTT for the whole life of the vehicle shall be levied on personalised vehicles at the time of registration at the rate specified in Schedule-I of the Act *ibid*. It further provides that the personalised vehicles, registered prior to February 1, 1992 for which OTT had not been paid, shall have to pay OTT at the rates prescribed in Schedule-I within 30 days of expiry of the existing tax taken, otherwise an interest at the rate of two *per cent* per month shall be charged on tax due together with the arrears and penalty, if any. Thus, it was evident that interest was applicable during particular event of transition and therefore not applicable for any other subsequent tax due.

Audit scrutinised the owner and tax table of VAHAN database in respect of personalised vehicles in test-checked DTOs and observed that the fine for belated payment of tax was mapped in VAHAN at the rate of two *per cent* per month though there was no such provision under the Act/Rules. Thus, VAHAN was incorrectly mapped without any such Business Rules which was not detected by any of the taxing authorities as well as by the Department. The Department continued putting undue burden on the vehicle owners by levying fine and as a result ₹ 2.83 crore was collected as fine by the DTOs between February 2018 and March 2019, from 1,35,467 vehicles for belated payment of tax.

On being pointed out, the Department stated (August 2020) that in view of audit observation action had since been initiated.

4.3.12 Deficiencies in notification relating to stage carriages

4.3.12.1 Absence of classification of company-made stage carriage in accordance with seating capacity resulted into loss of Government revenue

Due to absence of categorisation for company-made stage carriages, these were categorised under the lowest category i.e. ordinary category which impacted the realisation of revenue to the extent of ₹ 1.08 crore.

As per provisions of the BMVT Act as amended from September 2014, stage carriages (buses) were classified as Ordinary, Semi Deluxe and Deluxe category on the basis of number of seats arrived at as per wheelbase. Accordingly, taxes were to be paid by owners of stage carriages, which was further amended with effect from 16 December 2016 which provides that in case of company-made stage carriages, tax shall be calculated on the basis of approved seats by authorised agencies irrespective of wheelbase and category of stage carriages.

Audit observed in 13⁹ test-checked DTOs, that the Registering Authorities calculated tax of 736 company-made stage carriages under lowest i.e. ordinary category due to absence of provision for categorisation of such vehicles. As per the wheelbase of these vehicles and seat assignment by the company, the vehicles should have been categorised either under deluxe or semi deluxe category. This categorization was feasible had the uniform criteria, as was adopted in case of non-company made stage carriage, been adopted for company-made stage carriage also.

Audit further observed in three test-checked DTOs¹⁰, that there was no provision for determination of seating capacity and category in respect of company-made stage carriage of wheelbase below 142 inch, and therefore 299 vehicles having wheelbase below 142 inch were treated under ordinary category though as per this notification they should have been categorised under semi deluxe/deluxe category. Thus, due to absence of categorisation for company made stage carriages these stage carriages were categorised under the lowest category i.e. ordinary category which impacted the realisation of revenue to the extent of ₹ 1.08 crore.

The Department accepted (June and August 2020) the audit observation and stated that necessary action would be taken to bring uniformity in tax from company-made stage carriages and chassis-made stage carriages. The Department further replied that due to absence of provision of categorisation of vehicle for stage carriages having wheelbase below 142 inch, these stage carriages were categorised as ordinary category based on report of concerned MVI and accordingly tax was collected. Thus, it was evident that due to absence of categorisation for company-made stage carriages these stage carriages were categorised under the lowest category i.e. ordinary category.

⁹ Arwal, Aurangabad, Begusarai, Darbhanga, East Champaran, Gaya, Kaimur, Muzaffarpur, Nalanda, Patna, Purnea, Siwan and Vaishali.

¹⁰ Begusarai, Patna and Purnea.

4.3.12.2 Absence of provision for determination of seating capacity and category of chassis-made stage carriage of wheel-base above 228 inch

Levy and collection of motor vehicle taxes from chassis-made stage carriages having wheelbase above 5800 mm (between 6200 to 10220 mm) was done by concerned DTOs/MVIs in an arbitrary manner which resulted in potential short levy of tax of ₹ 69.41 lakh.

As per provisions of BMVT Act as amended from September 2014, the stage carriages (buses) were classified as Ordinary, Semi Deluxe and Deluxe category on the basis of number of seats, which is arrived at on the basis of wheelbase upto 5800 mm (228 inch).

Audit examination of registration records, owner and tax table of *VAHAN* database in 10¹¹ DTOs revealed that levy and collection of motor vehicle taxes from chassis-made stage carriages having wheelbase above 5800 mm (between 6200 to 10220 mm) was done by concerned DTOs/MVIs in an arbitrary manner due to absence of any provisions for determination of category in respect of such stage carriages. This fact was neither detected by the Department nor brought to the notice of the Department by the concerned MVIs. This resulted in potential short levy of tax of ₹69.41 lakh.

The Department accepted (June and August 2020) the audit observation and stated that in view of audit observation necessary action would be taken to bring uniformity in tax from company-made stage carriages and chassis-made stage carriages.

The Department further stated that tax was collected based on seating capacity and wheelbase as reported by concerned MVI and hence there was no short levy of tax between May 2016 and March 2019. The reply of the Department is incorrect as DTO Purnea levied tax on vehicle having wheelbase above 6200 mm in deluxe category with 62 seats; however DTO Begusarai levied tax in similar cases of stage carriages in ordinary category after determining seats between 41 and 62 seats.

4.3.13 Non/incorrect mapping of fees in *SARATHI*

Rule 4 (2) of the BMV Rules 1992 provides that every application for a test to obtain a learner's licence, driving licence or an authorisation to drive transport vehicle, shall be accompanied by the fee specified in Rule 6 of BMV Rules or Rule 32 of the Central Motor Vehicles (CMV) Rules 1989, which provides fee for issue of driving licence, for test or repeat test, as the case may be for competence to drive each class of vehicle and issue of Smart Card at the rate of ₹200, ₹300 and ₹200 respectively. Further, Rule 32 of the CMV Rules 1989 prescribes fee for issue of learner's licence for each class of vehicle and learner's licence (LL) test or repeat test as the case may be as ₹150 and ₹50 respectively. Further, the BMVT (Amendment) Act, 1994 provides for levy of RSC for renewal of driving licence.

The following are the audit observations in this regard:

¹¹ Aurangabad, Begusarai, Bhagalpur, Gaya, Kaimur, Muzaffarpur, Nalanda, Patna, Siwan and Vaishali.

4.3.13.1 Non levy of Road Safety Cess for renewal of DLs due to non-mapping of RSC in SARATHI software

Due to non-mapping of RSC in SARATHI software, the Department could not ensure levy of RSC of ₹ 2.29 crore on renewal of DL. Besides, concerned DTOs realised excess DL/LL testing fee of ₹ 2.95 crore from applicants.

Audit scrutinised driving licence (DL) renewal cases in SARATHI database in test-checked DTOs and observed that Road Safety Cess (RSC) was not levied in cases of renewal of validity of DLs as RSC was not mapped in SARATHI software in case of renewal of DL. Audit further observed that SARATHI software was not designed to generate class-wise data of renewal of DL. Therefore, in absence of the said information short levy of RSC had been worked out on the basis of rate applicable for lowest classes.

Audit further observed that 91,738 DLs were renewed in the test-checked DTOs during the period from September 2016 to March 2019, without levy and realisation of RSC. The DTOs as well as the Department also could not ensure levy of RSC which resulted into non-realisation of RSC of ₹ 2.29 crore as detailed in **Annexure-10**.

After this was pointed out, the Department stated (June and August 2020) that there was no provision of road safety cess in case of renewal of driving licence.

Reply of the Department is not acceptable as per the provision of the BMVT (Amendment) Act, 2016 read with the Bihar Act 11, 2016, road safety cess shall be levied and collected from every licensee at the rates specified in Schedule IV of this Act for the period of validity of a licence. Thus, it is amply clear that in case of renewal of driving licence where validity is extended, RSC is leviable along with applicable renewal fee. Also, in cases of renewal of Registration Certificates, RSC is levied at time of renewal. Further, driving licenses issued prior to notification of RSC would never pay RSC in their lifetime.

Recommendation: The Department should review whether Road Safety Cess is to be levied on renewal of DLs keeping in view that Road Safety Cess is intended to be levied once during the validity of a licence.

4.3.13.2 Excess realisation of driving licence testing fee due to its incorrect mapping in SARATHI software

Audit scrutinised the driving licence (DL) fee in SARATHI software in test-checked DTOs and observed that new DL (Non-transport) for two class of vehicles were issued to 1,82,319 applicants by the licensing authorities during the period October 2017 to March 2019 by realising ₹ 700 instead of the prescribed rate of ₹ 600. Audit further observed that actually ₹ 700 instead of ₹ 600 was mapped in VAHAN towards testing fee. This resulted into excess realisation of fee of ₹ 1.82 crore from the applicants.

4.3.13.3 Excess realisation of learner's licence testing fee due to incorrect mapping in SARATHI software

Audit scrutinised learning licence (LL) fee in SARATHI software in test-checked DTOs and observed that 2,81,418 LL (non-transport) for two class of vehicles were issued to applicants by the licensing authorities during the period October 2017 to March 2019 by realising an amount of ₹ 140 per LL towards testing fee instead of ₹ 100. This resulted into excess realisation of testing fee of ₹ 1.13 crore from the applicants.

