

## CHAPTER II: TAXES ON VEHICLES

### 2.1 Tax administration

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 and BMVT Rules, 1994. It is administered by the Principal Secretary, Transport Department at the Government level and by the State Transport Commissioner (STC) at the apex level of the Department. In performance of his duties, the STC is assisted by two Joint State Transport Commissioners at the headquarters. The State is divided into nine Regional Transport Authorities<sup>1</sup> (RTAs) and 38 District Transport Offices. They are assisted by the Motor Vehicle Inspectors (MVIs) in discharging their duties. 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 fees and taxes and grant of driving licences are assigned to the District Transport Officers (DTOs) in the State.

### 2.2 Internal Audit

The Internal Audit wing of any department is a special vehicle of the internal control mechanism and is generally defined as the control of all controls to enable an organisation to assure itself that the prescribed systems are functioning reasonably well.

There is an internal audit wing called Finance (Audit), which works under the Finance Department and internal audit of the different offices of the Government is conducted on the basis of requisitions received from the Administrative Department. The Chief Controller of Accounts can also select units for internal audit on availability of audit team.

We are yet to receive the information regarding requisitions received from the Administrative Department and number of units selected for internal audit by the Finance Department (October 2016).

### 2.3 Results of audit

There are 49 auditable units under Transport Department, of which 35 were planned for audit during 2015-16 and we have conducted audit of 33 units (DTOs: 29, RTAs: 2, STC: 1 and PSU: 1) during the year. We found short realisation, loss of revenue and other irregularities involving ₹ 94.57 crore in 299 cases which fall under the following categories as detailed in **Table-2.1**.

---

<sup>1</sup> Bhagalpur, Darbhanga, Gaya, Katihar, Madhubani, Muzaffarpur, Patna, Purnea and Vaishali.

**Table- 2.1**

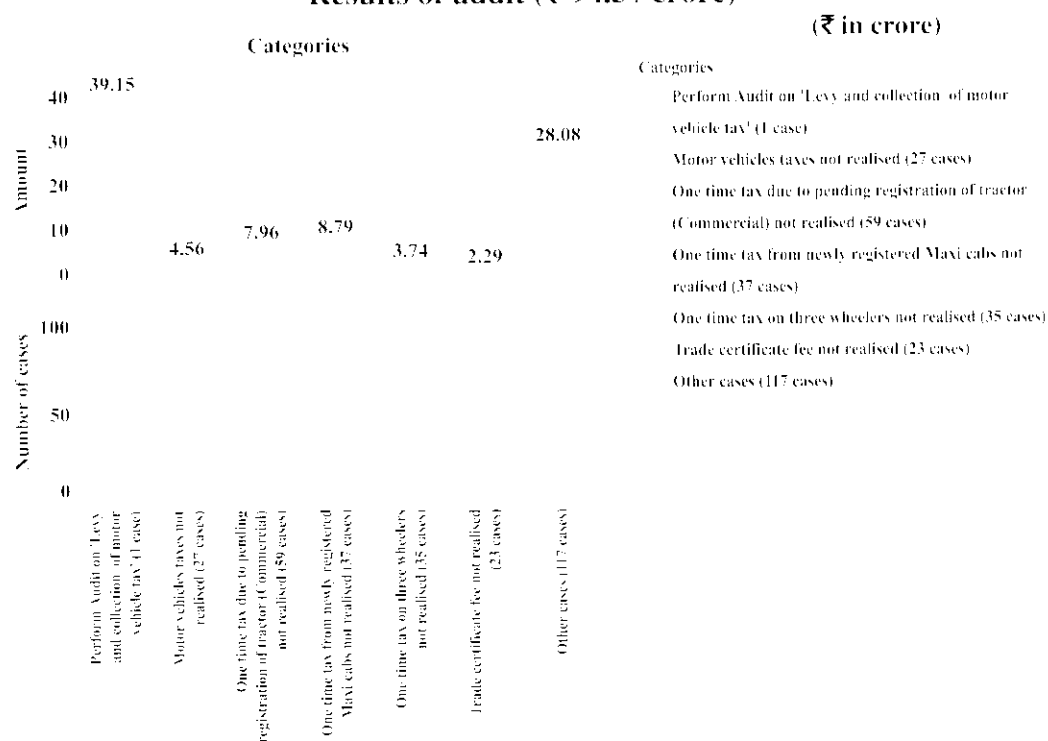
**Results of audit**

		(₹ in crore)	
Sl. No.	Categories	No. of cases	Amount
1.	Performance Audit of 'Levy and collection of motor vehicle tax'	1	39.15
2.	One time tax from newly registered Maxi/cabs not realised	37	8.79
3.	One time tax due to pending registration of tractor (Commercial) not realised	59	7.96
4.	Motor vehicles taxes not realised	27	4.56
5.	One time tax on three wheelers not realised	35	3.74
6.	Trade certificate fee not realised	23	2.29
7.	Other cases	117	28.08
	<b>Total</b>	<b>298</b>	<b>55.42</b>
	<b>Grand Total</b>	<b>299</b>	<b>94.57</b>

The results of Audit in respect of our audit findings on taxes on motor vehicles during 2015-16 is depicted in the following **Chart-2.1**:

**Chart- 2.1**

**Results of audit (₹ 94.57 crore)**



Out of the cases mentioned above, the Department accepted short levy, short realisation and other deficiencies of ₹ 7.22 crore in 11 cases, of which four cases involving ₹ 7.07 crore were pointed out during the course of the year and the rest in earlier years.

Audit findings of the Performance audit of 'Levy and collection of motor vehicle tax' and a few other illustrative audit observations involving ₹ 48.57 crore are mentioned in the succeeding paragraphs.

## Performance Audit of Levy and Collection of

### Highlights

More than 80 *per cent* of people living in urban areas are exposed to air quality levels that exceed the limits specified by World Health Organisation (WHO). A survey conducted by WHO based on Central Pollution Control Board (CPCB) reports found that Patna is the sixth most polluted city in the world with an annual averaged ultrafine particle level of 2.5 or less microns at 149 (year 2013) and level of particles of 10 and above microns at 167 (year 2012). The Indira Gandhi Science Centre Planetarium, Patna under CPCB declared (16 December 2016) the air quality of the City as 'Most Unhealthy' with Respirable Suspended Particulate Matter (RSPM) at 280 against a permissible limit of 60 microgram per cubic metre ( $\mu\text{g}/\text{m}^3$ ). Guidelines for Ambient Air Quality Monitoring issued by CPCB states that one of the main sources of RSPM is vehicular emission. Audit observed that Patna witnessed a steep increase in number of vehicles from 2.34 lakh as on 1 April 2011 to 6.74 lakh as on 31 March 2016. This made it clear that the exponential increase in number of vehicles in Patna played an important role in the rise in pollution level in the City.

**(Paragraph: 2.4.9.1)**

Though the vehicular pollution levels in the City has increased as per data maintained by CPCB, scrutiny of records in STC, Bihar, Patna, revealed that the office was not maintaining the database of pollution testing stations in the City as well as in the State. As a result, the Department could not monitor the standards of pollution testing stations to ensure that the tests conducted by them are authentic and only those vehicles which were certified as 'Pollution under Control' (PUC) after following due procedure were allowed to ply in the State. Absence of any control by STC over the functioning of the pollution testing stations may be a reason for the increased pollution levels in Patna.

**(Paragraph: 2.4.9.2)**

There were 35 cases of fictitious transactions (in district transport office, West Champaran) and 81 cases of irregular cancellation of money receipts (in five district transport offices) due to absence of validation checks and proper monitoring. The scale of fictitious transactions/malpractices in handling money receipts rendered the integrity and security of VAHAN database doubtful.

**(Paragraph: 2.4.8)**

Due to absence of validation checks in registration module of VAHAN software and lack of inter-connectivity amongst the district transport offices, 132 vehicles were registered at reduced sale value. Further, 52 vehicles were registered in other districts after the actual date of purchase and on reduced sale amount. There was delivery of 19,447 vehicles without assigning temporary registration number and 32,797 commercial tractors were registered without trailers. These irregularities resulted in short realisation of revenue of ₹ 30.90 crore.

