

Chapter-V
Taxes on Vehicles, Goods
and Passengers

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TAXES ON VEHICLES, GOODS AND PASSENGERS

5.1 Tax administration

Principal Secretary (Transport) is the administrative head at the Government level. There are a State Transport Authority, an Additional District Magistrate (Special Road Tax), 10 Regional Transport Officers and 63 Registering and Licensing Authorities to regulate the receipts of the Department under the provisions of the Central and the State Motor Vehicle Acts and Rules. The AETCs under the administrative control of Commissioner (Excise and Taxation) regulate the receipts from the passengers and goods tax as per provisions of the Himachal Pradesh Passengers and Goods Taxation Act, 1955.

5.2 Results of audit

During 2016-17, test check of the records of 36 units relating to token tax, special road tax, registration fee, permit fee, driving license fee, conductor license fee, penalties and composite fee under the National Permit Scheme brought out under-assessment of tax and other irregularities involving ₹71.10 crore in 266 cases which are depicted below:

Table-5.1 Results of Audit

			₹ in crore
Sr. No.	Categories	Number of Cases	Amount
1.	Non/short realisation of		
	• Token tax and composite fee	83	4.28
	• Special Road Tax	24	23.09
	• Passenger and goods tax	15	1.17
2.	Evasion of		
	• Token tax	24	1.55
	• Passenger and goods tax	14	1.32
3.	Other irregularities		
	• Vehicles tax	90	0.24
	• Passenger and goods tax	16	39.45
Total		266	71.10

During the year 2016-17, the Department accepted under-assessments and other deficiencies of ₹4.04 crore in 98 cases out of which an amount of ₹2.44 crore was realised in 98 cases pertaining to earlier years.

Significant cases involving an amount of ₹69.65 crore are discussed in the following paragraphs.

5.3 Non-realisation of Token Tax

Token tax of ₹5.66 crore in respect of 12,365 vehicles for the years 2013-14 to 2015-16 was neither demanded by the Department nor paid by the vehicle owners.

Under Section 3 of the Himachal Pradesh Motor Vehicles Taxation (HPMVT) Act, 1972 and Rules made thereunder, token tax as per different rates of tax for different types of vehicles is payable by vehicle owners in advance quarterly or annually in the prescribed manner. Under Section 8, the taxation authority shall serve a notice to a person who is liable to pay the tax. As per Rule 4-A of HPMVT Rules, 1974, if motor vehicle owner fails to pay the tax due within the prescribed period, the taxation authority after giving him an opportunity of being heard, shall direct him to pay in addition to tax, a penalty at the rate of 25 per cent per annum of the tax due.

Audit scrutiny of the Token Tax Registers and data maintained in 'VAHAN' software of 14 Registering and Licensing Authorities (RLAs)¹, 10 Regional Transport Offices (RTOs)² and State Transport Authority, Shimla (STA) revealed that out of 25,718 test checked vehicles, token tax amounting to ₹5.66 crore in respect of 12,365 vehicles for the years 2013-14 to 2015-16, was not deposited by the vehicle owners for the different periods as depicted in **Annexure-VII**. Besides, penalty at the prescribed rate was also leviable for non-payment of tax. No initiative had been taken by the taxation authorities to recover the tax from the defaulters. This resulted in non-recovery of token tax of ₹5.66 crore.

The matter was reported to the Department and the Government (between May 2016 and April 2017); the Department intimated (between August 2016 and October 2017) that six RLAs³, seven RTOs⁴ and STA had recovered an amount of ₹59.82 lakh and notices were issued to defaulters to recover the balance amount. The remaining taxation authorities stated that notices would be issued to the defaulters to deposit the tax. The reply of the Government was awaited (December 2017).

¹ **RLAs** Amb: ₹62.49 lakh, Arki: ₹52.76 lakh, Bilaspur: ₹30.89 lakh, Chopal: ₹3.27 lakh, Dehra: ₹32.17 lakh, Kangra: ₹12.98 lakh, Mandi: ₹41.23 lakh, Manali: ₹4.22 lakh, Palampur: ₹10.49 lakh, Parwanoo: ₹1.10 lakh, Rajgarh: ₹7.36 lakh, Rohru: ₹19.20 lakh, Sarkaghat: ₹13.37 lakh and Shimla (R): ₹5.81 lakh

² **RTOs** Bilaspur: ₹27.67 lakh, Chamba: ₹14.66 lakh, Hamirpur: ₹9.70 lakh, Kangra: ₹22.82 lakh, Kullu: ₹49.14 lakh, Mandi: ₹17.15 lakh, Nahan: ₹9.21 lakh, Shimla: ₹36.18 lakh, Solan: ₹4.30 lakh and Una: ₹35.65 lakh **STA** Shimla: ₹42.45 lakh