In response to para 4.3.13.2 and 4.3.13.3, the Department stated (June and August 2020) that testing fee was realised in accordance with notification dated 17.11.2016. The Department further stated that there was no provision in any Act/Rules to not levy fee as mentioned in the CMV Rules, 1989 and the BMVT Rules, 1992 together.

Reply of the Department is not acceptable as Rule 4 (2) of the BMV Rules, 1992 provides that every application for a test to obtain a learner's licence, driving licence or an authorisation to drive transport vehicle, shall be accompanied by the fee specified in Rule 6 of the BMV Rules or Rule 32 of the Central Motor Vehicles (CMV), Rules, 1989. However, the Department instead of mapping fee under any one of the provisions *ibid* has mapped fees of both the provisions for their levy, which was excess and irregular.

Recommendation: The Department should examine how incorrect amount of driving licence fee was mapped in the SARATHI without any authority, putting undue burden on the applicants of driving licence and review collecting excess fee and road safety cess forthwith.

4.3.14 Absence of provision for levy of fine for belated payment of trade tax

Need to incorporate provision for levy of fine for belated payment of trade tax.

The BMVT Act provides for levy of trade tax at the rate of ₹ 150, ₹ 200 and ₹ 250 per vehicle, depending on the class of vehicles, in respect of motor vehicles in the possession of a manufacturer or a dealer in the course of his business.

Audit scrutinised extant rules/provisions for levy of penalty for belated payment of tax and observed that there was no provision for levy of fine for belated payment of trade tax by authorised dealers of motor vehicles. In absence of the provision for levy of penalty for belated payment of trade tax, eight¹² test-checked DTOs did not levy penalty from 66 authorised dealers who paid due trade tax with delay ranging between 16 days to 486 days.

In response, the Department stated (August 2020) that provision for levy of fine for belated payment of trade tax was available in Rule 4 (2) of the BMVT Rules, 1994.

¹² Aurangabad, Begusarai, Bhagalpur, Darbhanga, Gaya, Muzaffarpur, Nalanda, and Vaishali.

Rule 4 (2) of the Rules *ibid* provides for levy of penalty for delayed payment of road tax and not in case of delay payment of trade tax.

However, even if applying the rate of penalty applicable for delayed payment of road tax, the Department would have realised fine of ₹ 1.37 crore.

The Department stated that in view of audit observation matter would be referred to Law Department and the Finance Department.

4.3.15 Non-levy of additional fee for delayed submission of NOC in case of change of residence

Due to non-levy of additional fee by DTOs and their non-mapping in VAHAN resulted in non-realisation of additional fee of ₹ 19.53 lakh for delayed submission of NOC in 711 cases.

Section 49 (1) of MV Act, 1988 provides that if the owner of a motor vehicle ceases to reside at the address recorded in the certificate of registration of the vehicle, he shall, within thirty days of any such change of address, intimate his new address, to the registering authority by which the certificate of registration was issued, who shall issue a 'No Objection Certificate' (NOC) to be produced to the new registering authority under whose jurisdiction the new address pertains for entering the new address in the VAHAN. Further, as per a notification (December 2016), in case of delay in submitting NOC for change of address to the new Registering Authority an additional fee of ₹ 300 for each month of delay or part thereof in case of motor cycles and ₹ 500 for other vehicles shall be levied.

Audit scrutinised the AP (Present address) register and owner and fee table of VAHAN database in six¹³ test checked DTOs and observed that 711 (out of 2,060) vehicle owners had applied for change of address (along-with NOC) in their certificate of registration to the new Registering Authority (six DTOs) between January 2017 and December 2019. The NOCs for these vehicles were issued between March 2009 and November 2019 by previous Registering Authority but owners of these vehicles submitted these NOCs to new registering authority with delay ranging between one month to 32 months. As provision of levy of additional fee for delayed submission of NOCs was not mapped in VAHAN, the concerned DTOs did not levy additional fee in these cases of delayed submission of NOCs.

Audit further observed that online NOC was available in VAHAN database from January 2018 only, however the levy of additional fee was not mapped in VAHAN and 2,060 cases prior to January 2018 were verified from the above Register maintained in this regard. Thus, non-levy of additional fee by DTOs and its non-mapping in VAHAN resulted in non-realisation of additional fee of ₹ 19.53 lakh for delay submission of NOC in 711 cases.

After this was pointed out the Department stated (June and August 2020) that provision for levy of additional fee for delay submission of NOC in case of change of residence would be mapped and necessary instructions had since been issued to the concerned DTOs to realise additional fee for delay submission of NOC in case of change of residence.

¹³ Begusarai, East Champaran, Gaya, Nalanda, Patna and Siwan.

4.3.16 Fitness certificate of vehicles not renewed

Despite availability of information in VAHAN database, the DTOs neither initiated action to cancel the registration/permit of these vehicles whose fitness certificate had expired nor issued any notice to defaulting vehicle owners which resulted in forgoing of revenue of ₹ 187.01 crore.

Under Section 56 of MV Act, read with Rule 62 of CMV Rules, 1989 made there-under, a transport vehicle shall not be deemed to be validly registered unless it carries a certificate of fitness. A fitness certificate granted in respect of a newly registered transport vehicle is valid for two years and is required to be renewed every year on payment of the prescribed test fee of ₹ 400 for three wheelers and light motor vehicles and ₹ 600 for heavy vehicles w.e.f. 29 December 2016. In addition to this, renewal fee of ₹ 200 is also leviable for all categories of vehicles. In case of default, additional fee of fifty rupees for each day of delay was also leviable.

Audit examined the owner, tax and fitness table in *VAHAN* database in test-checked DTOs and DTO Saran in respect of transport vehicles (three wheelers, LGV, Cab/taxi, E-rickshaw, Goods carriage and Stage carriage) and observed that 91,808 out of test-checked 3,19,575 vehicles plied between January 2017 and January 2020 without valid fitness certificate although the tax due was realised. In *VAHAN* software information regarding expiry of fitness was available but DTO/MVI neither took any action nor furnished the list to Enforcement wing for interception of the unfit vehicles. The DTOs neither initiated action to cancel the registration/permit of these vehicles whose fitness certificate had expired nor issued any notice to defaulting vehicle owners. Plying of such vehicles is fraught with the risk of public safety.

As a result, Government had to forgo revenue of ₹ 187.01 crore (including testing fee of ₹ 3.85 crore, renewal fee of ₹ 1.84 crore and additional fee of ₹ 181.32 crore) as detailed in **Annexure-11**.

The Department in its reply (August 2020) stated that there was no provision in the MV Act which provides for ensuring fitness certificate before realisation of motor vehicle tax. The Department further stated that there was provision of hefty fines for vehicles plying on road without valid fitness certificate.

As per availability of information regarding expiry of fitness of vehicles in *VAHAN* software, DTO/MVI should have taken requisite action to prevent plying of unfit vehicles on the road and augment revenue due from such vehicles on account of fitness renewal fee. Additionally such vehicles pose both safety and environmental risks, which should be mitigated timely by responsible authorities.

Recommendation: In the interest of both, revenue collection and safety and environmental concerns, the Department should incorporate necessary automation in the system to issue alerts in respect of vehicles whose fitness period has expired, for prompting necessary action by appropriate authorities.

4.3.17 Registration of vehicles

Due to absence of validation checks and control in registration and printing of certificate of registration in *VAHAN* software, 2,374 vehicles were registered under

Amnesty scheme¹⁴ (5 July 2017 to 30 June 2018) leading to short realisation of tax and fine and in case of 180 vehicles, certificate of registration were issued without realisation of tax. Further registration number to 396 vehicles were allotted without realisation of tax.

4.3.17.1 Availing of amnesty schemes by newly purchased unregistered vehicles

Due to non-prescribing of cut-off date and extending the amnesty to unregistered vehicles through notification, vehicles registered after notification of amnesty scheme also availed its benefit which resulted in loss of revenue of ₹ 4.30 crore.

The Transport Department notified Amnesty scheme without prescribing the cut-off date of purchase of vehicle for tax defaulter registered/unregistered tractor-trailer and all other types of tax defaulter registered/unregistered commercial/goods carriage vehicle from 05 July 2017 to 04 January 2018 which was further extended till 30 June 2018. The scheme provides that:

- (i) Tax defaulter registered/unregistered tractor-trailer, which is used in agricultural/commercial activities, shall be registered/regulated on deposit of lump sum amount of ₹ 25,000 only within the period of six months from the date of issuance of the notification.
- (ii) All other types of registered/unregistered commercial/goods carriage vehicles, which are tax defaulters, will be registered/regulated and the certificate case thereon shall be withdrawn, on deposit of payable tax with 25 *per cent* penalty within six months from the date of issuance of the notification.