**(Paragraph: 2.4.10)**

In district transport office, West Champaran, driving licences were issued to 3,188 applicants without conducting test of competency to drive motor vehicle. However, *SARATHI* database indicated that the licences were issued after passing the test which indicates that the database was tampered with. Issue of licences in such a way is also fraught with risks of accident and fatalities.

(Paragraph: 2.4.11)

As the Department failed to inter-link the database of offices of the District Transport Officers with that of offices of Regional Transport Authorities, the plying of three wheelers, tractor-trailer combination and buses of educational institutions without valid permit remained undetected.

(Paragraph: 2.4.12)

An amount of ₹ 10.10 crore collected as fees was remitted to Government account with a delay ranging from two days to 10 months in contravention of the provision of the Bihar Financial Rules. Further, 596 bank drafts received from different States/Regional Transport Authorities as permit fee were not encashed during their validity period.

(Paragraph: 2.4.14)

### 2.4.1 Introduction

Taxes on motor vehicles are levied and collected in accordance with the provisions of the Bihar Motor Vehicles Taxation (BMVT) Act, 1994 and the Bihar Motor Vehicles Taxation (BMVT) Rules, 1994. Fee for licences, registration of vehicles, certificate of fitness, permit and fines for compounding of offences are levied and collected under the provisions of the Motor Vehicles (MV), Act 1988, Central Motor Vehicles (CMV) Rules, 1989 and notifications issued thereunder.

The Government of India, in order to have a National Register of registered motor vehicles and driving licences and to provide data to the Centre and State security agencies, issued directives to all State Governments to adopt '*VAHAN*'<sup>2</sup> and '*SARATHI*'<sup>3</sup> softwares. The softwares were developed by the National Informatics Centre (NIC), New Delhi. Apart from the National Register, these softwares were also intended to help develop the State Register of motor vehicles and licences. The functions of the Department had been computerised using these two computer application software since May 2008 and February 2009 respectively. The operating platform was Windows 2000 for server and Windows XP for all clients. The different modules in the *VAHAN* software were Vehicle registration, Renewal of vehicle registration, Transfer of ownership, Change of address, Removal of hypothecation, Permit and Taxes etc. and that of *SARATHI* were Issuance and renewal of driving licences.

<sup>2</sup> An application developed for registration of vehicles and road tax clearance.

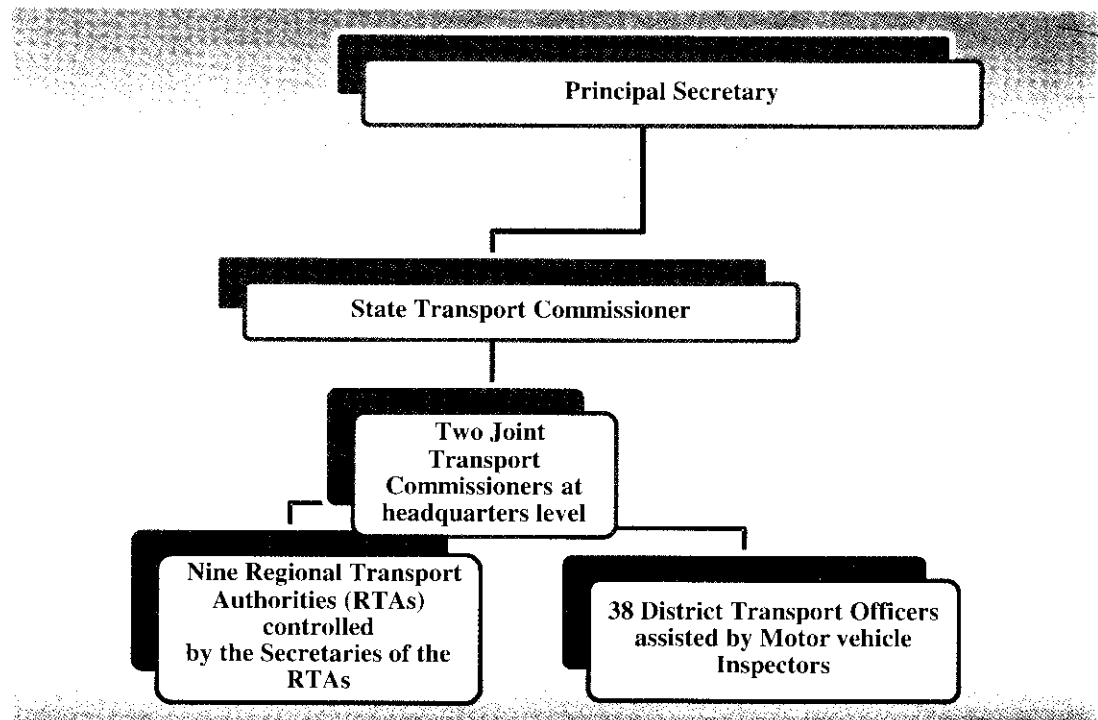
<sup>3</sup> An application developed for issue of various licences.

### 2.4.2 Organisational set up

At the Government level the Department is administered by the Principal Secretary while the State Transport Commissioner (STC) Bihar is the head of the Department and responsible for the administration of the Acts and Rules. He is assisted by two Joint State Transport Commissioners at the headquarters. The State has been divided into nine regions and 38 districts which are controlled by the Secretaries of the Regional Transport Authorities (RTAs) and the District Transport Officers (DTO) respectively. DTOs are assisted by the Motor Vehicle Inspectors (MVIs) in discharging their duties. The organisational set-up of the Department is given in the following **Chart-2.2** :

**Chart-2.2**

#### Organisational set up



### 2.4.3 Audit objectives

The objectives of this Performance Audit was to ascertain whether:

- the provisions of the Acts and rules made thereunder and notifications issued from time to time for assessment, levy and collection of the motor vehicles taxes, fees and fines etc., were being implemented efficiently and effectively; and
- the Department had an effective and adequate internal control mechanism to levy and collect revenues and its remittance into Government Account.

#### **2.4.4 Audit Criteria**

The Audit criteria for the Performance Audit were derived from the following sources:

- The Motor Vehicles Act, 1988;
- The Central Motor Vehicles Rules, 1989;
- The Bihar Motor Vehicles Taxation Act, 1994;
- The Bihar Motor Vehicles Taxation Rules, 1994;
- The Bihar Motor Vehicles Rules, 1992;
- Notifications, circulars, executive and departmental orders and instruction issued by the Department from time to time;
- The Bihar and Orissa Public Demand and Recovery Act, 1914;
- Bihar Budget Procedure; and
- Bihar Financial Rules.

#### **2.4.5 Audit Scope and methodology**

Performance Audit was conducted during March to July 2016 covering the period from 2011-12 to 2015-16. Ten<sup>4</sup> out of 38 district transport offices including three check posts<sup>5</sup> and two (Muzaffarpur and Purnea) out of nine RTAs were sampled randomly selected on the basis of revenue generated by the districts for the period from 2010-11 to 2014-15 by using Interactive Data Extraction Analysis (IDEA) Software. Two district transport offices (Kaimur and Saharsa) were selected at the behest of the Department. Besides, office of the STC, being controlling office at the headquarter level, was also selected for the purpose of the performance audit.

Audit methodology included conducting field visits for examination of records, collection of data from the Department, issue of audit memoranda, questionnaires and obtaining replies from audited entities to arrive at the audit conclusion. An Entry Conference was held on 29 March 2016 with the State Transport Commissioner wherein scope of audit, methodology and audit objectives including sampling technique adopted were explained to the Department. An exit conference was held on 6 October 2016 with the State Transport Commissioner in which the audit findings were discussed. Their comments have suitably been incorporated in the relevant paragraphs.

