

CHAPTER VII
NON-TAX RECEIPTS

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7.1 Results of Audit

We test checked the records of 15 offices in Industries Department (Mines and Minerals) and also six Departments for Interest Receipts during the period from April 2010 to March 2011 and found non/short-levy of dead rent, seigniorage fee, brick mineral annual fee, non-raising of demand for interest/penal interest, short adjustment of interest/penal interest and other observations amounting to ₹ 367.33 crore in 23 cases, which broadly fall under the following categories:

(₹ in crore)			
Sl. No.	Category	No. of cases	Amount
A – Mines and Minerals			
1	Non/short levy of dead rent, seigniorage fee, royalty	16	0.58
2	Incorrect classification of mineral	1	5.29
3	Other observations	5	0.44
	sub-total	22	6.31
B – Interest Receipts			
4	Interest receipts	1	361.02
	sub-total	1	361.02
	Grand Total	23	367.33

During the course of the year 2010-11, the Industries Department accepted underassessments and other deficiencies amounting to ₹ 0.99 crore in 13 cases, out of which, ₹ 76.72 lakh involved in four cases were pointed out during the year and the rest in earlier years. Out of the above an amount of ₹ 22.90 lakh has been collected.

A few illustrative cases involving ₹ 361.78 crore are mentioned in the following paragraphs:

A – Mines and Minerals

7.2 Audit observations

We test checked the records in the offices of the Industries and Finance Departments relating to revenue received from royalty, seigniorage fee, dead rent, interest on loans and advances etc. and noticed several cases of non-observance of the provisions of the Acts/Rules resulting in non/short collection of dead rent, royalty and other cases as mentioned in the succeeding paragraphs in this chapter. These cases are illustrative and based on test checks carried out by us. Although such omissions are pointed out every year, the irregularities persist and remain undetected till the next audit is conducted. There is need for the Government to consider directing the Departments to improve the internal control systems including strengthening of internal audit so that such omissions can be avoided, detected and corrected.

7.3 Non-compliance of the provisions of the Act/Rules

The provisions of the Mines and Minerals (Development and Regulation) Act, 1957 and the Tamil Nadu Minor Mineral Concession Rules, 1959 require the licensee to pay royalty/seigniorage fee/dead rent in respect of minerals removed by him from the leased area, at the prescribed rates. Whenever royalty/seigniorage fee in a year is less than the dead rent, the dead rent is payable in lieu of royalty/seigniorage fee.

We noticed non-compliance of the provisions of the Act/Rules involving non/short realisation of ₹ 76.56 lakh in some cases as mentioned in paragraphs 7.3.1 to 7.3.3.

7.3.1 Non/short collection of dead rent

According to Section 9-A of the Mines and Minerals (Development and Regulation) Act, 1957 read with Rules 8, 8-A and 8-C of the Tamil Nadu Minor Mineral Concession Rules, 1959, the holder of mining lease in respect of major and minor minerals shall pay royalty/seigniorage fee or dead rent, whichever is greater, at the prescribed rates.

We observed during test check of the concerned registers in the office of the Assistant Director (Geology and Mining), Vellore in April 2010 that in respect of two leases granted for quarrying black granite to M/s. Tamil Nadu Minerals Ltd., though the dead rent of ₹ 34.45 lakh was higher than the seigniorage fee of ₹ 10.22 lakh paid for the year 2009-10, dead rent was not demanded. This resulted in short collection of ₹ 24.23 lakh. We further observed during test check in the offices of the seven

Deputy/Assistant Directors, Geology and Mining⁶¹ between April and September 2010, that in respect of 68 lessees for the period between 2003 and 2010 either the seigniorage fees paid for the mining activity was lesser than the dead rent or the dead rent for the inoperative period was not paid at all. The Department did not raise the demand for the dead rent. This resulted in non-collection of dead rent of ₹ 15.81 lakh. The overall short collection amounted to ₹ 40.04 lakh.

After we pointed this out between May 2010 and October 2010, the Department replied (between December 2010 and May 2011) that a sum of ₹ 32.08 lakh had been collected. We are awaiting further report (December 2011).

We reported the matter to the Government in March 2011 and are awaiting their reply (December 2011).

7.3.2 Non-collection of brick mineral annual fees

As per Rule 19(2) of the Tamil Nadu Minor Mineral Concession Rules, 1959, every brick manufacturing unit shall, for quarrying brick earth, apply for quarrying permit and remit the brick mineral annual fee at the rate specified based on the number of chambers. The permit shall be valid for a period of one year

We observed during test check of the records of the offices of the six Deputy/Assistant Directors of Geology and Mining⁶², (between April and December 2010) that 45 brick manufacturing units and six country kilns did not obtain permits for quarrying brick earth and the Department had also failed to collect the annual fee from them. This resulted in non collection of annual fees of ₹ 28.56 lakh.

After we pointed this out between May 2010 and January 2011, the Commissioner of Geology and Mining replied (May 2011) that a sum of ₹ 15.01 lakh pertaining to five offices⁶³ had been collected. We are awaiting further report (December 2011).

We reported the matter to the Government in March 2011 and are awaiting their reply (December 2011).

⁶¹ Erode, Kancheepuram, Pudukkottai, Salem, Theni, Vellore and Villupuram.