Audit scrutinised the owner and tax table of *VAHAN* database in test-checked DTOs (except DTOs Gaya and Arwal) and DTO Saran and observed that 2,374 vehicles, (1024-Tractors, 293-Three-wheelers, 385-Light Goods Vehicle (LGV), 303-Maxi cab, and 369-E-rickshaw) registered under the amnesty scheme were those which were purchased after the date of notification of this scheme. These were not tax defaulters prior to the date of notification of Amnesty scheme but due to non-prescribing of cut-off date and extending the amnesty scheme to unregistered vehicles through notification they unduly availed the benefit of this scheme by paying a lump sum amount of ₹ 25,000 instead of 4.5 *per cent* of sale value of vehicle along with leviable penalty in case of tractors. In case of other class of vehicles, they were registered after payment of due tax and penalty of 25 *per cent* only was levied for delayed payment instead of 200 *per cent* leviable under Rule 4 (2) of the BMVT Rules 1994, which resulted in loss of revenue of ₹ 4.30 crore.

¹⁴ As per amnesty scheme, tax defaulter registered/unregistered tractor-trailer, which are used in agriculture/commercial activity, on deposit of lumpsum amount ₹ 25,000 with the period of six months from the date of issuance of the notification, amnesty of payable tax/penalty, which ever will be on such vehicles, will be given and such vehicles will be registered/regulated.
(ii) All other types of registered/unregistered commercial/goods carriage vehicles, which are tax defaulters, will be registered/regulated and the certificate case thereon shall be withdrawn, on deposit of payable tax with 25 per cent penalty within six months from the date of issuance of the notification.

The Department in its replies (June and August 2020) stated that necessary instruction had since been issued to concern DTOs to realise penalty.

4.3.17.2 Delivery of Certificate of Registration without realisation of tax

The DTOs concerned did not ensure realisation of due tax of ₹ 1.19 crore at the time of signing and approving the RCs.

Section 7(1) read with section 5 of the BMVT Act, 1994, as amended from time to time, provides that One Time Tax (OTT) for the life time shall be levied at the prescribed rates at the time of registration on the cost of the vehicles, which mean that the DTOs were responsible for ensuring payment of tax at the time of registration of vehicles. Further, Rule 37 of the Bihar Financial Rules provides that all transactions must be brought into account immediately and money received should be duly credited into the Government account.

On scrutiny of registration records, issuance of Registration Certificate (RC) and tax table of *VAHAN* database in test checked DTOs (except DTOs Bhagalpur and Vaishali), Audit observed that 1,29,853 OTT paying vehicles were registered during the period of March 2015 to March 2019. Out of that, in case of 180 vehicles (115 Tractors, 15 three wheelers, 17 LGV, 12 Motor cab/Maxi cab, 16 Motor Car, and 05 E-rickshaw), RCs were issued to owners of vehicles between August 2016 to September 2019 but their motor vehicle taxes were not found deposited in *VAHAN* database which was only system of maintenance of realisation of tax. The DTOs concerned did not ensure realisation of due tax at the time of signing and approving the RCs which indicate lack of due diligence on their part while discharging the duties. This also indicates lack of proper validation and input control in *VAHAN* which resulted in non-levy of tax of ₹1.19 crore as detailed in **Annexure-12**.

The Department stated (June and August 2020) that necessary instructions had since been issued to concerned DTOs to furnish reply. However, the reply was not received (January 2021).

4.3.17.3 Assignment of registration mark without realisation of One Time Tax

The DTOs concerned did not ensure realisation of due tax of ₹ 2.22 crore at the time of acceptance of application and consequent generation of registration mark in *VAHAN-2.0*.

Section 7(8) and section 5 of the BMVT Act, 1994 as amended from time to time, provides that OTT for the lifetime shall be levied at the prescribed rates on the cost of the vehicles. Further Rule 4 (2) of BMVT Rules 1994 provides for levy of penalty ranging between 25 and 200 *per cent* of the tax due in case of non-payment of tax within 15 days of due date.

Audit scrutinised owner and tax table of *VAHAN* database in test-checked DTOs and observed that out of 53,644 test-checked OTT paying Commercial vehicles, owners of 396 motor vehicles (202 Tractors, 91 three-wheelers, 22 LGV, 34 maxi/cab and 47 E-rickshaw) did not pay OTT at the time of their registration between January 2016 to February 2018. Though no certificate of registration was found issued to them due to non-payment of applicable OTT, their application for registration were accepted and processed to generate a registration mark in *VAHAN-2.0*. Audit

observed that the information of non-payment of OTT was available with the DTOs in VAHAN database, however, they did not levy penalty and institute certificate case to recover the OTT. This resulted into non-realisation of OTT of ₹ 2.22 crore including leviable penalty. Moreover, plying of these vehicles without proper registration certificate cannot be ruled out which is a matter of concern for road safety and security also.

On being pointed out, the Department stated (June and August 2020) that necessary instructions had since been issued to the concerned DTOs to issue notices of demand to owners of defaulters vehicles and realise the tax.

Recommendation: The Department should ensure realisation of due tax before registration of vehicles by incorporating necessary checks in VAHAN software.

4.3.18 Absence of Guidelines for Registration of Tractor and Tractor trailer combination in Agriculture class

Absence of guidelines/supporting documents for registration of tractor and tractor trailer, seven DTOs registered 8,969 tractors or tractor-trailer combination under agriculture category in arbitrary manner leading to loss of revenue of ₹ 25.22 crore.

Section 4 of BMVT Act, 1994 provides for exemption from tax to a motor vehicle used solely for the purposes of agriculture, provided a motor vehicle used for transporting agricultural produce shall not for the purpose of this section, be deemed to be used solely for the purpose of agriculture. Further, section 7(7) of the BMVT Act, 1994 provides that the tractor and trailer used for transporting agricultural produce shall be clubbed together for the purposes of OTT to be levied at the rate of ₹ 3,000 for tractors of capacity 25 HP and ₹ 5,000 for tractors having capacity above 25 HP.

Further, as per section 7 (8) of BMVT Act, 1994 as amended by Bihar Finance Act 2014, OTT for lifetime of the vehicle shall be levied on tractor used for commercial purpose at the rate of 4.5 *per cent* of the cost of the tractor excluding value added tax; provided that no road tax shall be levied at the time of registration of trailer of the tractor.

It is evident from the above provisions that two different tax slabs (having substantial difference) are prescribed for tractor or tractor-trailer combination, but no rules were prescribed or guideline framed or documents/declarations prescribed to decide the eligibility criteria for registration under agriculture category or commercial category which led to use of discretionary powers by the DTOs, in an arbitrary manner hampering the revenue prospects as given below:

Audit scrutinised the registration records, owner and tax table of VAHAN database in test-checked DTOs and observed in Seven¹⁵ DTOs that 8,969 (out of 28,684) tractors and tractor-trailer combination were registered between April 2016 and March 2019 under agriculture class by paying OTT either at the rate of ₹ 5,000 or ₹3,000. However, during verification of registration records, audit observed that

¹⁵ Begusarai, Bhagalpur, Darbhanga, Gaya, Kaimur, Purnea and Siwan.

at the time of registration, owners of these vehicles had applied by mentioning tractor only. Audit observed that in these DTOs in 19,715 cases, tax was realised at the rate of 4.5 *per cent* treating them under commercial category whereas in 8,969 cases they realised tax at the rate of ₹ 3,000/5,000 treating them under agricultural category without any supporting documents to ensure that they would be solely used for the purpose of agriculture. Thus, it was evident that the DTOs realised tax in an arbitrary manner due to absence of a specific guideline for registration of tractors under agricultural category.

It was noteworthy that in eight¹⁶, out of 15 test-checked DTOs, no tractor was found registered in agriculture category whereas in four DTOs¹⁷ more than 52 *per cent* (7,667 out of 14,597) of tractor or tractor-trailer combination were registered in agriculture category between April 2016 and March 2019. This includes DTO Bhagalpur, where no tractor or tractor-trailer combination was registered in commercial category since May 2017, which indicate that discretionary powers were misused by these DTOs including DTO, Bhagalpur.

Thus, absence of guidelines/supporting documents resulted in leakage of revenue due to use of discretionary powers by seven DTOs in registering 8,969 tractors or tractor-trailer combination under agriculture category leading to loss of revenue of ₹ 25.22 crore.

After this was pointed out, the Department partially accepted (August 2020) audit observation relating to cases where all tractors were registered either under agriculture category or under commercial category. The department further stated that necessary instruction had since been issued to all DTOs to obtain certificate from the owner of tractor at the time of registration of tractor regarding its use and conduct periodical check to ensure that registered tractors were used for the intended purpose.

Recommendation: The Government may consider prescribing guidelines and specifying type of registration mark for tractors under agriculture category and commercial category, respectively, for easy identification.

¹⁶ Arwal, Aurangabad, East Champaran, Muzaffarpur, Nalanda, Patna, Sheohar and Vaishali.

¹⁷ Bhagalpur, Gaya, Kaimur and Siwan.

4.3.19 Levy of tax/fee

4.3.19.1 Non-realisation of motor vehicle tax

Despite availability of information of non-payment of motor vehicle taxes by defaulter vehicle owners with the DTOs in VAHAN database, they did not monitor or review tax table of VAHAN to generate tax defaulter list through MIS. As a result, no demand notice was issued by the DTOs to the tax defaulters and consequently tax of ₹ 22.79 crore (Road tax: ₹ 7.56 crore and RSC: ₹ 9.58 lakh) including penalty of ₹ 15.13 crore remained unrealised.

Section 5 of the BMVT Act, 1994 provides that every owner of a registered motor vehicle shall pay tax on such vehicle as per prescribed rates.

