

CHAPTER – VII

MINING RECEIPTS

Chapter- VII Mining Receipts

7.1 Tax administration

The Mineral Resources Department functions under the overall charge of the Secretary, Mining, Government of Madhya Pradesh. The Director, Geology and Mining, is the Head of the Department who is assisted by four Regional Heads based at Indore, Gwalior, Jabalpur and Rewa, 50 District Mining Officers (DMOs) based at the district level and one Diamond Officer in Panna. The DMOs are assisted by Assistant DMOs and Mining Inspectors. The DMOs, Assistant DMOs and Inspectors are under the administrative control of the Collector at the district level. Mining Receipts are collected under the provisions of the following Acts and Rules and notifications issued thereunder:

- Mines and Minerals (Development and Regulation) Act, 1957;
- Mineral Concession Rules, 1960;
- Mineral Conservation and Development Rules, 1988;
- Marble Development and Conservation Rules, 2002;
- Madhya Pradesh Minor Mineral Rules, 1996;
- Madhya Pradesh Minerals(Prevention of Illegal Mining Transportation and Storage) Rules, 2006;
- Madhya Pradesh Rural Infrastructure and Road Development Act, 2005;
- The Colliery Control Rules, 2004; and
- Coal Bearing Areas Act, 1957.

7.2 Results of Audit

We test checked the records of 35 units out of 51 units relating to Mining Receipts during 2014-15 and observed non/short realisation of revenue and other irregularities involving ₹ 138.96 crore in 1,097 cases which fall under the following categories as mentioned in the **Table-7.1**.

Table - 7.1

(₹ in crore)			
Sl. No.	Categories	No. of cases	Amount
1.	Non/short levy of dead rent/royalty	310	28.04
2.	Non-assessment of rural infrastructure and road development tax	255	39.69
3.	Short realisation of contract money in trade quarries	36	1.26
4.	Non-levy of interest on belated payments	122	0.95
5.	Other observations (Non-recovery of royalty on conversion factor from lime stone into cement, Mines not auctioned and operated due to environment clearance, short recovery of Stamp duty & Registration fees etc.)	374	69.02
Total		1,097	138.96

The Department accepted non/short realisation/levy of revenue and other deficiencies of ₹ 78.19 crore in 1,024 cases, which were pointed out in audit during the year 2014-15 and recovered ₹ 3.19 crore in 132 cases.

A few illustrative cases involving ₹ 15.37 crore highlighting important audit findings are mentioned in the following paragraphs.

7.3 Non/Short realisation of rural infrastructure and road development tax on idle mines

Two hundred ten mining lessees had paid ₹ 5.67 lakh of rural infrastructure and road development tax against the payable amount of ₹ 6.47 crore for the period 2013-14. This resulted in short realisation of revenue amounting to ₹ 6.41 crore.

We observed (between April 2014 and February 2015) during scrutiny of individual case files of major minerals in respect of mining leases of 10 District Mining Offices¹ that 210 mining lessees out of 796 mining lessees test checked had paid ₹ 5.67 lakh as rural infrastructure and road development tax for the period of 2013-14, against the payable amount of ₹ 6.47 crore in 210 mining leases at the rate of ₹ 4,000 per hectare per year on 16,175 hectare of idle mines as per provisions of Madhya Pradesh Rural Infrastructure and Road Development Act, 2005 and its subsequent notification of November 2010. The Department did not initiate any action for the realisation of the tax. Though every lease holder had to deposit tax by the last day of each quarter in terms of Rule 7 of the Act, the Department did not collect tax every quarter. This resulted in short realisation of revenue of ₹ 6.41 crore.

After we pointed out the cases (between April 2014 and February 2015), District Mining Officers (DMOs) Chhindwara, Damoh, Narsinghpur, Neemuch, Sidhi and Tikamgarh stated that action of recovery would be taken after scrutiny of records. DMOs Anuppur, Katni, Satna and Shahdol stated that after issuing demand notice, amount would be recovered.

We reported the matter (May 2015) to the Government and the Department, their replies have not been received (November 2015).

7.4 Short levy of Stamp duty and Registration fees on instruments of lease deeds of mines

The Department failed in safeguarding the revenue interest of the State as instead of levying the stamp duty on full amount of contract money in accordance with the Departmental instructions, agreements of mining leases were executed on stamp papers of ₹ 100 resulting in short realisation of Stamp Duty and Registration Fees of ₹ 4.01 crore.

We observed (between April 2014 and June 2014) during test check of case files of trade quarry at DMOs Katni and Tikamgarh regarding leases sanctioned to MP State Mining Corporation Limited (MPSMCL) that the Corporation entered into an agreement for sand mining with four contractors in July 2013 for the period of two years for ₹ 45.81 crore.