#### **2.4.6 Acknowledgement**

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

#### **2.4.7 Trend of Revenue**

As per Rule 54 of the Bihar Budget Procedure (BBP) the estimates of revenue and receipts should show the amounts expected to be realised within the year. In estimating fixed revenue for the ensuing year, the calculation should be based upon the actual demand, including any arrears due for past years and the

---

<sup>4</sup> Begusarai, Kishanganj, Katihar, Gaya, Nalanda, Patna, Purnea, Rohtas, Vaishali and West Champaran.

<sup>5</sup> Dalkhola (Purnea), Dobhi (Gaya) and Karamnasha (Kaimur).

probabilities of their realisation during the year. The arrears and current demands should be shown separately and reasons given if full realisation cannot be expected. In the case of fluctuating revenue, the estimate should be based upon a comparison of the last three years receipts.

Further, Rule 37 of the Bihar Financial Rules stipulates that it is the responsibility of the departmental officers to see that all sums due to the Government are regularly and promptly assessed, realised and duly credited in the Public Account and compare them with the records of the Accountant General (A&E) to see the amounts as realised have been duly credited in the Public Account.

The details of Budget Estimates (BE) and actual receipts (as per Finance Account) for the year 2011-12 to 2015-16 are mentioned in **Table-2.2** below:

**Table-2.2**  
**Trend of Revenue**

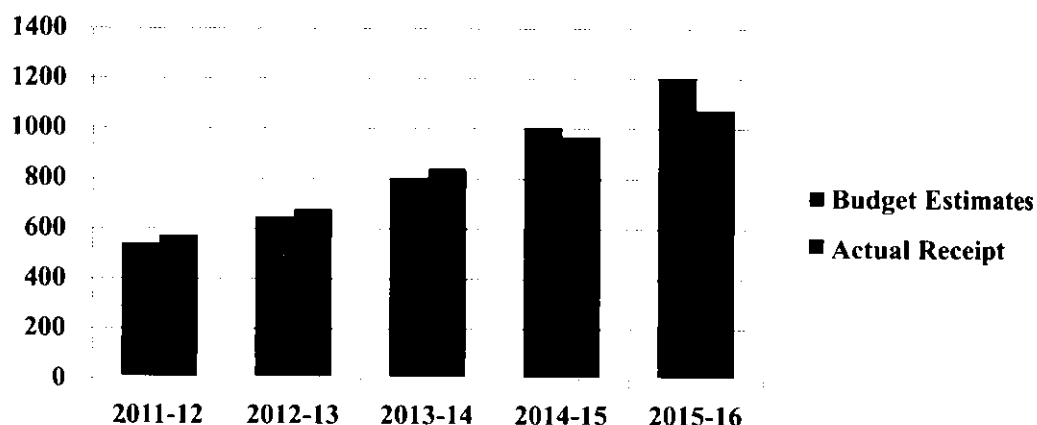
(₹ in crore)						
Year	Budget Estimates	Receipts as per Finance Accounts	Receipts as per Department	Variation between BEs and Actual Receipts (3-2)	Percentage of variation	Variation between Actual Receipts as per Finance Accounts and as furnished by the Department (3-4)
1	2	3	4	5	6	7
2011-12	537.00	569.13	557.48	32.13	5.98	11.65
2012-13	644.40	673.39	669.30	28.99	4.50	4.09
2013-14	800.00	837.48	835.51	37.48	4.68	1.97
2014-15	1000.00	963.56	966.46	(-) 36.44	(-) 3.64	(-) 2.90
2015-16	1200.00	1081.22	1070.97	(-)118.78	(-) 9.90	(-)10.25

(Source: Information furnished by the Department and Finance Accounts, Government of Bihar.)

The budget estimates vis-a-vis actual receipts (as per Finance Accounts) for the year 2011-12 to 2015-16 is depicted in the following **Chart-2.3**:

**Chart- 2.3**

**Trend of revenue**



The above table indicates that actual receipts was more than budget estimate during 2011-12 to 2013-14. However, actual receipts decreased by 9.90 per cent over the budget estimates during the year 2015-16, which is a cause of concern and needs to be analysed by the Department. Further, the difference between receipts as per the Finance account and those furnished by the Department ranged between ₹ (-) 10.25 crore and ₹ 11.65 crore during 2011-12 to 2015-16, which indicates that timely reconciliation was not done. The Department did not reconcile revenue collection figure even after being intimated by the AG (A&E) in March 2016. We further observed that on-line facility is provided by the Department in all the selected district transport offices for collection of taxes and its accounting. Despite that most of the beneficiary are paying their taxes/fees manually on the counter of district transport offices.

On this being pointed out, the Department stated (October 2016) that receipts in the year 2015-16 decreased due to engagement of officers in the Assembly Election.

**Recommendation-1: The Government/Department should ensure periodic reconciliation of the revenue collection figures with the accounts of the Accountant General (A&E) to ascertain the correct accountal of realised revenue and credit to treasury.**

During test-check of the records in the offices of the DTOs, RTAs and STC, we observed a number of irregularities/deficiencies which are discussed in the succeeding paragraphs:

**Due to absence of validation checks and proper monitoring, there were 35 cases of fictitious transactions (in district transport office, West Champaran) and 81 cases of irregular cancellation of money receipts (in five district transport offices). These irregularities resulted in defalcation of Government revenue of ₹ 20.63 lakh.**



Rule 37 of the Bihar Financial Rules provides that all transactions must be brought into account without delay and money received should be duly credited into the Government account.

- During cross-verification of manual cash book<sup>6</sup> with the daily cash report generated by audit from the *VAHAN* software in the test-checked district transport offices, we observed (May 2016) that in the district transport office, West Champaran, the amount shown in generated copy of the daily cash report of *VAHAN* database was higher than the amount entered in the manual cash book of a particular day. We further observed that in daily cash report generated by audit for the period 30 September 2014 to 4 May 2016, 35 fictitious transactions were made after the date of actual transactions. Out of these transactions, two transactions were found recorded on future date i.e. on 8 December 2016. This resulted in loss of revenue of ₹ 11.41 lakh as detailed in Annexure-I.

- During data analysis of *VAHAN* software in selected 12 district transport offices, we observed in five district transport offices<sup>7</sup> that tax of ₹ 19.20 lakh was initially collected from 81 vehicles during the period May 2011 to February 2016, but subsequently their receipts were found cancelled. Against which, in case of 63 cancelled receipts of ₹ 16.47 lakh, fresh receipts of reduced amount of ₹ 9.98 lakh were issued and in case of remaining 18 cancelled receipts involving ₹ 2.73 lakh, no fresh receipts were found generated but taxes (quarterly/one time tax) in case of all 81 vehicles in the *VAHAN* database were shown cleared and accounted for/smart card issued. This resulted in loss of revenue amounting to ₹ 9.22 lakh (₹ 19.20 lakh - ₹ 9.98 lakh) as detailed in Annexure-II.

The scale of fictitious transactions/malpractices in handling money receipts rendered the integrity and security of *VAHAN* database doubtful.

On this being pointed out, the Department stated (October 2016) that FIR had been lodged (May 2016) and the employees concerned were arrested and sent to jail in West Champaran. The Department further stated (August 2016) that comprehensive directives were issued to all DTOs to monitor and safeguard the *VAHAN* and *SARATHI* database to prevent such malpractices.

**Recommendation-2:** The Government/Department should ensure biometric password policy and necessary validation checks in the *VAHAN* and *SARATHI* software to ensure data integrity and server security.

<sup>6</sup> In the manual cash book the amount is recorded as per the cash report generated on the date of transaction.

<sup>7</sup> Katihar, Kaimur, Purnea, Saharsa and West Champaran.