As per Section 5 and 9 of the BMVT Act, 1994, every owner of a registered commercial motor vehicle is required to pay their annual motor vehicle taxes to the taxing officer in whose jurisdiction the vehicle is registered. Section 6A of the Act *ibid* further provides for levy of road safety cess at the rate of one *per cent* of annual tax payable. The vehicle owner can pay the tax to the new taxing officer in case of change of residence/business, subject to the production of no objection certificate (NOC) from the previous taxing officer. Further, the taxing officer may exempt the vehicle owner from payment of tax. Rule 4 (2) of the BMVT Rules provide that where tax of a vehicle remains unpaid for more than 90 days, the taxing officer may impose penalty at the rates ranging between 25 *per cent* to 200 *per cent* of tax due.

Audit scrutinised defaulter, owner and tax table in VAHAN database in test-checked DTOs and DTO Saran and observed that tax defaulter list was not updated by VAHAN software and incomplete defaulter list was generated. Audit further observed that VAHAN did not issue E-notice to defaulter vehicle owner through automation. Therefore, notices of demand were being issued by concerned DTOs manually.

On scrutiny of records in test-checked DTOs and DTO Saran, Audit observed that out of 26,702 annual tax paying transport vehicle (registered between January 2005 and December 2018) owners of 7,767 transport vehicles did not pay their motor vehicle tax pertaining to the period between April 2016 and March 2019. In none of the case evidence such as change of address, surrender of RC or non-plying of vehicle in the jurisdiction of DTOs concerned was found on record.

Though, the information of non-payment of motor vehicle taxes by defaulter vehicle owners was available with the DTOs in VAHAN database, they did not monitor or review tax table of VAHAN to generate tax defaulter list through MIS. As a result, no demand notice was issued by the DTOs to the tax defaulters and consequently tax of ₹ 22.79 crore (Road tax: ₹ 7.56 crore and RSC: ₹ 9.58 lakh) including penalty of ₹ 15.13 crore remained unrealised.

After this was pointed out, the Department accepted (August 2020) the audit observation and stated that necessary instructions had since been issued to concerned DTOs to realise the outstanding tax.

Recommendation: The Department should ensure that demand notice is issued on real-time basis to the tax defaulters by incorporating necessary checks in VAHAN database to ensure prompt payment of tax.

4.3.19.2 Short levy of One Time Tax

The concerned DTOs didn't ensure realisation of differential OTT, manually in accordance with Section 8 of the BMVT, Act, before issuance of certificate of registration (RC), as RC were issued in all cases after revision of tax which resulted into short levy of tax of ₹ 54.68 lakh.

Section 5 of the BMVT Act, 1994 provides that every owner of a registered motor vehicle shall pay tax on such vehicle as per prescribed rates. Further, as per section 7 of the Act *ibid*, OTT at the rate of eight to 12 *per cent* of ex-showroom price of the vehicle shall be levied (effective from 07 September 2018) at the time of registration of vehicles.

Audit scrutinised the owner and tax table of VAHAN database in test-checked DTOs (except DTO Sheohar) and observed that 2,307 personalised vehicles and 803 OTT paying commercial transport vehicles were registered between September 2018 (on or after 7th September 2018) and February 2019 after payment of OTT at pre-revised rates¹⁸. In all these cases the vehicles were registered after revision of tax rates and therefore owners of these vehicles were required to pay OTT at the revised rate i.e. rate applicable on the date of registration. Audit further observed that revised rate of tax was not mapped in VAHAN software from the date of notification (7 September 2018) rather it was mapped w.e.f. 10 September 2018 except e-rickshaw which was mapped on 25 January 2019. However, the concerned DTOs didn't ensure realisation of differential OTT, manually in accordance with Section 8 of the BMVT, Act, before issuance of certificate of registration (RC), as RC were issued in all cases after revision of tax which resulted into short levy of tax of ₹ 54.68 lakh.

After this was pointed out, the Department stated (June and August 2020) that necessary instructions for issue of e-notice to defaulter's vehicle owners had since been issued to concerned DTOs.

Recommendation: The Department should ensure mapping the notification of change of rate of tax in VAHAN software on the day of issuance of notification.

4.3.19.3 Registration of OTT paying Commercial vehicles after irregular realisation of tax in quarterly mode

Registration of OTT paying Commercial vehicles after irregular realisation of tax in quarterly mode resulted in short levy of tax of ₹ 32.87 lakh including penalty.

Section 5 of the BMVT Act, 1994 provides for levy of tax payable by every owner of a registered motor vehicle at specified rates. As per Bihar Finance Act, 2014 (effective 19 September 2014 and 07 September 2018) OTT for the lifetime on

¹⁸ Before 7 September 2018, rate of tax on personalized vehicles was seven *per cent* of price of the vehicle and rate of tax on e-rickshaw was 3.5 *per cent* of price of vehicles.

Tractor (Commercial) and Motor cab/Jeep taxi shall be levied at the rate specified in the notification. Further, delay in payment of tax beyond 15 days attracts penalty from 25 per cent to 200 per cent of tax due under the provision of Rule 4 (2) of BMVT Rules, 1994 read with Section 7 of BMVT Act, 1994.

Audit scrutinised the owner and tax table in VAHAN database in test-checked DTOs and observed in four¹⁹ DTOs in respect of OTT paying transport vehicles (Tractor and Motor cab/Jeep taxi) registered between February 2016 and February 2019 that 27 Motor cab/Jeep Maxi and two Tractors (Commercial) were registered on payment of quarterly/short tax instead of OTT which is indicative of absence of proper validation in the VAHAN. Audit further observed that nine vehicles did not further pay their taxes and certificate of registration to 16 vehicles out of 29 vehicles was issued for 15 years. Thus RCs were issued by the DTOs without realisation of due tax in gross violation of the provisions of the Act/Rules which is a serious issue which resulted in short levy of tax of ₹ 32.87 lakh including penalty.

After this was pointed out, the Department stated (June and August 2020) that necessary instructions for realisation of outstanding tax had since been issued to concerned DTOs.

4.3.20 Non-realisation of penalty from transport vehicles for belated payment of OTT

Penalty for belated payment of tax was neither calculated/levied by VAHAN nor by the DTOs, which resulted in non-levy of OTT of ₹ 1.54 crore.

Section 23 of the BMVT Act, 1994 read with Rule 4 (2) of BMVT Rules, 1994 provides for levy of penalty ranging between 25 to 200 per cent of the tax due in case of non-payment of tax within due date. This provision was mapped in VAHAN software which was meant to develop the State Register of motor vehicles.

Audit scrutinised the owner and tax table of VAHAN database in test-checked DTOs and observed that the owners of 1,333 vehicles out of 88,931 test-checked vehicles made payment of their OTT with delay of 31 to 3,749 days between April 2016 and March 2019. Delayed payment of OTT attracts penalty as per Rules *ibid* which was duly mapped in the VAHAN software. In spite of that, penalty for belated payment of tax was neither calculated/levied by VAHAN nor by the DTOs, which resulted in non-levy of OTT of ₹ 1.54 crore.

After this was pointed out, the Department accepted (August 2020) the audit observation and stated that necessary instructions had since been issued to the concerned DTOs to realise the penalty. The Department further stated that this problem was in VAHAN 2.0 which had since been rectified in VAHAN 4.0. However, the issue of non-levy of penalty from transport vehicles for belated payment of OTT persisted in VAHAN 4.0 also.

Recommendation: The Department should ensure levy of penalty in case of delayed payment of tax from date of purchase of vehicles.

¹⁹ Bhagalpur, Gaya, Kaimur and Muzaffarpur.

4.3.21 Non-realisation of trade tax from authorised vehicle dealers

Ninety four dealers out of 274 dealers had either not paid their trade tax or paid short in respect of motor vehicles in their possession during the course of their business during the period 2017-18 and 2018-19. This resulted into non/short levy of trade tax of ₹53.06 lakh.

Under the provision of Section 6 of the BMVT Act, 1994, trade tax at the rate of ₹ 150, ₹ 200 and ₹ 250 for each vehicle, depending on the class of vehicles, shall be paid by a dealer in motor vehicles for motor vehicles in his possession in the course of his business.

Audit scrutinised trade tax register, report and returns in test-checked DTOs and observed that seven²⁰ DTOs did not maintain any records for levy and collection of trade tax from authorised dealers holding trade certificates. Out of remaining eight DTOs who had maintained the records, in seven DTOs, scrutiny of returns made available to audit, revealed that 94 dealers out of 274 dealers had either not paid their trade tax or paid short in respect of motor vehicles in their possession during the course of their business during the period 2017-18 and 2018-19. This resulted into non/short levy of trade tax of ₹ 53.06 lakh.

After this was pointed out, the Department stated (June and August 2020) that system had become online and necessary instructions for realisation of fee from defaulter dealers had since been issued to concerned DTOs. The Department further stated that system of realisation of trade tax had been made online. However, after introduction of online system, trade tax was being levied at the time of sale of vehicles instead of at the time of procurement of vehicles by the dealer, which was irregular.

4.3.22 Issuance of permits

Section 81 and 84 of the MV Act provides that no permit shall be granted to vehicles without valid fitness and against which tax was due.