¹ Anuppur, Chhindwara, Damoh, Katni, Narsinghpur, Neemuch, Satna, Shahdol, Sidhi and Tikamgarh.

In these cases, Stamp Duty of ₹ 2.29 crore was leviable as per instructions issued in March 1993 by Mineral Resources Department, Government of Madhya Pradesh, according to which full amount of contract money should have been treated as premium for the purpose of levy of Stamp Duty. Besides, as per Indian Registration Act, 1908, Registration Fee at the rate of 75 per cent of Stamp Duty amounting to ₹ 1.72 crore was also leviable. MPSMCL however, executed a contract on a stamp paper of ₹ 100 in each case. This resulted in short levy of stamp duty and registration fee of ₹ 4.01 crore as detailed in **Appendix-XXIV**.

After we pointed out the case, DMO, Katni stated (June 2014) that audit would be intimated after forwarding the case to collector of stamp and DMO, Tikamgarh stated (April 2014) that objected para was not related to this office.

We do not agree with the reply of DMO, Tikamgarh as the MPSMCL was a lessee of the Mineral Resources Department and it was the responsibility of the lessee to pay all Government dues as per rules and also it was an equal responsibility of the Mineral Resources Department to safeguard the revenue interests of the State.

We reported the matter (May 2015) to the Government and the Department, their replies have not been received (November 2015).

7.5 Non/Short realisation of dead rent

The Department recovered dead rent amounting to ₹ 9.11 lakh against the recoverable amount of ₹ 1.31 crore from quarry leases as per the provisions of Madhya Pradesh Minor Mineral Rules, 1996, while in the cases of mining leases, fifty three lessees holding mining lease had not paid the amount of dead rent of ₹ 57.09 lakh due for the period January 2013 to January 2014. This resulted in non- realisation of dead rent of ₹ 1.79 crore.

7.5.1 Non/Short realisation of dead rent of quarry lease

We observed (between May 2014 and March 2015) during scrutiny of individual files of lessees in 21 District Mining Offices² that 125 quarry lessees out of 435 test checked, had paid dead rent of ₹ 9.11 lakh against the payable amount of ₹ 1.31 crore for the period from January 2010 to December 2014.

The Department also did not take any action as per Rule 30(1)(a) of Madhya Pradesh Minor Mineral Rules, 1996 to recover the unpaid balance of Government money as dead rent should have been recovered on or before the twentieth day of the first month of the year. Not doing so resulted in short realisation of dead rent of ₹ 1.22 crore.

After we pointed out the cases (between May 2014 and March 2015), DMOs stated that action of recovery would be taken after scrutiny of record, demand notices would be issued and audit would be intimated after recovery of due amount.

² Anuppur, Balaghat, Betul, Bhopal, Burhanpur, Chhatarpur, Chhindwara, Dhar, Gwalior, Harda, Hoshangabad, Katni, Raisen, Ratlam, Sagar, Satna, Shahdol, Shajapur, Singrouli, Umaria and Vidisha

We reported the matter (May 2015) to the Government and the Department, their replies have not been received (November 2015).

7.5.2 Non/Short realisation of dead rent of mining lease

We observed (between June and September 2014) during scrutiny of case files that out of 555 leases in five District Mining Offices³ (DMOs), 53 lessees holding 194 mining leases had not paid the amount of dead rent of ₹ 57.09 lakh due for the period January 2013 to January 2014 contravening the provisions of Section 9 A (i) of the Mines and Minerals (Development and Regulation) Act 1957, which stated that every lessee of a mining lease has to pay royalty in respect of minerals consumed or removed from the leased area. The DMOs also did not issue demand notice to recover the dead rent. This resulted in non- realisation of dead rent of ₹ 57.09 lakh (**Appendix XXV**).

After we pointed this out, all DMOs stated that action of recovery would be taken after scrutiny.

We reported the matter to the Government and the Department (May 2015), their replies have not been received (November 2015).

7.6 Short realisation of royalty

Two lessees had paid royalty of ₹ 5.83 crore between January 2012 and December 2013 for consumption/transportation of minerals against the payable amount of royalty of ₹ 6.81 crore, while in the cases of royalty on quarry leases, we observed that 34 lessees had paid royalty of ₹ 1.09 crore in respect of minerals removed between January 2009 and December 2014 against payable amount of ₹ 1.74 crore, resulting in short realisation of royalty of ₹ 1.63 crore.

7.6.1 Short realisation of royalty on mining lease

We observed (between May and June 2014) during scrutiny of case files, assessment and annual production statement of District Mining Office, Katni and District Diamond Office, Panna that two lessees had paid ₹ 5.83 crore between January 2012 and December 2013 for consumption/transportation of Diamond stones, bauxite (Refractory and Cement Grade), laterite and fire clay against the payable amount of royalty of ₹ 6.81 crore.