## **2.4.9 Vehicular pollution and testing of emission levels**

### **2.4.9.1 Rise in vehicular pollution in Patna**

**Exponential increase in number of vehicles played an important role in rise of pollution level in Patna.**

More than 80 *per cent* of people living in urban areas are exposed to air quality levels that exceed the limits specified by World Health Organisation (WHO). A survey conducted by WHO based on Central Pollution Control Board (CPCB) reports found that Patna is the sixth most polluted city in the world with an annual averaged ultrafine particle level of 2.5 or less microns at 149 (year 2013) and level of particles of 10 and above microns at 167 (year 2012). The Indira Gandhi Science Centre Planetarium, Patna under CPCB declared (16 December 2016) the air quality of the City as 'Most Unhealthy' with Respirable Suspended Particulate Matter (RSPM) at 280 against a permissible limit of 60 microgram per cubic metre ( $\mu\text{g}/\text{m}^3$ ).

Guidelines for Ambient Air Quality Monitoring issued by CPCB states that one of the main sources of RSPM is vehicular emission. Audit observed that Patna witnessed a steep increase in number of vehicles from 2.34 lakh as on 1 April 2011 to 6.74 lakh as on 31 March 2016. This made it clear that the exponential increase in number of vehicles in Patna played an important role in the rise in pollution level in the City.

### **2.4.9.2 Absence of State-wise database of pollution testing stations**

**State Transport Commissioner did not maintain the State-wise database of pollution testing stations and 'Pollution under Control' certificate issued by them.**

Though the vehicular pollution levels in the City has increased as per data maintained by CPCB, scrutiny of records in STC, Bihar, Patna, revealed that the office was not maintaining the database of pollution testing stations in the City as well as in the State. As a result, the Department could not monitor the standards of pollution testing stations to ensure that the tests conducted by them are authentic and only those vehicles which were certified as 'Pollution under Control' (PUC) after following due procedure were allowed to ply in the State. Absence of any control by STC over the functioning of the pollution testing stations may be a reason for the increased pollution levels in Patna.



### 2.4.9.3 Pollution testing equipment not utilised

**District Transport Officers/Motor Vehicle Inspectors did not conduct test to check that motor vehicles met prescribed emission and pollution control norms, despite the fact that they were equipped with necessary equipment.**

During scrutiny of pollution register in the office of STC, we observed (April 2016) that gas analyser/smoke meter supplied by the Government of India were issued (between March 2009 and June 2012) to eight DTOs<sup>8</sup> and 22 MVIs to check that motor vehicles met emission and pollution control norms and issue the PUC certificates by charging the prescribed fee<sup>9</sup>. We however observed that no test was conducted to check that motor vehicles met prescribed emission and pollution control norms by the DTOs/MVIs, despite these enforcing agencies being equipped with necessary equipment. This was because of the shortage of trained staff. Thus, the gas analyser/smoke meter supplied by Government of India were not utilised and kept idle.

On this being pointed out, the Department stated (October 2016) that information is being sought for from concerned officials.

### 2.4.9.4 Loss of renewal fee

**Licences of 106 pollution testing stations were not renewed as the STC did not maintain the State-wise database of pollution testing stations. Consequently, renewal fee of ₹ 11.30 lakh was not realised.**

As per sub rule 6 (i) of Rule 163 E of the Bihar Motor Vehicle (BMV) Rules, 1992, a licence granted to pollution testing station shall remain valid for a period of two years and may be renewed for a further period of two years on payment of renewal fee of ₹ 5000.

As the STC failed to maintain the database of all the pollution testing stations in the State, we observed that out of 256 pollution testing stations recorded in the pollution register, entries relating to renewal of licences of 106 pollution testing stations were not available between July 2007 and January 2016. This resulted in loss of renewal fee of ₹ 11.30 lakh.

### 2.4.9.5 Returns not submitted by the pollution testing stations

**Returns regarding number of vehicles tested and revenue collected not submitted by the pollution testing stations.**

Sub-rule (8) (b) of Rule 163 E of the BMV Rules, 1992 provides that pollution testing station shall submit monthly return by 5<sup>th</sup> day of the succeeding month to the licensing authority, furnishing information as to the number of vehicle inspected, result of inspection and the number of PUC issued.

During scrutiny of pollution register in STC, Bihar, Patna, we observed that monthly return was not being submitted by the pollution testing stations. In the absence of return, the number of vehicle inspected, revenue collected and

<sup>8</sup> Bhagalpur, Darbhanga, Gaya, Munger, Muzaffarpur, Purnea, Saharsa and Saran.

<sup>9</sup> The prescribed fee for issue of PUC certificate is ₹ 30 for two-wheelers/auto-rickshaw, ₹ 50 for light motor vehicles and ₹ 75 for other vehicles.

deposited to the Government account by these stations could not be ascertained.

**Recommendation-3: The Government/Department should maintain a State-wise database of pollution testing stations. It should also ensure that the tests conducted by them are authentic and due procedure has been followed by the stations while issuing the certificate. This would enable the Department to control the vehicular pollution in Patna and in the State.**

#### **2.4.10 Registration of vehicles**

Due to absence of validation checks in registration module of VAHAN software and lack of inter-connectivity amongst the district transport offices, 132 vehicles were registered at reduced sale value. Further, 52 vehicles were registered in other districts after the actual date of purchase and on reduced sale amount. There was delivery of 19,447 vehicles without assigning temporary registration number and 32,797 commercial tractors were registered without trailers. These irregularities resulted in short realisation of revenue of ₹ 30.90 crore as detailed below:

##### **2.4.10.1 Registration of vehicles on reduced sale amount**

**Registration of 132 personalised vehicles on reduced sale amount resulted in loss of revenue of ₹ 13.75 lakh.**

Under Section 7(1) of the Bihar Motor Vehicle Taxation (BMVT) Act, 1994, as amended by Finance Act, 2011 (with effect from 1st April 2011), one-time tax (OTT) at the rate of five *per cent* of the cost of vehicle excluding sales tax for the whole life of the vehicle shall be levied at the time of registration on personalised vehicles. Further, Bihar Finance Act, 2012 (Bihar Act 6, 2012) revised the rate of OTT at the rate of six *per cent* for vehicles costing upto rupees four lakh and seven *per cent* for vehicles costing more than rupees four lakh excluding sales tax. The rate of tax was again revised to seven *per cent* from 1 April 2013 for all personalised vehicles. Further, Transport Department issued directive in July 2013 to collect tax after verifying the sale amount mentioned in the sale certificate (Form-21) with the cost of vehicle provided by the dealer to DTOs.

During cross-verification of sale amount of vehicles as entered in the VAHAN database with actual cost of vehicles, we observed in three<sup>10</sup> out of 12 test-checked district transport offices that sale amount shown in VAHAN database was less than the actual cost of the vehicle<sup>11</sup> in 132 personalised vehicles. Since there was no inter-connectivity in the VAHAN software of concerned

<sup>10</sup> Katihar, Purnea and Saharsa.

<sup>11</sup> The sale price of motorcycle shown in database was ₹ 125 only and the tax was levied ₹ 9 only, but actual cost of motorcycle was ₹ 46,839 and leviable tax should be ₹ 3,279. Similarly, the sale price of Maruti Swift (Four wheeler) shown in database was ₹ 38,965 only and the tax was levied ₹ 2,728 only, but actual cost of the car was ₹ 3,93,984 and leviable tax should be ₹ 27,579. The actual cost of the vehicles was based on the price of the same maker model entered in the database during that period, which was also verified from some agencies.

district transport offices with database of sale/sale price of the dealers of vehicles in its jurisdiction, this difference in cost price could not be detected. Accordingly tax was calculated on reduced sale amount, which resulted in loss of revenue of ₹ 13.75 lakh as detailed in **Annexure-III**.

On this being pointed out, the Department stated (October 2016) that information is being sought for from concerned DTOs.

#### **2.4.10.2 Registration of vehicles in other districts after actual date of purchase**

**Irregular registration of vehicles in other districts after actual date of purchase and on reduced sale amount resulted in loss of revenue of ₹ 8.11 lakh.**

Section 40 of Motor Vehicles (MV) Act read with Rule 47 of CMV Rules provides that an application for registration of a new vehicle shall be submitted before the Registering Authority in whose jurisdiction the applicant is residing or having his business and the vehicle is normally kept. The application for registration shall be made in Form 20, within a period of seven days from the date of delivery of such vehicle excluding the period of journey. It shall be accompanied by necessary documents as per rules.