Section 66 of the MV Act read with Rule 80 of BMVT Rule 1992 provided that no owner of a motor vehicle shall use or permit the use of the vehicle as a transport vehicle in any public place without valid permit. As per Section 81 of the MV Act, a permit other than a temporary permit is valid for a period of five years from its date of issuance. Further, the Transport Department revised (May 2017) the application/permit fee for issue/renewal of permit in case of goods carriage, contract carriage and stage carriage etc., and introduced a processing fee for issuance or renewal or change in the condition of a permit for five years.

²⁰ Aurangabad, Begusarai, Bhagalpur, Darbhanga, Gaya, Muzaffarpur and Vaishali.

4.3.22.1 Authorisation of National Permit for goods carriage was not renewed

The National Permit Register was neither updated nor physically checked by the concerned RTAs, as a result, composite fee and authorisation fee amounting to ₹ 6.29 crore were not realised.

Section 81 of MV Act provides that a National Permit (NP) is valid from the date of issue or renewal thereof for five years. Further, Rule 87 of CMV Rules provides that an authorisation for NP shall be made every year and shall not be valid exceeding one year at a time. The authorities concerned shall issue notice to the permit holder within 15 days of expiry of authorisation calling his explanation as to why the permit should not be cancelled if the authorisation was not renewed and cancel the permit in case no explanation being received within fifteen days.

The Composite fee of ₹ 16,500 per annum for authorisation and home state authorisation fee amounting to ₹ 1,000 per annum with effect from April 2012 was leviable for authorisation of NP of a vehicle.

Audit scrutinised the NP Register and *VAHAN* database in test-checked RTAs (Patna, Purnea and Muzaffarpur) and observed that 2,249 out of 9,759 goods vehicles covered under NP had plied on roads (between March 2014 and March 2019) without renewal of authorisation of NP even after expiry of validity period of more than a year. These vehicle owners did not surrender these permits. All the information was also available in *VAHAN* software but neither the concerned RTA nor Enforcement wing of the Department traced these vehicles as provided under section 192 of MV Act. The concerned RTAs did not issue notices to those permit holders for cancellation of permits. The National Permit Register was also neither updated nor physically checked by the concerned RTAs which indicated absence of mechanism of control and monitoring of the subsequent authorisation during currency of national permits. As a result, composite fee and authorisation fee amounting to ₹ 6.29 crore were not realised.

The Department accepted (June and August 2020) the audit observation and stated that process of permit fee was being automated (online) to facilitate regular monitoring and further stated that instructions were issued to concerned RTA to verify the data provided by audit and to take required action.

Recommendation: The Department/Government should prescribe monitoring mechanism to ensure updation of national permit register to effect control over plying of vehicles with valid permit and authorisation.

4.3.22.2 Non-realisation of processing fee from permit holders of transport vehicles

Permits were issued to 29,625 Goods Carriage, 1,165 Stage Carriage and 5,571 Contract Carriage vehicles without realising processing fee of ₹ 1,000 which resulted in loss of revenue of ₹ 3.64 crore.

Rule 74 of the BMV Rules, provides for various types of fees related to permit of different class of vehicles. The processing fee was revised in May 2017 to ₹ 1,000 for each application for issue/renewal of permit of Goods Carriage/Contract

Carriage/Stage Carriage, which was mapped in *VAHAN* software from the month of November 2019.

On scrutiny of Permanent Permit Register and permits issued manually for Goods Carriage, Stage Carriage and Contract Carriage vehicles in test checked RTAs, Audit observed that permits were issued to 29,625 Goods Carriage, 1,165 Stage Carriage and 5,571 Contract Carriage vehicles during the period 23 May 2017 to 31 March 2019 without realising processing fee of ₹ 1,000. Collection of the fee was neither mapped in the *VAHAN* nor was its collection ensured manually by the concerned RTAs in gross violation of above notification. This is indicative of lack of due diligence on the part of RTAs in complying the provisions of the Act/Rules resulting in loss of revenue of ₹ 3.64 crore.

After this was pointed out, the Department stated (June and August 2020) that necessary instructions for realisation of processing fee from permit holders of transport vehicles had since been issued to concerned RTAs.

4.3.22.3 Non realisation of differential permit fee

The concerned RTAs did not levy revised fee for issuance or renewal or change in the condition of a permit for five years as the related provisions were not mapped in the *VAHAN*, which resulted in loss of revenue of ₹ 28.90 lakh.

Section 66 of the MV Act read with Rule 80 of BMVT Rule 1992 provides that no owner of a motor vehicle shall use or permit the use of the vehicle as a transport vehicle in any public place without valid permit. As per Section 81 of the MV Act, a permit other than a temporary permit is valid for a period of five years from date of its issuance. Further, the Transport Department revised (May 2017) the application/permit fee for issue/renewal of permit in case of goods carriage, contract carriage and stage carriage etc., and introduced a processing fee for issuance or renewal or change in the condition of a permit for five years.

Audit scrutinised the records of test-checked RTAs and observed that 608 permits were issued during May and November 2017. However, the concerned RTAs did not levy revised fee²¹ for issuance or renewal or change in the condition of a permit for five years as the related provisions were not mapped in the *VAHAN*, which resulted in loss of revenue of ₹ 28.90 lakh.

After this was pointed out, the Department stated (June and August 2020) that necessary instructions had since been issued to concerned RTAs to realise differential permit fees.

²¹

(Amount in ₹)

Class of vehicle	Pre revised rate	Revised rate (w.e.f. 23.5.2017)
Stage carriage	2,000	7,000
Goods carriage	2,000	7,000
Three wheelers	1,500	3,000
Maxi/Cabs	6,000	15,000

4.3.22.4 Lack of effective control in issuance of stage carriage permit

Due to lack of effective control in issuance of stage carriage permit, in three cases applicant had to apply and deposit permit fee of ₹ 3,000 multiple times to get a permit.

Under the provision of Section 74 of the MV Act 1988, subject to the provision of sub-section (3), a Regional Transport Authority may, on an application, grant a contract carriage permit in accordance with the application or with such modification as it deems fit or refuse to grant such a permit. Further, in compliance of clause (3) (c-a) of Section 68 of the MV Act 1988, GoB vide notification dated 05 February 2018 published a list of 3,284 routes which were identified for plying of stage carriages in which 377 routes further added by departmental notification dated 23 January 2019.

During scrutiny of records/files pertaining to issuance of permits in test-checked RTAs following irregularities were noticed:

- In RTA Patna 1,480 stage carriage permits were issued during 2016-19, out of this 722 applications with disputes were considered in various meetings of RTA. Out of these 722 applications, 384 stage carriage were such in which there were clash of time table. Further audit scrutiny revealed that though a comprehensive list of routes was published by Transport department, time table/route register was not maintained to show route-wise details of stage carriages to know their number and frequency approved on a particular route. In the absence of time table/route register, the office was unable to ascertain whether the desired time table sought by a new applicant had already been allotted to someone. Due to non-maintenance of such record in three cases applicant had to apply and deposit permit fee of ₹ 3,000, multiple times to get a permit. For each reconsideration of permit (due to time table clash), a correction charge of ₹ 3,000 was being charged as fee for correction of time and a fee of ₹ 1,000 was being collected from the person raising objection against the proposed time table.
- Audit observed similar irregularities in RTA, Purnea where time table of a stage carriage was being approved on the recommendation of bus owner association, which was irregular. In RTA, Muzaffarpur, Audit observed that only seven meetings (between owners of stage carriages with RTA/STC to finalise route and timing of operation of stage carriage in order to issue permit) were held during 2016-17 to 2018-19, leading to delay of four months to 11 months in issuing the permits.

Thus due to non/delayed allotment/issue of route permits to stage carriages they could not ply despite having paid up-to-date tax and proper fitness certificate, P.U.C., insurance etc., causing irrecoverable loss to the vehicle owners. Due to non-maintenance of time table/route register in RTA, Patna, the Government may face difficulty in ensuring last mile connectivity, rural transportation, reducing traffic congestion, improving urban transport, safety of road users and protection and enhancement of the environment etc.

After this was pointed out, the Department assured (June 2020) to resolve the issue of plying of vehicle on particular route through automation of permit fee process and automation of process of approval of route/time of stage carriages.

4.3.22.5 Lack of effective control while issuing permanent permits

Due to lack of effective control in issuance of permanent permit, in 16 instances more than one permit was issued without cancellation of previous permit of the vehicles.

Audit scrutinised the permit register and relevant files of stage carriage in RTA, Muzaffarpur and observed that 881 stage carriage permits were issued during October 2018 to November 2019. In case of eight stage carriage (out of 421 test-checked) permanent permits were issued between April and September 2019 without ensuring tax and valid fitness.

Scrutiny of records revealed that owner of these vehicles had applied for permanent permit, however the concerned RTA did not verify details of certificate of registration, challan in proof of payment of tax, fitness certificate etc., as available in VAHAN database before issuing permit for vehicles.

In RTA Muzaffarpur, Audit further observed that during the period April 2016 to November 2019, 823 stage carriage permits were issued. Out of these, in 16 instances as evident from permanent permit register, more than one permit was issued without cancellation of previous permit of the vehicles. Besides this, 80 goods carriage and 16 contract carriage permits were also issued without cancellation of previously issued permits.