³ **RLAs**: Amb: ₹5.64 lakh, Arki: ₹2.16 lakh, Kangra: ₹2.88 lakh, Mandi: 15.30 lakh, Palampur: ₹9.00 lakh and Sarkaghat: ₹2.08 lakh

⁴ **RTOs**: Bilaspur: ₹3.71 lakh, Chamba: ₹1.80 lakh, Hamirpur: ₹0.79 lakh, Kangra: ₹2.97 lakh, Mandi: ₹2.43 lakh, Nahan: ₹2.61 lakh, Una: ₹5.33 lakh and **STA**: Shimla: ₹3.12 lakh

5.4 Non/short recovery of Special Road Tax

Special Road Tax amounting to ₹22.39 crore was not recovered from Himachal Road Transport Corporation and private stage carriages.

Under Section 3-A of HPMVT Act, 1972, State Government shall levy a monthly Special Road Tax (SRT) on all transport vehicles used or kept for use in the State. This will be payable in advance by 15th of every month at the prescribed rates⁵. Further, Section 14(2) of the Act provides for exemption from SRT if the registered owner intimates in writing to the taxation authority that the motor vehicle would not be used in any public place, for a particular period and deposits the certificate of registration (RC) of such motor vehicle along with route permit. Rule 4A of HPMVT Rules, 1974 stipulates that if a vehicle owner fails to pay the SRT due within the prescribed period, the taxation authority shall direct the owner to pay penalty at the rate of 25 per cent per annum of the tax due.

5.4.1 Non-payment of SRT by Himachal Road Transport Corporation

Audit scrutiny of the records of SRT registers of nine RTOs between June 2016 and April 2017 showed that SRT for the period from April 2015 to March 2016 aggregating ₹20.86 crore⁶ was neither deposited by the Himachal Road Transport Corporation (HRTC) nor demanded by the RTOs till March 2017.

On this being pointed out, RTOs stated that the matter would be taken up with the HRTC to affect the recovery. In spite of being pointed out in previous Audits, no concrete action had been taken by the Department to ensure timely recovery.

5.4.2 Non-accountal of route permits for assessment of SRT

(i) Audit test checked the records of two RTOs⁷, and noticed that permits for 11 routes issued/renewed by the respective RTOs to the stage carriages of HRTC, for the period 2015-16 were not accounted for the assessment of SRT. The RTOs failed to detect this omission during the scrutiny of SRT assessment statements furnished by the HRTC depots. Thus, SRT of ₹37.61⁸ lakh escaped assessment.

⁵ The rates of SRT are based on the classification of routes on which vehicles are plying such as National Highways, State Highways, Rural Roads and Local buses/mini buses operating within a radius of 30 kilometers. The rates of SRT for the above routes are as ₹6.04, ₹5.03 and ₹4.03 per seat per kilometer respectively

⁶ Bilaspur: ₹1.01 crore, Chamba: ₹1.31 crore, Hamirpur: ₹1.00 crore, Kangra: ₹5.43 crore, Kullu: ₹2.18 crore, Mandi: ₹2.75 crore, Nahan: ₹89.00 lakh, Shimla: ₹5.21 crore and Solan: ₹1.08 crore

⁷ Shimla: 10 cases and Nahan: one case

⁸ Shimla: ₹31.56 lakh and Nahan: ₹6.05 lakh

(ii) Short assessment of SRT

Audit scrutiny of records of route permits and SRT assessment statements furnished by the HRTC units of two RTOs⁹ for the period 2015-16 revealed that SRT was not calculated as per the route or the distance covered as per the route permits in 11 cases and SRT assessment statements were accepted as correct. This resulted in short assessment of SRT of ₹9.48 lakh.

5.4.3 Private Stage Carriage

Audit scrutiny of SRT registers of eight RTOs¹⁰ showed that SRT amounting to ₹1.06 crore was recoverable from the owners of private stage carriages (PSCs) in 167 cases pertaining to the period 2014-16. There was nothing on records to indicate that any initiative had been taken by the taxation authorities to recover the SRT. This resulted in non-recovery of SRT of ₹1.06 crore. In addition, a minimum penalty of ₹26.44 lakh at the prescribed rate was also recoverable.

There was nothing on records to indicate that RCs/route permits were surrendered with the concerned RTOs for exemption from payment of SRT in all the above cases.