District Mining Officer, Katni and District Diamond Officer, Panna did not initiate action to recover the outstanding amount of royalty as per provisions of Section 9(i) of the Mines and Minerals (Development and Regulation) Act, 1957. This resulted in short realisation of royalty of ₹ 98.09 lakh. Had the District Mining Officer and District Diamond Officer scrutinised the returns on time as per Departmental instructions, short realisation of royalty could have been avoided.

After we pointed this out (between May and June 2014); District Mining Officer and District Diamond Officer stated that audit would be intimated after taking action as per rule.

³ Anuppur, Chindwara, Katni, Sagar and Satna

We reported the matter (May 2015) to the Government and the Department, their replies have not been received (October 2015).

7.6.2 Short realisation of royalty on quarry lease

We observed (between May 2014 and January 2015) during scrutiny of case files and returns of total 1031 quarry lease holders in 10 District Mining Offices⁴ that 34 lessees out of 93 lessees test checked had paid royalty of ₹ 1.09 crore in respect of mineral removed between January 2009 and December 2014 against payable amount of ₹ 1.74 crore as per Rule 30(1) (b) of Madhya Pradesh Minor Mineral Rules, 1996, which resulted in the short realisation of royalty of ₹ 64.54 lakh. Case files also revealed that DMOs did not initiate any action to recover the revenue.

After we pointed out the cases (between May 2014 and January 2015) DMO Dewas stated that audit would be intimated after the recovery of due amount, the other DMOs stated that necessary action for recovery would be ensured as per rule after scrutiny.

We reported the matter (May 2015) to the Government and the Department; their replies have not been received (November 2015).

7.7 Non/Short realisation of contract money in trade quarries

The Department recovered contract money of only ₹ 3.34 lakh for agreement of trade quarries in 28 cases, against recoverable amount of ₹ 65.74 lakh resulting in non/short realisation of contract money of ₹ 62.40 lakh.

We observed (between May and November 2014) in 112 cases test checked out of 126 cases of trade quarries in nine District Mining Offices⁵ for the period 2011-14 that in 28 cases, contract money of ₹ 65.74 lakh was due from contractors, against which an amount of ₹ 3.34 lakh only was recovered. The department did not initiate any action to realise the contract money as per Rule 37(1) of Madhya Pradesh Minor Mineral Rules, 1996, and condition No. 5(i) and 9 of the contract agreement. This resulted in non/short realisation of contract money of ₹ 62.40 lakh from 28 contractors as detailed in **Appendix-XXVI**.

After we pointed this out (between May and November 2014), District Mining Officer (DMO) Shajapur stated that action of recovery would be taken. DMO Harda, Ratlam, Umaria, Vidisha stated that audit would be intimated after action of recovery. DMO Morena, Sheopur and Shivpuri stated that audit would be intimated about recovery after scrutiny. DMO Sidhi stated that quarry was closed in compliance with Hon'ble Supreme Court's order dated 27 February 2012 due to not getting environmental clearance from Forest and Environment Control Board, Bhopal and quarry was reopened on 21 May 2013 and contract money was deposited according to rule by the contractor.

⁴ Betul, Bhopal, Dhar, Dewas, Harda, Panna, Raisen, Rewa, Satna and Shahdol

⁵ Harda, Morena, Ratlam, Shajapur, Sheopur, Shivpuri, Sidhi, Umaria and Vidisha

We do not agree with the reply of DMO Sidhi as the contractor did not deposit contract money for the period when quarry was open between 21 May 2013 and 30 June 2013.

We reported the matter (May 2015) to the Government and the Department, their replies have not been received (November 2015).

7.8 Non-realisation of royalty against temporary permit issued

District Mining Officer failed to recover advance royalty of ₹ 46.00 lakh from contractor to whom permission for extraction, removal and transportation of minor mineral was granted to carry out Government work.

We observed (May 2014) during scrutiny of the case files and temporary permits issued to contractor under DMO Satna that three temporary permits were issued to one contractor on 8 March 2013 for State Government construction work. The DMO did not collect the royalty payable in advance in accordance with the provisions of Rule 68 of Madhya Pradesh Minor Mineral Rules and instead issued permits without any payment by the contractor. This resulted in non-realisation of royalty of ₹ 46.00 lakh.

After we pointed out, DMO Satna stated (May 2014) that two temporary permits out of three were issued by giving acceptance in principle, since environmental clearance was not received from State Environment Impact Assessment Agency (SEIAA), therefore, the mineral was not excavated and there is no provision of realisation of revenue when mineral was not excavated. The reply of the Department is not accepted as environmental clearance from SEIAA was already there in all the three cases at the time of granting temporary permit and royalty should have been recovered under Rule 68.