Similarly, RTA Patna, re-issued permit to 1,451 goods carriage vehicles without cancelling the previous permit. This indicates that due to control weakness permits were issued twice to same vehicles.

After this was pointed out, the Department stated (June 2020) that necessary instructions had since been issued to concerned RTAs to submit clarification so that responsibility against the erring officials can be fixed.

Recommendation: The Department should ensure incorporation of all information such as fitness and permit status relating to stage carriages in VAHAN database to effect proper monitoring of stage carriages.

4.3.23 Collection of Government revenue and its Remittance into Government Account

Rule 37 of the Bihar Financial Rule, 2005 states that it is the primary responsibility of the departmental authority to see that all revenue receipt due to Government are correctly, promptly assessed, realised and credited into Government account under proper head of account without undue delay. Transport department issued (January 2016) instruction for speedy remittance of collected revenue into the account of the State Government. Further, as per the executive instructions issued (February 2018) by Transport Department, all Motor vehicle taxes to be remitted in Government account through Online Government Receipts and Account System (O-GRAS).

4.3.23.1 Revenue not credited into Government account due to pendency in O-GRAS challan

The concerned DTOs did not reconcile challans from the Government treasury and as a result an amount of ₹ 3.00 crore remained outside Government Account.

Audit scrutinised the daily cash collection register, bank statement, O-GRAS challan in test-checked DTOs and observed in two²² DTOs that 11 O-GRAS challans (E-challans) amounting to ₹ 3.00 crore were generated between February 2018 and December 2018 “Over the counter” drop box and deposited in State Bank of India. However, the money related to these O-GRAS challans was not found credited in the Government Account, as these were not found in the relevant treasury schedule. The concerned DTOs did not reconcile these challans from the Government treasury and take any action to bring these money into Government Account as a result an amount of ₹ three crore remained outside the Government Account.

After this was pointed out, the Department stated (June 2020) that necessary instructions had since been issued to concerned DTOs to remit the differential amount after verification from treasury.

4.3.23.2 Parking of collected Government revenue in current bank account

Collected Government revenue ranging between ₹ 97.98 lakh to ₹ 5.65 crore, were left in each month in the current bank account during January 2018 to March 2019.

In DTO Patna, on scrutiny (January 2019) of daily cash/demand draft collection register, Audit observed that daily cash collection/demand draft was deposited into current account of Indian Bank and thereafter amount so collected were transferred into Government account through O-GRAS “Over the counter” drop box.

Scrutiny of daily cash collection register and bank account statement of Indian Bank, Patna Gandhi Maidan revealed that the amount transferred to Government account was based on daily collection of taxes and fee over its cash counters instead of actual balance in the Bank account. As a result, collected Government revenue ranging between ₹ 97.98 lakh to ₹ 5.65 crore, were left in each month in the current bank account during January 2018 to March 2019. Thus, the Government revenue to the extent of ₹ 5.65 crore remained outside the Government account and parked in current account of Indian bank.

After this was pointed out, the Department stated (June 2020) that it took two to three days to remit the amount realised through cheque/drafts of other banks to government account.

The Department further stated (August 2020) that due to convenience and security issue, collection of taxes and fee over its cash counter was first deposited in bank account situated in the same building and subsequently remitted into government account. The Department furthermore stated that necessary instruction had since

²² Gaya and Vaishali.

been issued to DTO Patna to issue instruction to concerned bank to timely remit the entire amount kept in bank account.

However, the fact is that this practice of keeping government revenue initially in bank account and thereafter its remittance into government account prevailed only in DTO Patna out of 15 test-checked DTOs. Further, at no point of time entire balance available in the bank account was transferred to government account. As a result, collected Government revenue ranging between ₹ 97.98 lakh to ₹ 5.65 crore were left in each month in the current bank account during January 2018 to March 2019.

The Department's reply was silent on the balance of money kept continuously outside the Government account and non-adoption of O-GRAS in all cases.

4.3.23.3 Revenue transferred to Government Account in next financial year

An amount of ₹ 4.16 crore were collected as fee and taxes from different cash counters between 29th and 31st March 2019 but was transferred/remitted into the State government account during April 2019 i.e. in next financial year which was irregular.

On scrutiny of remittance register, O-GRAS challan, Bank Statement and Treasury Schedule for the year 2018-19 in eight²³ test-checked DTOs, Audit observed that an amount of ₹ 4.16 crore were collected as fee and taxes from different cash counters between 29th and 31st March 2019. This amount was transferred/remitted into the State government account during April 2019 i.e. in next financial year which was irregular and contrary to the provisions/instruction *ibid*.

After this was pointed out, the Department stated (June and August 2020) that precaution would be taken to avoid such irregularity. The Department further submitted justification for not depositing the amount till 31 March as closure of bank on 29 March and 30 March. The reply was factually incorrect as the bank remained open on 29 March and 30 March.

4.3.23.4 Irregular generation of online receipts

Tax collection receipts were not generated in sequence such as earlier receipt numbers were generated on later dates whereas later receipt numbers were generated on earlier dates. The DTOs also did not detect such generation of irregular numbers.

Audit scrutinised the dealer-point online collection report in VAHAN database in seven²⁴ test-checked DTOs and observed that tax collection receipts were not generated in sequence such as earlier receipt numbers were generated on later dates whereas later receipt numbers were generated on earlier dates. Since, these are system generated numbers, there should not be alteration in serial numbers and dates. The DTOs also did not detect such generation of irregular numbers. This lacuna in the validation control of the system does not only generates irregular numbers but is fraught with the risk of fraud also.

²³ Arwal, Begusarai, Bhagalpur, Darbhanga, Gaya, Nalanda, Patna and Vaishali.

²⁴ Aurangabad, Begusarai, Bhagalpur, Darbhanga, East Champaran, Nalanda and Siwan.

Audit further observed that dealer-wise detailed report of collection and remittance of revenue was not being generated under *VAHAN* database as a result tax collected and remitted into government account by individual dealers could not be ascertained and verified.

After this was pointed out the Department stated (August 2020) that matter was being investigated.

Recommendation: The Department should ensure remittance of all Government revenue into the Government Account without any delay.

4.3.24 Non-maintenance of database of pollution testing stations

License of 142 pollution testing stations was not renewed upto November 2018, which resulted in short levy of revenue of ₹ 24.30 lakh in shape of renewal fee.

Rule 115 (7) of the CMV Rules, prescribes that after one year of registration every such vehicle shall carry a valid 'Pollution Under Control' (PUC) certificates issued by an agency authorised for this purpose by the State Government. The validity of the certificate shall be for six months and subsequently, if found within the prescribed limit the pollution testing centers will issue fresh PUC certificate on payment of prescribed fee.

Audit scrutinised the records related to pollution testing stations in test-checked DTOs and in the office of the STC and observed that the Department had authorised (June 2004 to March 2019) 508 private testing centers in Bihar. Out of 508, license of 142 pollution testing stations was not renewed upto November 2018, which resulted in short levy of revenue of ₹ 24.30 lakh in shape of renewal fee. The STC and test-checked DTOs did not have any database regarding number of testing stations working in the State as on 31 March 2019. Audit further observed that test-checked DTOs did not have any database/information regarding vehicles plying with or without PUC as on March 2019 in *VAHAN* software.

After this was pointed out, the Department stated (August 2020) that issues relating to pollution testing station and PUC had since been computerised. The Department further stated that 110 out of 142 pollution testing stations had since been renewed. However, the Department's reply was silent on absence of database and information of all the pollution testing stations and the vehicles plying with or without PUC as on March 2019 in *VAHAN* software.

Internal Control Mechanism

The Department should develop an effective internal control mechanism to ensure proper implementation of Act/Rules. This also helps in the creation of reliable financial and management information system for prompt and efficient decision making and adequate safeguard against proper validation control over *VAHAN* and *SARATHI*.

4.3.25 Arrear of revenue

4.3.25.1 Analysis of arrears of revenue

Scrutiny of Register-IX²⁵ and report/return of arrears of revenue in test-checked DTOs/RTAs revealed that two²⁶ DTOs and RTA, Muzaffarpur did not maintain any record related to arrears of revenue. Audit observed that in 15²⁷ DTOs/RTAs, the arrears of revenue as on 31 March 2019 amounted to ₹ 203.86 crore. The table below depicts the position of arrears of revenue during the period 2016-17 to 2018-19:

Table-4.5: Pending of certificate cases of arrears of revenue during 2016-19
(₹ in crore)

Year	Opening balance		Addition during the year		Amount collected during the year		Closing balance of arrears	
	No. of case	Amount	No. of case	Amount	No. of case	Amount	No. of case	Amount
2016-17	12422	125.20	1766	6.00	185	4.32	14003	126.87
2017-18	14003	126.87	1899	4.91	271	0.81	15630	130.97
2018-19	15630	130.97	5043	73.76	218	0.88	20612	203.86

Audit scrutiny revealed that there was an arrear of ₹125.20 crore against tax defaulter vehicle owners at the beginning of 2016-17 which increased to ₹ 203.86 (62.83 per cent) in 2018-19. During 2016-19, the Department realised only ₹ 6.01crore (2.86 per cent) out of ₹ 209.87 crore arrear of revenue. The details of arrears outstanding for more than three years was not available with the Department. This shows that the Department did not have proper database of arrears of revenue and did not take adequate efforts to reduce the arrears.