During verification of registration records of district transport offices Saran, West Champaran and Rohtas, we observed that 52 owners of commercial vehicles applied for registration between November 2011 and June 2014 and the registration of these vehicles was still pending. On analysis of the data in the VAHAN database of district transport offices, Vaishali, East Champaran and Kaimur, we observed that the same 52 vehicles (as their chasis number were same) were registered in these district transport offices. However, their date of purchase was after the date of actual purchase and also at reduced sale amount as depicted in earlier district transport offices. Thus, due to absence of interconnectivity amongst the district transport offices, these 52 vehicles were registered in another district transport offices on reduced sale amount and also after its actual date of purchase. This resulted in loss of revenue of ₹ 8.11 lakh as detailed in **Table-2.3** below:

**Table-2.3**

#### **Irregular registration of vehicles**

Sl. No	Name of the District where vehicles found registered	No. of vehicles	Period of registration	Name of the district where previously applied for registration	Amount (₹ in lakh)
1	East Champaran	9	between November 2011 and May 2013	West Champaran	1.41
2	Vaishali	36	between March 2013 and June 2014	Saran	6.33
3	Kaimur	7	between May 2012 and May 2014	Rohtas	0.37
		<b>52</b>			<b>8.11</b>

On this being pointed out, the Department stated (October 2016) that the matter would be looked into and further stated that detailed guidelines had

been issued (August 2016) to prevent tampering with VAHAN and SARATHI database.

#### **2.4.10.3 Plying of vehicles with same registration number**

**Vehicles bearing same registration number are plying in different places, which is a serious security issue for law and order.**

Section 46 of the MV Act provides that motor vehicle registered in any State shall not require to be registered elsewhere in India and a Certificate of Registration issued in respect of such vehicle shall be effective throughout India.

On cross-verification of 'owner table' of VAHAN database of district transport office, West Champaran with that of district transport office, East Champaran, we observed (May 2016) that Registering Authority, East Champaran assigned same registration mark to two vehicles in three cases. Out of which, three vehicles were paying road tax in district transport office, West Champaran whereas remaining three vehicles having same registration mark were found entered in tax table of district transport office, East Champaran. However, Chassis/Engine numbers in these cases were different as detailed in **Annexure-IV**.

As system did not have the automatic validation control, vehicles bearing same registration number were plying in different places. It is not only violation of the codal provisions but also a serious security issue for law and order.

On this being pointed out, the Department stated (October 2016) that information is being sought for from concerned DTOs.

#### **2.4.10.4 Delivery of vehicles without temporary registration**

**Delivery of vehicles without temporary registration resulted in loss of ₹ 17.66 lakh as fee and also a sum of ₹ 3.89 crore was not levied as fine.**

Rule 42 of the CMV Rules provides that no dealer of vehicle can deliver the unregistered motor vehicle to the purchaser. He can only deliver the vehicles which are temporarily/permanently registered in the district transport offices. Further, Section 39 of the MV Act provides that no owner of a motor vehicle can allow or permit the use of unregistered vehicle and no person can drive a motor vehicle, which is not registered. The delivery of motor vehicle to a purchaser without registration either temporary or permanent, violates the provisions of Section 39 of the Act *ibid*. The violation of the provisions of Section 39 of the Act entail the consequences contemplated under Rule 44 of the CMV Rules. Transport Department, Government of Bihar has already issued an instruction (28 July 2009) in this context. Further, in case of not complying the above provisions of the Act, a minimum fine of ₹ 2,000 shall be levied under the provisions of Section 192 of the MV Act.

During scrutiny of registration records of VAHAN database in selected 12 district transport offices, we observed (between May and June 2016) that in four district transport offices<sup>12</sup>, 16 bona-fide dealers of two wheelers/four

<sup>12</sup> Kaimur, Kishanganj, Rohtas and West Champaran.

wheelers delivered 19,447 vehicles to the purchasers between August 2005 and March 2016 without registration. The Registering Authorities concerned issued registration mark to these motor vehicles which were delivered to the purchasers without registration, whether temporary or permanent, in contravention of the aforesaid rules. No action was taken by the Registering Authorities concerned against these dealers for violation of the provisions of the Act/Rules. Further, the owners of these vehicles were liable to pay fine under Section 192 of the MV Act. Thus, there was a loss of revenue in shape of temporary registration fee of ₹ 17.66 lakh and also fine of ₹ 3.89 crore was not levied as detailed in Table-2.4 below:

**Table-2.4****Delivery of vehicles without temporary registration**

(₹ in lakh)

Sl. No	Name of the District	No. of dealer	Period of sale of vehicles	Total no. of registered vehicles	Fee and tax due	Fine not levied
1	West Champaran	4	Between August 2005 and March 2016	138	0.12	2.76
2	Kaimur	2	Between April 2011 and February 2016	7,048	6.34	140.96
3	Rohtas	6	Between July 2013 and March 2016	4,801	4.49	96.02
4	Kishanganj	4	Between April 2015 and March 2016	7,460	6.71	149.20
<b>Total</b>		<b>16</b>		<b>19,447</b>	<b>17.66</b>	<b>388.94</b>

On this being pointed out, the Department stated (October 2016) that instruction had been issued to all DTOs for recovery of temporary registration fee from dealers. DTOs were further instructed to ensure that in future no dealer shall deliver the vehicle without registration, either temporary or permanent, to prevent the plying of unregistered vehicles.

**Due to registration of tractors without trailer as goods carriage (transport vehicle), tax of ₹ 19.89 crore and permit fee of ₹ 6.72 crore was not realised.**

Section 2 of the MV Act provides that the tractor-trailer combination would constitute a transport vehicle. Further, Section 66 of the Act *ibid* provides that no owner of motor vehicles shall use or permit the use of the vehicle as a transport vehicle in any public place without permit obtained from Regional Transport Authority.

During scrutiny of registration records of VAHAN database of 12 district transport offices<sup>13</sup> we observed (between April and July 2016) that 46,806

<sup>13</sup> Begusarai, Gaya, Kaimur, Katihar, Kishanganj, Nalanda, Patna, Purnea, Rohtas, Saharsa, Vaishali and West Champaran.

commercial tractors were registered between April 2011 and March 2016. Out of which, 32,797 commercial tractors were registered as goods carriage without trailers. Thus, without registering 32,797 trailers and allowing those tractors as goods carriage vehicles, tax of ₹ 19.89 crore and permit fee of ₹ 6.72 crore was not realised.

On this being pointed out, the Department stated (October 2016) that due to registration of low number of trailers than the number of registered tractors, the loss of revenue occurred. However, the rate of One Time Tax (OTT) had been revised to 4.5 per cent (19 September 2014) of the cost of tractors for tractor-trailer combination.

But, the fact remains that the Government was deprived of revenue in shape of tax and permit fees by allowing tractors as goods carriage without trailer.

#### **2.4.10.6 Dealer point registration**

**Allotment of registration mark out of sequence by the dealers without charging additional fee led to short realisation fee of ₹ 53.10 lakh and the dealers also deposited collected fee and taxes of ₹ 38.67 lakh with delay ranging between 50 and 1,488 days.**

As per directive issued by the Department (28 July 2009) registration number shall be issued to the vehicles according to serial of their sale invoice. For any other number out of the available numbers, dealers may allot number of choice after charging additional fee of ₹ 5,000. Further, fees/taxes/documents collected by dealers under dealer point registration shall be deposited next day in the district transport offices concerned.

- On scrutiny of Dealer Point Registration in VAHAN database of 12 test-checked district transport offices, we observed (between May and July 2016) that in seven district transport offices<sup>14</sup>, 93 dealers had allotted 1,062 registration numbers (out of 1,17,416 registration numbers) out of sequence<sup>15</sup> to the purchasers between November 2012 and March 2016 without charging the prescribed fee. As a result, a sum of ₹ 53.10 lakh was not realised.