⁶² Erode, Karur, Nagapattinam, Sivagangai, Tirunelveli, and Tiruvallur.

⁶³ Erode, Nagapattinam, Sivaganga, Tiruvallur and Tirunelveli.

7.3.3 Short collection of royalty

According to Section 9 of the Mines and Mineral (Development and Regulation) Act, 1957, the holder of the mining lease shall pay royalty in respect of any mineral removed or consumed, by him, from the leased area at the rate, for the time being, specified in the Second Schedule in respect of that mineral. The Central Government may, enhance or reduce the rates of royalty in respect of any mineral, by notification in the official gazette. The Central Government had enhanced the rate of royalty in respect of silica sand and limestone with effect from 13 August 2009.

We observed during test check of the records in three offices⁶⁴ of the Deputy/ Assistant Director, Geology and Mining, between April 2010 and September 2010 that 12,070 MTs of silica sand and 4,265 MTs of limestone were cleared from the leased area by 12 lessees from August 2009 to March 2010. Though a sum of ₹ 12.29 lakh was required to be collected towards royalty at the enhanced rate, only ₹ 4.33 lakh was collected at the pre-revised rate. This resulted in short collection of

royalty of ₹ 7.96 lakh.

After we pointed this out between May and October 2010, the Department replied (May 2011) that an amount of ₹ 1.36 lakh has been collected. We are awaiting further report (December 2011).

We reported the matter to the Government in March 2011 and are awaiting their reply (December 2011).

⁶⁴ Kancheepuram, Karur and Thiruvallur.

B - Interest Receipts

7.4 Non-raising of demand for interest/penal interest

As per the Government Order 129 Finance (Loans and Advances) Department dated 21 March 2000 all Heads of the Departments are responsible for monitoring the recoveries of the loans and shall furnish periodical reports to the Government. The Heads of the Departments shall also raise demand on the beneficiaries and recover the loan instalments on the due dates.

We observed that during the period from 2005-06 to 2009-10 the Government sanctioned ₹ 1,426.64 crore as interest bearing ways and means advances⁶⁵/loans to various boards, corporations etc. coming under six⁶⁶ Departments. However, test check revealed that demand towards interest and penal interest was not raised resulting in non-realisation of interest of ₹ 325.02 crore and penal interest of ₹ 35.00 crore totaling ₹ 360.02 crore as calculated by us and detailed in **Annexure IX**. Some

illustrative cases are given in the following paragraphs:

(i) The Government sanctioned loans aggregating ₹ 206.09 crore during the period from August 2005 to June 2009 to 15 co-operative and two public sector sugar mills for meeting their expenses relating to lay off, payment of state administered price, remittance of PF dues, etc. The interest rate ranged between 10 and 14 *per cent*. Neither the principal nor interest had been paid so far by the sugar mills. The interest and penal interest payable amounted to ₹ 88.66 crore. The head of the Department did not raise demand for the payment of interest/penal interest.

The Commissioner of Sugar stated that proposals were sent to the Government in March 2010 to waive the loans or to convert them into Government equity. The Government in November 2011, however, stated that effective steps would be taken to improve the profitability and liquidity position of the mills in the near future so as to repay the Government loans along with interest.

⁶⁵ Ways and means advances are sanctioned for specific purposes to be repaid within the financial year.

⁶⁶ Handloom and Textiles, Industries, Information and Technology, Milk Production and Dairy Development, Municipal Administration & Water Supply and Transport.

(ii) The Government sanctioned ways and means advances and term loan of ₹ 266.66 crore during February 2007 and March 2010 through six Government orders to M/s. Tamil Nadu Industries Development Corporation (TIDCO) and M/s. Tamil Nadu Industrial Explosives Limited (TEL) for various purposes. M/s. TIDCO paid interest of ₹ 11.34 crore only against interest due of ₹ 43.68 crore. M/s. TEL had not paid the interest so far. The interest due from M/s. TEL as on March 2010 was ₹ 2.28 crore. The overall interest and penal interest outstanding amounted to ₹ 40.15 crore.

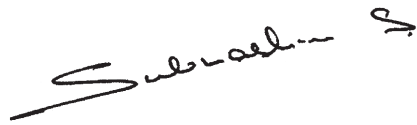
7.5 Short adjustment of interest and penal interest

An interest (12 per cent) bearing ways and means advance of ₹ 25 crore was sanctioned by the Government vide orders dated 16 December 2005 to M/s. Tamil Nadu Co-operative Milk Producers Federation Limited to compensate the loss suffered by them due to increase in procurement price of milk by rupee one with effect from 1 June 2004. Based on the request of the Federation, the Government converted the above ways and means advance of ₹ 25 crore along with interest of ₹ 4.54 crore and penal interest of ₹ 0.66 crore as share capital through necessary book adjustments vide orders dated 10 September 2007.

We noticed during check of interest calculation statement furnished by the Commissioner of Milk Production and Dairy Development, that interest and penal interest was calculated upto 30 June 2007 instead of upto the date of conversion of the ways and means advance as share capital (10 September 2007). This resulted in short adjustment of interest and penal interest amounting to ₹ 99.91 lakh.

We reported the matter to the Government (May 2011) and are awaiting their reply (December 2011).

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