After this was pointed out, the Department stated (June 2020) that necessary instruction had since been issued to concerned RTA/DTO to liquidate arrear of revenue.

4.3.25.2 Recovery Certificate case returned without realisation of arrears

Due to ineffective follow-up as per Act or Rules, arrears of revenue amounting to ₹ 7.01crore could not be recovered.

On scrutiny of case records of pending cases of arrears of revenue related to tax defaulting vehicle owner of transport vehicles in RTA Patna, Audit observed that Recovery Certificates were instituted during the period 2009-10 to 2015-16 against 225 vehicle owners (out of 827) for recovery of outstanding arrears amounting to ₹ 7.01 crore. Audit further observed that even after lapse of nine years since institution of Recovery Certificate Cases²⁸, arrears of revenue could not be recovered and returned to District Transport Officer, Patna with the comment of incorrect address/untraceable/death etc., though it was the responsibility of the

²⁵ Register 'IX' is a register of requisitions and is maintained by the requiring officer.

²⁶ Patna and Purnea.

²⁷ **DTOs:** Arwal Aurangabad, Begusarai, Bhagalpur, Darbhanga, East Champaran, Gaya, Kaimur, Muzaffarpur, Nalanda, Sheohar, Siwan, and Vaishali; **RTAs:** Patna and Purnea.

²⁸ **Certificate case:** When the certificate officer is satisfied that any public demand payable to the Collector is due, he may sign a certificate in the prescribed form, stating that the demand is due and shall cause the certificate to be filed in his office.

concerned DTO to maintain full details of the defaulters. The Certificate Officer failed to make recovery of the outstanding arrears and did not take any action against the defaulters. Thus, due to ineffective follow-up as per Act or Rules, arrears of revenue amounting to ₹ 7.01 crore could not be recovered. After this was pointed out, the Department stated (June 2020) that necessary instructions had since been issued to concerned RTA/DTO to realise arrear of revenue. The Department further stated (August 2020) that necessary checks had since been incorporated in the system to capture all relevant information in the VAHAN-4 database. The Department also issued instruction to concerned RTA/DTO to realise arrears of revenue.

4.3.25.3 Absence of monitoring and follow up mechanism for realisation of arrears

Arrears of tax and penalty against tax defaulter vehicle owners amounting to ₹ 1.99 crore in 30 cases were pending for recovery since July 2002 to August 2007 for which Recovery Certificates were instituted during the period 2007-08.

Scrutiny of Revenue recovery certificate (RRC) case register in RTA, Patna revealed that arrears of tax and penalty against tax defaulter vehicle owners amounting to ₹ 1.99 crore in 30 cases were pending for recovery since July 2002 to August 2007 for which Recovery Certificates were instituted during the period 2007-08. These RRCs were instituted by RTA Patna with delay of more than two years after the date when revenues become due, though they were supposed to file certificate case within 45 days of expiry of notice period. Thus, delay on the part of RTA Patna in filing certificate cases, recovery of these outstanding arrears could not be made.

Audit further observed that after lapse of 12 years of institution of RRCs, the dues could not be recovered in the aforesaid 30 cases. Scrutiny of records further revealed that all cases were related to members of only one family and despite intimation (DTO, Kaimur) by requisitioning authority that these vehicles were plying in Bihar upto 2012, no action was taken by certificate officer for recovery of dues by seizure and auctioning of those vehicles. Moreover, the RTA, Patna also had regularly issued permit (between 2017 and 2019) to owners of these defaulter vehicles without taking any action for recovery of arrear of revenue.

It was further observed that the department had no system to monitor the institution and disposal of the RRCs within a specified time frame for effective and speedy realisation of arrears of revenue. Therefore, in the absence of follow up and monitoring mechanism, arrears of revenue amounting to ₹ 1.99 crore was pending for realisation.

After this was pointed out, the Department stated (June and August 2020) that necessary instruction had since been issued to concerned RTA Patna and DTO Kaimur to realise arrear of revenue by auctioning vehicles or immovable properties.

4.3.25.4 Non-recovery of outstanding Government revenue due to improper monitoring of case

Due to absence of effective follow-up and monitoring mechanism either on the part of RTA or the Department, Government dues amounting to ₹ 3.51 crore could not be recovered even after lapse of four years.

During scrutiny of certificate case records in RTA, Patna Audit observed that Bihar State Road Transport Corporation (BSRTC) requisitioned (June 2015) to the Certificate Officer, Patna to file a certificate case for an amount of ₹ 3.51 crore against a debtor M/s Girish Infrastructure Pvt. Ltd, Hyderabad. Subsequently, a certificate case for recovery of arrears was filed (July 2015). However, due to absence of effective follow-up and monitoring mechanism either on the part of RTA or the Department, Government dues amounting to ₹ 3.51 crore could not be recovered even after lapse of four years.

After this was pointed out, the Department stated (June and August 2020) that necessary instruction had since been issued to RTA Patna to realise arrear of revenue by auctioning vehicles or immovable/movable properties. However, the department's reply was silent on the lack of follow-up and monitoring mechanism leading to non-recovery of the Government dues.

4.3.25.5 Lack of follow up mechanism resulted into non-recovery of Government dues

Due to lack of follow-up by the RTA and non-compliance of the order of the RTA by the MVI arrears of ₹ 1.08 crore remained unrealised.

During scrutiny of certificate case records/files at RTA Patna, Audit observed that BSRTC made requisition in December 2011 to the Certificate Officer, Patna to file a certificate case for recovery of arrears of revenue amounting to ₹ 1.21 crore and ₹ 37.13 lakh against a debtor M/s Eden Transport Pvt. Ltd., Kolkata. Subsequently, certificate cases were instituted vide case nos.-07/2011 and 08/2011 against the debtor. The arrears of tax was further revised (July 2013) to ₹ 71.21 lakh and ₹ 36.41 lakh by the BSRTC, Patna and accordingly a revised requisition was forwarded (July 2013) to the Certificate Officer. Hearing for recovery of arrear was made on 16 November 2013 wherein DTO Patna was directed (by RTA Patna) to keep nine buses of the defaulters in its custody till realisation of arrear of revenue. Accordingly, the DTO, Patna seized the buses and intimated (06 December 2013) the RTA who in turn instructed (20 August 2016) the MVI Patna to assess the valuation of seized property. However, even after lapse of two years and five months no action was taken by MVI in this regard. Moreover, no follow-up of the case by the RTA was found on record. Thus, due to lack of follow-up by the RTA and non-compliance of the order of the RTA by the MVI arrears of ₹ 1.08 crore remained unrealised till the date of audit (February 2020).

The Department stated (June and August 2020) that instruction had since been issued to RTA Patna to fix responsibility against concerned motor vehicle inspector. However, the Department was silent on recovery of ₹ 1.08 crore of arrear of revenue.

4.3.26 Absence of monitoring in enforcement wing

Enforcement wing of the Transport department has the responsibility to intercept the vehicle not having valid permit and levy and realise fine as prescribed under CMV Rules, 1989 and BMVT Act, 1994. Enforcement Sub Inspectors (ESI) are posted under control of district transport officer who are given seizure and money receipt (MR) for impounding the vehicles and collecting fines. As per instruction of Transport department, second copy of the seizure receipt is required to be returned after its use.

During scrutiny of records in office of the DTO, Vaishali, Audit observed (June 2019) that the DTO issued (between June 2016 and May 2018) 11 volumes of MR and four volumes of seizure to an ESI. However, the ESI got transferred (June 2018) without submitting required return as to use of MR and seizure to the DTO. In absence of this information, actual collection of revenue could not be verified in audit.

After this was pointed out, the Department stated (August 2020) that collection of compounding fine had since been started from Hand Held Devices. The Department further stated that necessary detailed report in case of DTO Vaishali had since been obtained and would be made available to audit.

Conclusion:

Department needs to take steps to further enforce rules and laws effectively and safeguard the government revenue as the irregularities pointed out in the audit are around ₹ 281.13 crore which is 13 per cent of the total revenue collection from taxes on vehicles during 2018-19. The Department needs to revisit its notification relating to levy of Road safety cess, which led to short realisation of the same. The systems established by the Department for registration of vehicles, issuance of driving licence, issuance of permit, issuance of fitness certificate, realisation of arrear of revenue need to be followed scrupulously. Automation of permit fee process and automation of process of approval of route/time of stage carriages needs to be brought in. The Department needs to address deficiencies observed in non-realisation of trade tax, non/short realisation of motor vehicle tax and non-renewal of fitness certificate etc. and institute practices to exercise adequate control over its field functionaries for detecting and correcting violations on timely basis.

4.4 Misleading presentation of facts by Transport Department in adjustment of loan of BSRTC

The Department showed recovery of ₹ 874.81 crore from acquiring the properties of the Corporation in the gazette notification but it was an incorrect presentation of facts to stakeholders, as the properties acquired in form of lands already belonged to the State Government itself and building had no value in the current date.

During scrutiny of records²⁹ in the office of the State Transport Commissioner, Bihar, Audit observed (January 2019) that in compliance to the order of the Hon'ble Supreme Court and Hon'ble Patna High Court³⁰ the Transport Department granted a loan of ₹ 318.24 crore in February 2016 to BSRTC for payment of emoluments to their retired/deceased employees. As per terms and conditions of the sanction order, the loan was to be repaid in 10 equal instalments by BSRTC, if not converted into share capital by the Government, within a year.