On this being pointed out, the Department stated (October 2016) that necessary instructions had been issued (September 2016) to all DTOs to issue out of sequence registration number only after realising the prescribed fee. The Department further stated that notices of demand had been issued by the concerned DTOs and a sum of ₹ 1.20 lakh had also been recovered.

- During scrutiny of Dealer Point Registration in VAHAN database of 12 test-checked district transport offices, we observed (between June and July 2016) that in three district transport offices<sup>16</sup>, 21 dealers had allotted 891 registration marks to new vehicles delivered to the purchasers. The registration fee and tax of ₹ 38.67 lakh was collected from the owners of 891 vehicles, but dealers deposited the collected amount with delays ranging from nearly two months to over four years. Thus, dealers had temporarily misappropriated the

<sup>14</sup> Begusarai, Gaya, Kaimur, Nalanda, Purnea, Vaishali and West Champaran.

<sup>15</sup> In DTO Nalanda, BR 21 L 0989 was allotted on 30 March 2015 while subsequent number BR 21 L 0990 was allotted on earlier date 24 March 2015.

<sup>16</sup> Begusarai, Katihar and Purnea.



Government money. The Government was also deprived of interest which may have accrued on that amount.

On this being pointed out, the Department stated (October 2016) that instruction had been issued to DTOs to deposit the revenue collected within 15 days.

Reply of the Department is not acceptable because as per the departmental order (July 2009), the documents along with fees/tax has to be deposited in the concerned district transport offices on the next working day, so that owners of vehicle can collect certificate of registration within one week from the date of purchase.

**Recommendation-4: The Government/Department should ensure connectivity among district transport offices and dealers of vehicles to ascertain registration of vehicles based on actual cost and date of purchase of vehicle. Further, Government/Department should also ensure that no vehicle shall ply without registration and initiate action against errant official who allowed vehicles to ply without registration.**

#### **2.4.11 Issue of licences**

##### **2.4.11.1 Issue of driving licences without conducting test**

**Driving licences were issued to 3,188 applicants without conducting driving test. However, SARATHI database indicated that the licences were issued after passing the test which indicates that the database was tampered with. This is fraught with the risk of accident and fatalities.**

As per Rule 15 of the CMV Rules, no person shall appear for the test of competence to drive unless the applicant has held a learner's licence for a period of at least 30 days. A person is granted the driving licence after successfully passing the test of competence to drive.

During test-check of driving test register and information provided by five district transport offices<sup>17</sup>, we observed (May 2016) in district transport office West Champaran, that 2,428 number of candidates were declared successful to drive the vehicle of same category during the period July 2015 to March 2016 but 5,616 number of licences were issued to the applicants during the same period. Thus, it is evident that 3,188 driving licences were issued to the applicants without conducting test of competency to drive motor vehicles. However, SARATHI database indicated that the licences were issued after passing the test which indicates that the database was tampered with. Issue of licences in such a way is also fraught with the risk of accidents and fatalities.

On this being pointed out, the Department stated (October 2016) that information is being sought for from DTO, West Champaran.

**Recommendation-5: The Government/Department should ensure input of correct data regarding conducting test of competency to drive motor vehicle and results thereof and no licences are granted to drivers without driving test.**

<sup>17</sup> Begusarai, Nalanda, Patna, Vaishali and West Champaran.

### 2.4.11.2 Excess realisation of driving licence fee

**Driving licences were issued by realising an additional amount of ₹ 40, which resulted in excess realisation of fee of ₹ 1.65 crore.**

As per Rule 14 read with Rule 32 of the CMV Rules, 1989, the fee of ₹ 200 including the cost of computerised chip shall be charged for issuing the driving licence in Form-7. It further stipulates that ₹ 50 for test of competence to drive shall be charged. As per notification issued (October 1996) by the Government of Bihar, surcharge of ₹ 50 shall also be charged on such test.

We observed during data analysis of *SARATHI* software in eight district transport offices<sup>18</sup> that the all driving licenses (non-transport) were issued to applicants by the licensing authorities in Form-7 during the period between April 2011 and December 2015 by realising an additional amount of ₹ 40. This resulted in excess realisation of fee of ₹ 1.65 crore as mentioned in **Table-2.5** below:

**Table- 2.5**  
Excess realisation of driving licence fee

(Amount in ₹)			
Purpose	Amount charged by licensing authorities	Amount chargeable as per rule	Total number of driving licences (NT) issued between April 2011 and December 2015
Issue of driving licence in form 7	200	200	4,11,275
For test of competence to drive for each class	100	50+50 (surcharge)	
Excess charges	For one/two class category ₹ 40	No fee prescribed	
<b>Total excess realisation- 4,11,275X ₹ 40</b>			<b>1,64,51,000</b>

Similar issue was pointed out in the Report of the Comptroller and Auditor General of India (Revenue Receipts) for the year ended 31 March 2011 and the Department accepted the audit observation. Despite this, excess realisation of driving licence fee from applicants was still persisting.

On this being pointed out, the Department stated (October 2016) that matter would be examined.

Reply of the Department was not acceptable because the then STC stated (November 2011) that gazette notification would be issued in this regard.

### 2.4.11.3 Irregular grant of licences to driving schools

**Seven licences of motor driving schools were granted irregularly by Regional Transport Authority, Muzaffarpur.**

Rule 24 of the CMV Rules provides that the licensing authority may, on receipt of an application and after satisfying that the applicant has complied with the requirements of sub-rule (3), grant or renew a licence for driving schools. For the purpose of this rule, the State Government had declared

<sup>18</sup> Gaya, Kaimur, Kishanganj, Nalanda, Purnea, Rohtas, Vaishali and West Champaran.

(December 1992) the District Magistrate as “licensing authority” under the power conferred in Section 213 (1) of the MV Act.

During scrutiny of register of motor driving schools and relevant files in the office of the RTA Muzaffarpur, we observed that licences were granted for seven motor driving schools<sup>19</sup> by the RTA during the year 2013 to 2015 (upto October 2015), though the power for granting such licence is vested with the District Magistrates concerned.

On this being pointed out, the Department accepted the audit observation and instructed (September 2016) the concerned RTA to take post-facto approval from the licensing authority.

#### 2.4.12 Issue of permits

Section 66 of the MV Act 1988 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 whether or not such vehicle is actually carrying any passengers or goods save in accordance with the conditions of a permit granted. A permit other than a temporary permit issued under sub section (8) of Section 88 of the Act *ibid* shall be effective for a period of five years.

##### 2.4.12.1 Irregular grant of permits to light goods vehicles

#### Irregular realisation of permit fees of ₹ 15.25 lakh from light goods vehicles in contravention of the provision of the Act.

As per Section 66 (3) (b) (i) of the MV Act, any transport vehicle used solely for police, fire brigade or ambulance purposes and goods vehicle, the gross vehicle weight (GVW) of which does not exceed 3,000 kgs shall be exempted from necessity of permits.

During scrutiny of permanent permit register of selected two RTAs (Muzaffarpur and Purnea), we observed that 744 permits were issued by realising permit fee of ₹ 2,050 each during the period January 2015 to March 2016 to light goods vehicles, the gross vehicle weight of which did not exceed 3,000 kilograms, in contravention of the provision of the Act *ibid*. The validity of such permits was granted for five years. This resulted in irregular realisation of permit fees of ₹ 15.25 lakh as detailed in **Table - 2.6** below:

**Table-2.6**  
Irregular grant of permit to light goods vehicles

Name of RTAs	No. of permit granted	Permit issued during the period	Permit fees charged	Total permit fees collected	Remarks
				(Amount in ₹)	
RTA, Muzaffarpur	669	January 2015 to March 2015	2050	13,71,450	The LGV having GVW upto 3000 Kgs is exempted from permit as per MV Act.
RTA, Purnea	75	January 2016 to March 2016		1,53,750	
<b>Total</b>	<b>744</b>			<b>15,25,200</b>	

<sup>19</sup> Anand Motor Training Institute, Muzaffarpur; Jai Jagdish Motor Training Institute, Hajipur; Krishna Motor Driving Training School, Raxaul; Om Motor Driving School, Muzaffarpur; Rishabh Motor Training School, Hajipur; S.C. Motor Vehicle Training School, Hajipur and Sri Ram Motor Vehicle Training, Bettiah.

