

Billions lost through vehicle quota

RAA found rampant misuse of vehicle quota system

The government lost more than Nu 3 billion (B) in tax revenue in the last five years through foreign vehicle quota, a facility that remains extensively misused, the Royal Audit Authority (RAA) found.

More than 9,000 vehicles were imported through government-issued vehicle quota between 2014 and 2018.

Finance ministry records show that a total of 7,265 limited quotas and 1,288 full quotas were issued beginning 2014, of which 1,092 are pool vehicles.

The recent audit report on government vehicle and foreign vehicle quota system pointed out that the tax revenue forgone resulted in exhaustion of the country's foreign currency reserves and increase in import of vehicle, spare parts and fuel.

Vague legislation framework and implementation issues

The foreign vehicle allotment rule 1994, the RAA found, has become a facility or incentive to multiple governmental and non-governmental organisations, and almost all individuals in public service irrespective of the type of employment.

It was stated that the very objective of providing the facility has disorientated over time and that the objective of providing vehicle quota was not mentioned in the revised rules of 2009 and 2014.

“There were no clear provisions in either the Parliament Entitlement Rules or the Vehicle Quota Rules on how the vehicle quota was to be treated in the event a Member of Parliament vacates office before completion of their tenure.”

No provisions also exist regarding the vehicle quota for the new member taking office for the remaining period of the tenure. In absence of provisions for the conduct of vehicle quota, the RAA states that it became confusing and conflicting since the vehicle quota does not have a fix monetary value.

RAA noted situations, where absence of provisions to treat the vehicle quota, created much confusion. A National Assembly member (MP) resigned after three years of service in 2016. A ‘bye-election’ was conducted and a new member elected for the remaining two years. The new

member was not issued a vehicle quota. However, the vehicle quota value was monetised and recovered on pro-rata basis from the resigning NA member and given to the new member.

However, in 2015, three new National Council Members (eminent) were appointed halfway through their terms. The eminent members appointed for a period of two years were allotted full vehicle quota each.

Misuse of vehicle quota

Most vehicle quota was found sold in open market, given to or used by another individual; family members or friends.

Foreign vehicle quota rule, states that ‘the vehicle quota allotment shall not be misused including sale to the third party for breach of which the public servant shall not be eligible to any quota allotment in the future. In addition, the quota holder shall be liable to pay the applicable sales tax and customs duty on the original CIF (costs, insurance, and freight) value of the vehicle.’”

Individuals, the RAA states, do not abide by this legal agreement and has become insignificant. Provisions to follow-up or to monitor these agreements were not found in any of the rules.

The illegal practice was reported to be difficult to identify or monitor since internal agreements were drawn between the buyer and seller for the transaction. However, in documents and legally, vehicle registration is not transferred within five years. “It is an illegal practice that has become a socially accepted norm.”

RAA confirmed instances of quotas being kept with or sold to vehicle dealers directly, who sell the quota together with their vehicles.

The report pointed out that the quota buyer purchases a high-value vehicle, duty and tax free, whereas, the quota holder purchases another vehicle from the amount made from the sale of the quota. A single quota purchase imports two vehicles.

RAA recommendations

It recommended re-examining the existing framework and to consolidate and revise legislation to bring clarity in governing and monitoring the foreign vehicle quota system.

Considering the financial and economic implication of the quota system and unclear legislation, RAA recommended revisiting the objective of providing this facility based on cost-benefit analysis, existing economic and environmental situations in the country, and approval from the relevant authority.

Given the large incidences of foreign vehicle quotas being misused, the RAA suggested carrying out proper need-assessment of the system in consultation with relevant authorities and stakeholders, to rationalise the existing system to ensure that the intended objectives and benefits of the quota system are realised.

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