As per Finance Accounts 2017-18 of Government of Bihar, the outstanding loans to BSRTC aggregated to ₹ 874.81 crore as on 31 March 2018, was included loans granted on earlier occasions also. During 2005-12 also, for payment of salary and other benefits, Government of Bihar granted loans to the Corporation. Loans were given to BSRTC, for payment of emoluments, at the rate of 13 *per cent* per annum (while average cost of borrowed funds for the Government ranged between 6 *per cent*-10 *per cent*), for establishment expenditure and expenditure of recurring nature. The BSRTC was in sustained losses during the years, affecting its capacity to repay these loans.

Audit observed that the Department recovered (March 2019) the entire loan amount (principal) of ₹ 874.81 crore outstanding as on 31 March 2018 through taking over physical properties³¹ of BSRTC and issued a notification dated 22.02.2019 in this regard. In the said notification, the actual valuation of the land was shown as ₹ 615.60³² crore and the value of taken over properties was notionally increased to ₹ 874.81 crore, to match the loan amount, by attributing the difference to the value of the building (Sultan Palace).

Finance Department, while approving the proposal to recover the principal amount, had commented that outstanding interest should be adjusted in future through taking over other properties of BSRTC.

In continuance of this transaction, Audit observed that Government of Bihar carried out further adjustments, and through book transfer provided a subsidy to BSRTC, and also showed the same amount as deposited through nine treasury challans towards recovery of the loan outstanding, under head R-7055, "Loan for Road Transport" by Transport Department itself. Thus, the total amount of outstanding principal of ₹ 874.81 crore was shown repaid in the Finance Account for the year 2018-19 and as per notification, assets were shown as obtained against this transaction.

²⁹ Cash book, files relating to loans and advances to BSRTC and other relevant records such as requisition of BSRTC, cabinet note, sanction order, payment vouchers, etc.

³⁰ Supreme Court Civil appeal no.7290 of 1994 and High court CWJC 9207 of 2012.

³¹ Lands at Sultan Palace (4.80 acres) and Banikpur (2.50 acres); Building at Sultan Palace.

³² Sultan Palace ₹ 324 crore – and Bankipur- ₹ 291.60 crore.

Audit also noticed that total amount of interest due on outstanding loan was ₹ 1,011.10 crore as on 28 February 2019. The Department did not raise any demand for recovering this interest amount.

In response to audit observation, the Department stated (July 2020) that as per departmental notification (25 February 2019) ₹ 874.81 crore was granted as subsidy and entire loan amount (principal) of ₹ 874.81 crore had since been adjusted through book transfer. However, the Department was silent on realisation of interest.

Audit observed from the records of BSRTC that Government of Bihar already owned both the lands. Despite this, the Transport Department issued a notification to show resumption of land already belonging to it and valued land at ₹ 615.60³³ crore.

The ownership of building was with BSRTC. Audit noticed that the building of Sultan Palace existed prior to 1962 and as per Significant Accounting Policies in annual accounts of BSRTC, the useful life of the building taken was only 20 years. The building was therefore, notionally valued by State Government at ₹ 259.21 crore, only for the purposes of this transaction.

Therefore, as above, though the department showed recovery of ₹874.81 crores from acquiring the properties of the BSRTC in the gazette notification, it was misleading to the stakeholders, as the properties acquired in form of lands already belonged to the State Government itself and Government did not recover any amount in this regard. This led to burden on exchequer to the extent of ₹ 874.81 crore and ₹ 1,011.10 crore as interest not received. However, as pointed above, the land belonged to the State Government and the building had outlived its life, hence the transaction does not lend itself to prudent financial reporting.

Recommendations: Government should consider giving grants for meeting recurrent establishment expenditure, which is of revenue nature, instead of advancing loans for such purposes to Corporations, to truly reflect the nature of the transaction, and keeping in view the lack of capacity of some entities to repay loans. Such loans overstate the nature of capital expenditure by Government.

2. Loans that cannot be repaid should be written off and suitably treated in Government financial statements and entity accounts, instead of carrying out book adjustments, which hinder true appreciation of the transaction and financial statements at both ends.

3. The Department may review its notification of February 2019, as it presents a misleading picture to taxpayers and other stakeholders.

³³ Sultan Palace ₹ 324 crore – and Bankipur- ₹ 291.60 crore.

4.5 Unfruitful expenditure in construction of weigh bridges

Three weigh bridges could not be made operational till 2019 after handing them over to the Transport Department in December 2015/January 2016, despite incurring expenditure of ₹ 8.00 crore. Besides, Government incurred expenditure of ₹ 75.98 lakh in the form of payment of pay and allowances to officials, originally posted for weigh bridges sites but were deployed at STC/ DTO Patna office.

Rule 9 of Bihar Financial Rules (BFR) stipulates that every Government servant incurring or authorising expenditure from public funds should be guided by high standards of financial propriety and was expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.

During scrutiny (January 2019) of records in the office of the State Transport Commissioner, Audit observed that the Government decided (June 2014) to construct weigh bridges at four locations namely Bihta, Fatuha, Transport Nagar (Patna) and Masaudhi (Patna) to handle the problem of overloading. Accordingly, construction work of these weigh bridges was assigned to the Road Construction Department who further assigned the work to Bihar Rajya Pul Nirman Nigam Limited (BRPNNL) and accordingly administrative approval was issued by the Transport Department in August 2014. Further, technical sanction was accorded (August 2014) for an estimate of ₹ 9.57 crore at the rate of ₹ 2.39 crore per weigh bridge and subsequently the Department transferred ₹ 8.00 crore in instalments to BRPNNL (between December 2014 and December 2015) for their construction.

It was observed that the construction of Masaudhi Weigh Bridge could not be started due to land acquisition related issues. After construction of weigh bridges (two weigh bridge machine at each location) at Fatuha, Transport Nagar (Patna) and Bihta, BRPNNL handed over these bridges to the Transport Department in December 2015 and January 2016. Three Enforcement Sub-Inspectors (one for each location) were authorised (December 2015) by the Department to take possession of the weigh bridges and the officers were made responsible for the care and upkeep of the weigh bridges.

Audit observed that these weigh bridges could not be made operational after being handed over due to lack of manpower³⁴ and infrastructure³⁵. Wear and tear of the installed equipment during the period of non-operation required further repairing. Further, fund of ₹ 27.56 lakh earmarked for Annual Maintenance Contract remained with BRPNNL. The executing agency and the vendor who installed the machine mentioned about the wear and tear of the weigh bridges due to idling and disuse. They stated that these weigh bridges needed further repairing to make them operational and submitted an additional estimate of ₹ 10.03 lakh (September 2017).

³⁴ Officials required for operation of the weigh bridges were either deployed late or not deployed.

³⁵ Lack of electricity connection to the weigh bridges, instances of waterlogging in the weigh bridges, lack of arrangement for parking of confiscated vehicles, lack of approach road (Transport Nagar), etc.

It was further observed that subsequent to a writ petition by an adjacent plot holder challenging the establishment of weigh bridge at Transport Nagar, Patna, the Hon'ble Patna High Court directed (April 2019) the Patna Municipal Corporation to remove the construction of weigh bridges at Transport Nagar as establishment of weigh bridge without obtaining no objection certificate from Patna Municipal Corporation was illegal. Subsequently, the Transport Department decided to shift one weigh bridge of Transport Nagar to Rajuli (Nawada) and an estimate of ₹ 1.04 crore (technically approved) was submitted for administrative approval (January 2020).

Audit found that the Department failed to make the remaining weigh bridges at Bihta and Fatuha operational till January 2020. The Department in the meantime could not check overloading, road accidents and revenue loss due to under weighment, in addition to lack of collection of fines and penalties for overloading. Thus, the purpose of construction of the weigh bridges was defeated and the expenditure of ₹ 8.00 crore became unfruitful.

In response to the audit observation, the Department stated (July 2020) that one weigh bridge at Transport Nagar and weigh bridges at Fatuha had since been made operational. The Transport Department further stated that one weigh bridge of Transport Nagar was being shifted to Rajauli (Nawada) and weigh bridges of Bihta would be operationalised shortly.

During physical verification of the weigh bridges, Audit noticed that the operational weigh bridges were never put to holistic use as on average only two to three vehicles were weighed per day at these weigh bridges.

Audit also noticed that the Government incurred expenditure of ₹ 75.98 lakh in the form of payment of pay and allowances to Executive Assistants³⁶ which were originally posted for weigh bridge sites but were deployed at STC/DTO Patna office. At DTO office sanctioned strength were already operational.

The Department stated that personnel recruited for weigh bridges were deployed at office of DTO, Patna and Headquarters level as the matter of weigh bridge was pending in Hon'ble Patna High Court. However, the fact is that matter of only one weigh bridge of Transport Nagar was pending in Hon'ble Patna High Court and as such these personnel must have been deployed at other weigh bridges.

³⁶ 16 Executive Assistant in November 2016, 16 Executive Assistants from December 2016 to February 2019 and 15 Executive Assistants from March 2019 to March 2020.