On this being pointed out, the Department stated (October 2016) that compliance would be made in future, however there was no loss of revenue. The facts remains that the Department collected permit fee without any provision in the relevant Acts/Rules.

#### **2.4.12.2 Plying of three wheelers**

**Vehicles were plying without obtaining requisite permit, as a result a sum of ₹ 1.55 crore was not realised.**

During scrutiny of registration records of three wheelers of VAHAN database in four district transport offices<sup>20</sup> and permit register in two RTAs (Patna and Purnea), we observed that 5,453 three wheelers were registered between September 2014 and March 2016. Out of which, only 595 permanent permits were issued between September 2014 and March 2016. Thus, 4,858 three wheelers did not obtain permanent permit. Thus, a sum of ₹ 77.73 lakh as permit fees was not realised.

On this being pointed out, the Department stated (October 2016) that in cases of vehicles plying without valid permit, Enforcement wing of the Department imposed fines on the owner of the defaulting vehicles.

The fact, however, remains that the Enforcement wing could not adequately inspect and identify all vehicles whose permit had expired and impose the required fine.

#### **2.4.12.3 Plying of tractor-trailer**

During scrutiny of VAHAN database of four district transport offices<sup>21</sup> and permit register in RTAs (Patna and Purnea), we observed (June 2016) that 3,860 tractor-trailer combinations were registered between January 2013 and March 2016 and paid taxes as goods carriages. Out of which owners of only 92 tractor-trailer combinations obtained permit from the authorities concerned. Thus, 3,768 tractor-trailer combination were plying without obtaining permanent permit, as a result a sum of ₹ 77.24 lakh as permit fee was not realised.

On this being pointed out, the Department stated (October 2016) that in case of vehicles plying without valid permit, Enforcement wing of the Department imposed fines on the owner of the defaulting vehicles.

The fact, however, remains that the Enforcement wing could not adequately inspect and identify all vehicles whose permit had expired and impose the required fine.

#### **2.4.12.4 Plying of educational institution buses**

During cross verification of educational institution permit register of RTA, Patna with registration records of VAHAN database in district transport office, Patna, we observed that 186 buses were registered during July 2014 to October 2015 in the name of various educational institutions in Patna. Out of

<sup>20</sup> Kaimur, Nalanda, Purnea and Rohtas.

<sup>21</sup> Kaimur, Katihar, Purnea and Rohtas.

these, only 149 buses had obtained permits. Further, out of remaining 37 buses, the owners of 15 buses had stopped payment of tax between August 2015 and October 2016. Thus a sum of ₹ 2.48 lakh (tax: ₹ 1.71 lakh and permit fee: ₹ 0.78 lakh) was not realised.

On this being pointed out, RTA, Patna stated (August 2016) that matter would be examined and suitable action would be taken.

As the Department failed to inter-link the database of offices of the District Transport Officers with that of offices of Regional Transport Authorities, the plying of 4,858 three wheelers, 3,768 tractor-trailer combination and 37 buses of educational institution without valid permit remained undetected.

**Recommendation-6: The Government/Department should ensure automation of permit issuance through VAHAN software by interlinking database of district transport offices with that of Regional Transport Authorities.**

### **2.4.13 Levy of tax/fee**

#### **2.4.13.1 One-time tax and penalty not levied/short levied**

**In 10 district transport offices, the owners of 2,329 vehicles either did not pay One Time Tax/penalty or paid it short. The taxing officer did not impose the leviable One Time Tax/penalty amounting to ₹ 3.77 crore.**

Section 7 of the BMVT Act as amended by Bihar Finance Acts from time to time provide rates of OTT on different class of vehicles. Delay in payment of tax beyond 15 days attracts penalty from 25 *per cent* to twice the amount of tax due as per the provisions of Section 23 of the Act *ibid* read with Rule 4 (2) of BMVT Rules.

Further, Section 8 of the BMVT Act provides that when tax of a motor vehicle has been revised, the owner of the vehicle shall pay to the taxing officer a differential tax for the period for which the higher rate of tax is payable.

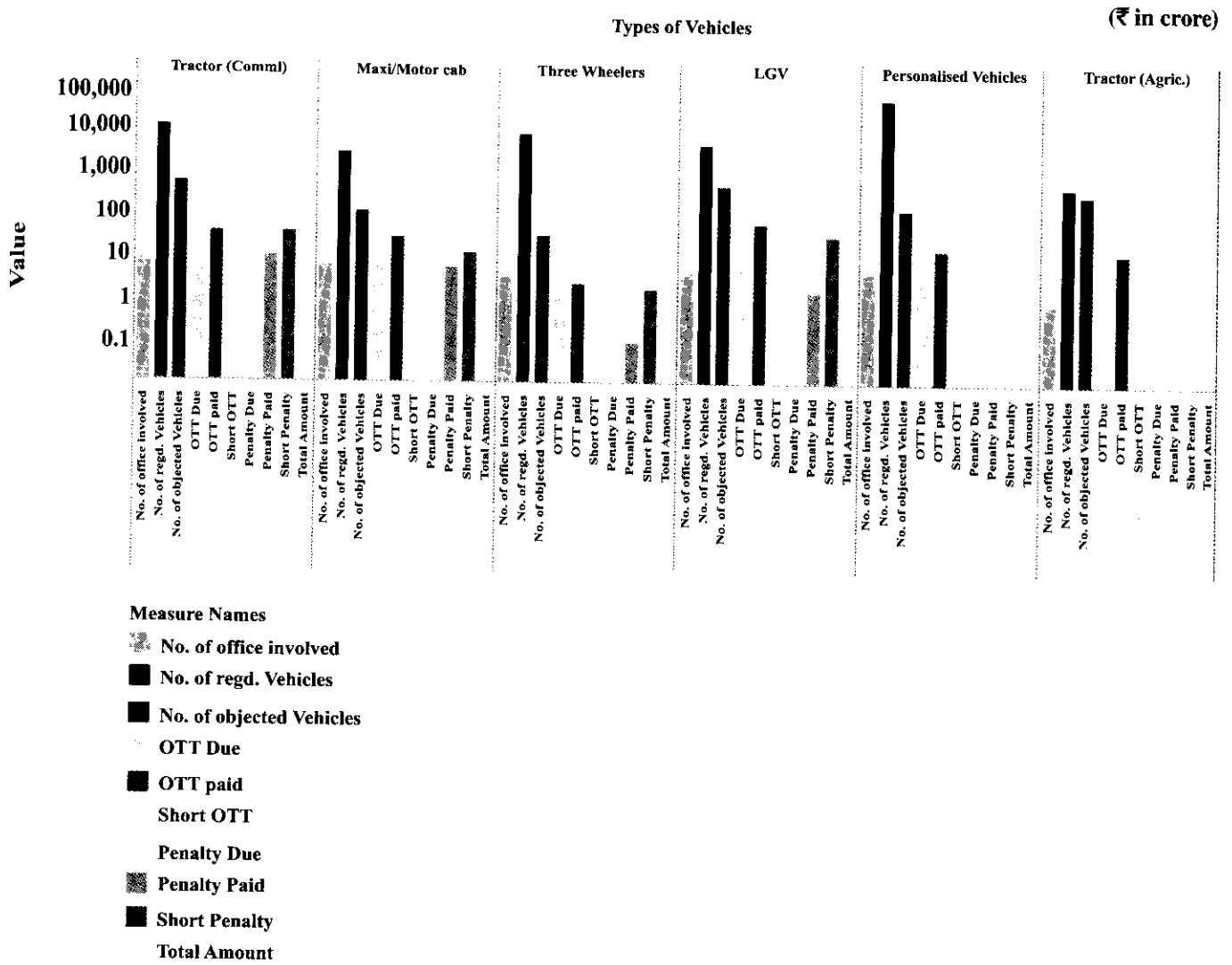
During data analysis of tax clearance table of the VAHAN database in test-checked 12 district transport offices, we observed that in 10 district transport offices<sup>22</sup>, the owners of 2,329 vehicles either not paid OTT/penalty or paid it short. The taxing officer did not impose the leviable OTT/penalty and also did not issue notices of demand to realise the dues. Thus, OTT amounting to ₹ 3.77 crore including penalty of ₹ 2.63 crore remained unrealised as detailed in **Annexure-V**.