The matter was reported to the Department and the Government between July 2016 and April 2017; the Department intimated (between April and October 2017) that out of ₹47.97 lakh an amount of ₹30.01 lakh had been recovered by five RTOs¹¹ and the remaining RTOs stated that efforts were being made to recover the amount. The reply of the Government had not been received (December 2017).

5.5 Non-realisation of Passenger and Goods Tax

The passenger and goods tax amounting to ₹1.10 crore was neither paid by the owners of 1,911 commercial vehicles nor demanded by the Department for the period 2014-15 to 2015-16.

Under Section 3 of the HPPGT Act, 1955 owners of vehicles are required to pay Passenger and Goods Tax (PGT) on all fares and freight at the prescribed rates either quarterly or annually. Rule 9 (7) (ii) (c) (i & ii) of the HPPGT Rules, 1957 provides that vehicle owners shall inform the Assessing Authorities (AAs) concerned as soon as the vehicles goes out of use for exemption from payment of tax for that period. Rule 22 further provides that in case any sum is payable by an owner, AA shall serve a notice to the vehicle owner to furnish receipt of challan in proof of tax payment. Section 12 of the Act *ibid* further provides that any arrears or penalty imposed under this Act shall be recoverable as an Arrear of Land Revenue (ALR).

⁹ Shimla: ₹6.24 lakh and Nahan: ₹3.24 lakh

¹⁰ Bilaspur: ₹3.03 lakh, Kangra: ₹24.37 lakh, Kullu: ₹2.47 lakh, Mandi: ₹11.56 lakh, Nahan: ₹4.84 lakh, Shimla: ₹14.88 lakh, Solan: ₹25.84 lakh and Una: ₹18.76 lakh

¹¹ Bilaspur: ₹2.24 lakh, Kangra: ₹8.15 lakh, Mandi: ₹5.46 lakh, Nahan: ₹3.72 lakh and Una: ₹10.44 lakh

Audit scrutiny of Demand and Collection Register (DCR) maintained by six AETCs revealed that PGT in respect of 1,911 vehicles¹² amounting to ₹1.10 crore for the period from 2014-15 to 2015-16 was not paid by the commercial vehicle owners already registered with Excise and Taxation Department. The commercial vehicle owners had also not sought exemption from tax for non-use of the vehicles during this period. However, the AAs neither issued demand notices to the vehicle owners in proof of tax payment nor referred their cases to the Collector for recovery as ALR. This resulted in non-realisation of PGT of ₹1.10 crore as depicted below:

Table-5.2 Non-realisation of Passenger and Goods Tax from vehicles

			₹ in lakh
Sr. No.	Category of vehicles	No. of vehicles not paying PGT	Amount of tax due
1.	Passenger Vehicles (Maxi Cabs/Taxi)	459	21.87
2.	Passenger Vehicles (Educational Institution Buses)	46	3.76
3.	Goods vehicles (HGV/MGV/LGV/Tractors)	1,406	84.13
Total		1,911	109.76
Say 1.10 crore			

The matter was reported to the Department and the Government between June 2016 and March 2017; the Department intimated (September 2017) that AETCs had recovered ₹29.55 lakh (Passenger tax ₹9.63 lakh + Goods Tax ₹19.92 lakh) from 567 vehicle owners and efforts were being made to recover the balance amount. The reply of the Government was awaited (December 2017).

5.6 Non-registration of commercial vehicles with Excise and Taxation Department

Due to lack of co-ordination between the concerned RLAs/RTOs and AETCs, the owners of the 2,961 commercial vehicles did not register their vehicles with the concerned Excise and Taxation Department which resulted in non-realisation of Passenger and Goods tax amounting to ₹1.13 crore.

Under the HPPGT Act, 1955 and the HPPGT Rules, 1957 made thereunder, owners of stage/contract carriages and goods carriages are required to register their vehicles with the concerned Excise and Taxation Offices and pay PGT at the prescribed rates. Vehicle registration is handled by the RTOs and RLAs and collection of PGT is handled by different AETCs. Further, Section 8 of the Act provides that no vehicle owner shall ply his vehicle in the State unless he is in possession of a valid certificate of registration. Section 9-B (5) of the Act further provides that if the vehicle owner fails to apply for registration or to pay tax or surcharge, penalty not exceeding five times the amount of tax so assessed, subject to a minimum of ₹500, is also leviable.