The following Charts depict the short realisation of OTT and penalty, OTT and penalty not realised and differential tax not realised from the vehicles:

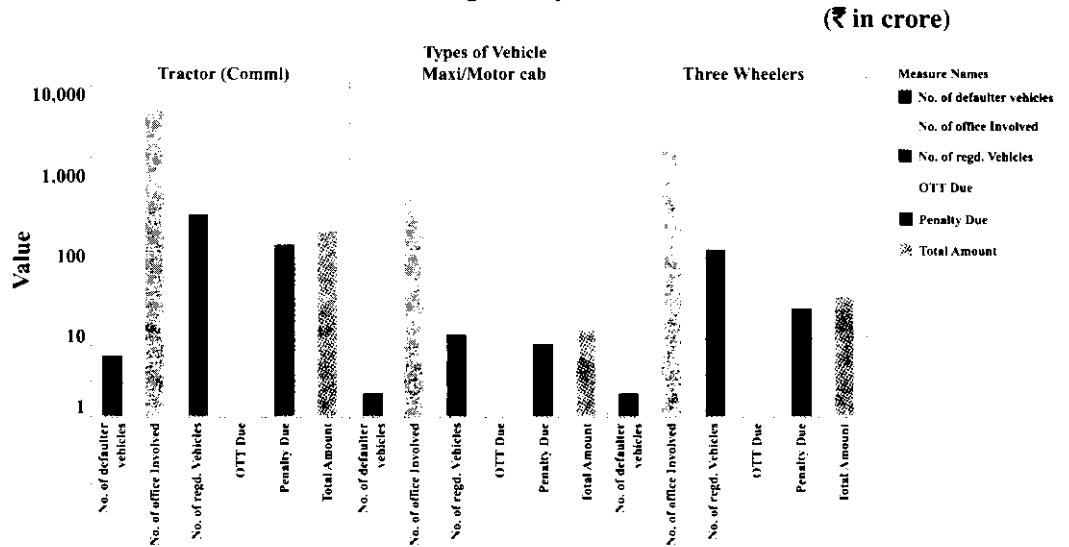
<sup>22</sup> Begusarai, Kaimur, Katihar, Kishanganj, Nalanda, Patna, Purnea, Rohtas, Saharsa and West Champaran.

**Chart-2.4**

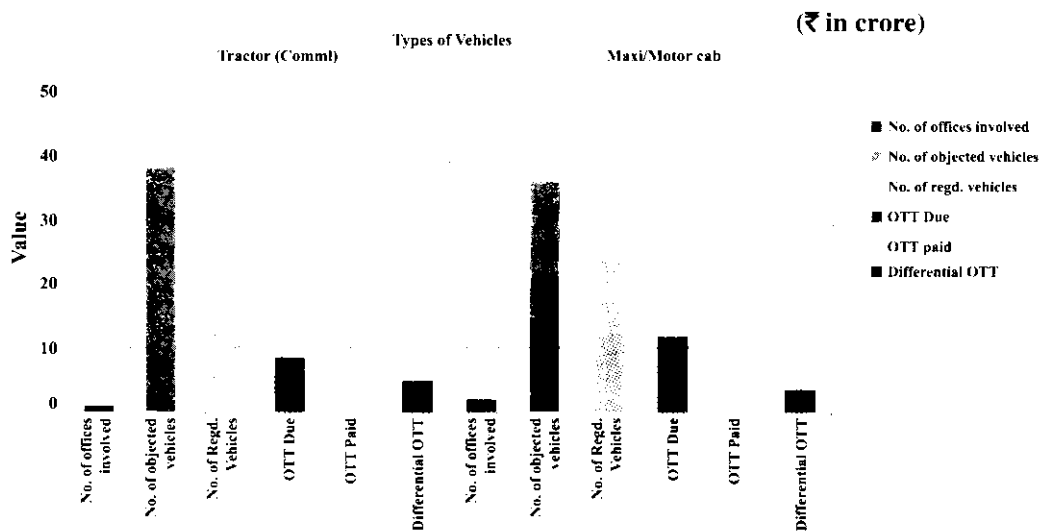
**Short realisation of OTT and penalty**



**Chart- 2.5**  
**OTT and penalty not realised**



**Chart- 2.6**  
**Differential tax not realised**



On this being pointed out, the Department stated (October 2016) that information is being obtained from concerned DTOs.

**Due to incorrect levy of tax on 191 construction equipment/emergency vehicles, a sum of ₹ 6.24 lakh was collected in excess.**

As per Section 2 of the MV Act 'Ambulance' means vehicle specially designed, constructed or modified and equipped and intended to be used for emergency transportation of persons who are sick, injured, wounded or otherwise incapacitated. The ambulance comes in category of emergency vehicles. Further, as per rule 2 (ca) of the CMV Rules, excavator (JCB) and loader is "construction equipment vehicle" and such vehicle shall be a

non-transport vehicle. Section 5 of BMVT Act read with the serial no. 7 of Part C of Schedule-I provides levy of tax at prescribed rate on these vehicles.

During scrutiny of registration records and collection of tax in respect of Ambulance and construction equipment vehicle in VAHAN software of two district transport offices (Patna and Vaishali), we observed between February and August 2016, that tax prescribed for taxi was being levied on ambulances and tax prescribed for goods carriages was being levied on construction equipment vehicles. Thus, due to incorrect levy of rate of tax, a sum of ₹ 6.24 lakh in excess was collected from 191 vehicles (ambulance, crane, JCB and loaders).

On this being pointed out, the Department stated (October 2016) that instruction had been issued (September 2016) to levy of tax as per Section 5 of the BMVT Act.

#### **2.4.13.3 Short realisation of tax from stage carriages**

**A sum of ₹ 4.20 lakh was levied short due to incorrect classification of bus in accordance with seating capacity.**

As per the provisions of the Bihar Finance Act, 2014 (effective from 14 September 2014), the tax from stage carriage shall be calculated on basis of its category (ordinary, semi deluxe and deluxe) and the number of seats for passengers. The provision of the Act *ibid* further prescribes that number of passenger in stage carriage is based on its wheel base and category of stage carriage.

We observed during scrutiny of owners table of VAHAN software of 12 selected district transport offices that in three district transport offices<sup>23</sup>, tax was levied on 54 stage carriages on the basis of number of seat treating the stage carriage under the ordinary category. But, number of seats of these stage carriages were less than prescribed number of seats based on their wheel base. This resulted in short levy of tax of ₹ 4.20 lakh.

On this being pointed out, the Department stated (October 2016) that notices of demand for ₹ 2.94 lakh had since been issued by DTO, Nalanda, while information was being sought for from the remaining DTOs.

#### **2.4.13.4 Short realisation of trade certificates fees**

**Dealers of motor vehicles possessed 18,784 vehicles against the single trade certificate. Thus, trade certificate fees of ₹ 11.06 lakh was not realised.**

Rule 33 of the CMV Rules provides that for the purpose of the proviso to Section 39, a motor vehicle in possession of a dealer shall be exempted from the necessity of registration subject to the condition that he obtains a trade certificate from the registering authority having jurisdiction in the area in which the dealer has his place of business. Further, under Rule 34 of the Rules *ibid*, an application for the grant or renewal of a trade certificate shall be made in Form 16 and shall be accompanied by the appropriate fee (Motor

<sup>23</sup>

Nalanda, Vaishali and West Champaran.