¹² Baddi: 244 vehicles: ₹13.08 lakh, Bilaspur: 583 vehicles: ₹38.14 lakh, Kangra: 180 vehicles: ₹12.11 lakh, Sirmour: 349 vehicles: ₹19.58 lakh, Shimla: 384 vehicles: ₹16.59 lakh and Solan: 171 vehicles: ₹10.26 lakh

Cross check of the registration records of three RLAs¹³ and five RTOs¹⁴ with those of concerned AETCs revealed that out of 6,342 vehicles registered with RLAs/RTOs during 2014-15 to 2015-16, 2,961 vehicles liable to pay fixed PGT were not registered with the concerned AETCs. Lack of co-ordination between AETCs and concerned RLAs/RTOs resulted in non-realisation of PGT of ₹1.13 crore¹⁵ due to non-registration of 2,961 commercial vehicles with Excise and Taxation Department as depicted in **Annexure-VIII**. In addition, a minimum penalty of ₹14.81 lakh was also leviable.

The matter was reported to the Department and the Government between June 2016 and March 2017; the Department stated (September 2017) that out of ₹1.13 crore, an amount of ₹19.22 lakh and penalty of ₹61,500 (Passenger tax ₹3.07 lakh + Goods Tax ₹16.15 lakh) had been recovered from 525 vehicle owners by six AETCs and efforts were being made to recover the balance amount. The reply of the Government was awaited (December 2017).

5.7 Non-levy and collection of Additional Goods Tax

Additional Goods tax of ₹39.37 crore was neither paid by three cement companies who had transported limestone and shale from mining areas to cement plants for manufacturing of cement and clinker nor was it demanded by the Department.

Section 3-B of the HPPGT Act, 1955 stipulates that Additional Goods Tax (AGT) is to be levied, charged and paid to the State Government on transport of goods specified in column (2) of the Schedule-II of HPPGT Act at the rates prescribed for each item. Rule 9-D of HPPGT Rules, further provides that a person selling or causing or authorizing to cause dispatch for transport of goods specified in Schedule-II to the Act and duly authorised by the State Government by notification shall be duly registered by the AETC or ETO in-charge of the District under the HP General Sales Tax Act, 1968, and HP Value Added Tax Act, 2005 in the concerned District office. The authorised person shall collect AGT and deposit it into the Government Treasury. Further, Rule 9-E provides that the concerned Assessing Authority shall scrutinise every return filed under Section 4-A of the Act by the person authorised to collect tax under the Act, after the close of each month and the AA shall assess every case on half-yearly basis.

Audit scrutiny of AETCs Bilaspur and Solan and cross check with records collected from Mining Officers, Bilaspur and Solan, showed that three Cement Companies, authorised for collection of AGT, transported 109,86,514 MT of lime-stone and 14,30,418 MT of shale from mining areas to their Cement Plants for use as raw material during the period 2015-16 on which AGT of ₹39.45 crore¹⁶ was leviable against which ₹8.38 lakh was actually paid. Though the

¹³ RLAs Bilaspur, Sirmour and Solan

¹⁴ RTOs Baddi, Bilaspur, Kangra, Shimla and Solan

¹⁵ AETCs Baddi: ₹57.64 lakh, Bilaspur: ₹22.98 lakh, Dharamshala: ₹13.14 lakh, Sirmour: ₹3.03 lakh, Shimla: ₹9.81 lakh and Solan: ₹6.14 lakh

¹⁶ Limestone 1,09,86,514 MT x ₹35 per tonne + Shale 14,30,418 MT x ₹7 per tonne

companies were submitting AGT returns regularly since their authorization, but AETCs did not scrutinise the monthly returns and finalise their assessments on half-yearly basis resulting in loss of revenue of ₹39.37 crore due to non-recovery of AGT.

On this being pointed out, AETC Solan stated (April 2017) that matter was under consideration with ETC and action would be taken as per Rules and regulations. The reply is not accepted as this issue was commented in Audit Reports of March 2014, March 2015 and March 2016. The Excise and Taxation Commissioner directed (August 2015) AETC, Solan to examine the reply of one of the Cement Companies on certain additional aspects after visiting Cement Company premises and sought action taken report. The AETC Solan intimated that lime stone extracted was carried by dumpers from mining area to crusher located in mining area. Audit observed that no decision was taken by Excise and Taxation Commissioner even though reply was received from AETC Solan in April 2016. The ETC did not furnish final decision on this issue in spite of being asked for on 11th October 2017.

Since the roads on which dumpers were running were situated in mining area and leased out by Government of Himachal Pradesh, PGT was payable by the Cement Companies. Hence, use of roads within mining area which was the property of Government of HP, deduction/deposit of AGT on lime stone/shale by Cement Companies was mandatory.

The matter was reported to the Department and the Government between June 2016 and February 2017; their replies were not received (December 2017).