We reported the matter to the Government and the Department (May 2015), their replies have not been received (November 2015).

7.9 Short realisation of royalty due to incorrect application of rate of royalty

The Department calculated sale price of minerals such as laterite, iron ore and manganese at lesser rate than the sale price of minerals specified by Indian Bureau of Mines. This resulted in short realisation of royalty of ₹ 13.78 lakh.

As per Section 9(i) of the Mines and Minerals (Development and Regulation) Act, royalty has to be paid in respect of minerals removed or consumed from the leased area, at the rates specified in the Second Schedule of the Act. Further, as per Rule 64 (D) of the Mineral Concession Rules, State-wise sale prices for different minerals as published by Indian Bureau of Mines shall be the sale price for computation of royalty in respect of any mineral produced any time during a month in any mine in that State, and the royalty shall be computed as per the formula⁶ given therein.

⁶ Royalty = Sale price of mineral (grade wise and Statewise) published by IBM * Rate of royalty (in percentage) * Total quantity of mineral grade produced/ dispatched.

We observed (February 2015) during scrutiny of the records of District Mining Offices Balaghat and Jabalpur for the period 2013-14 that lessees in three cases, dispatched 78,654.095 metric tons (laterite, iron ore and manganese) ore from leased area (between January and December 2013). The Department calculated the sale price of minerals at lesser rate than the sale price of minerals specified by Indian Bureau of Mines. Thus, royalty was assessed short by ₹ 13.78 lakh, resulted in short realisation of royalty to this extent.

After we pointed out (between February and March 2015) DMOs stated that compliance report would be sent separately.

We reported the matter (May 2015) to the Government and the Department, their replies have not been received (November 2015).

7.10 Non-levy/realisation of interest on belated payments

The Department did not levy interest of ₹ 31.28 lakh on belated payments of royalty/dead rent /contract money by lessees in respect of mining leases, trade quarries and quarry leases as per the provisions of the Rules.

7.10.1 Mining lease

We observed (August/September 2014) during scrutiny of the case files of major mineral leases in District Mining Offices Anuppur and Chhindwara, for the period 2013-14, that two lessees out of nine lessees test checked had delayed payments of royalty/dead rent by 258 to 1,718 days between January 2008 and December 2013. Though as per Rule 64 (a) of Mineral Concession Rules, 1960, lessee had to pay royalty, rent and rates by the prescribed date, failing which he was liable to pay simple interest at the rate of 24 *per cent* per annum from the sixtieth day of the expiry of the stipulated date till the date of payment of such royalty.

In these cases, no action was taken by the department to assess and recover the amount of interest of ₹ 6.96 lakh on belated payments. This resulted in non-realisation of interest of ₹ 6.96 lakh.

After this was pointed out in March 2015, DMO Anuppur stated that audit would be intimated after recovery of the amount and DMO Chhindwara stated that action would be taken after scrutiny of the cases.

7.10.2 Trade Quarry

We observed (July to September 2014) during scrutiny of 59 trade quarries test checked out of 144 trade quarries in five DMOs⁷ for the period April 2011 to March 2014 that in these 59 trade quarries owned by 26 contractors, payments were delayed by seven to 452 days. This was not in consonance with Rule 37(i) of Madhya Pradesh Minor Mineral Rules, 1996 and condition No. 5(i) of contract agreement, which required contractors of trade quarries to pay contract money on or before the dates indicated in their contract agreement, failing which, the contractors were liable to pay, in addition to the contract money, interest at the rate of 24 *per cent* per annum till the default continued.

⁷ Anuppur, Chhindwara, Jabalpur, Panna and Shajapur

The Department did not issue the demand note for the recovery of interest on these belated payments, resulting in non-levy of interest of ₹ 11.11 lakh .

After this was pointed out, the DMOs stated that recovery of dues would be made after scrutiny.

7.10.3 Quarry lease

We observed (April, August and December 2014) during scrutiny of the records of quarry leases in seven DMOs⁸ for the period between April 2011 and March 2015 that out of total 697 quarry leases, we test checked 183 quarry leases and found that in 45 quarry leases payments of dead rent/royalty were delayed ranging between 16 to 1,357 days.

As per Rule 30(i)(d) of Madhya Pradesh Minor Mineral Rules, 1996, lessees of quarry leases were required to pay dead rent or royalty under sub-rule (a) and (b) on or before the 20th day of first month of the year, failing which they were liable to pay interest at the rate of 24 *per cent* per annum till the default continued. However, the Department did not levy any interest on these belated payments. This resulted in non-levy of interest of ₹ 13.21 lakh. **(Appendix-XXVII).**

After this was pointed out (December 2014 and March 2015), DMO Dewas, Shivpuri and Ujjain stated that audit would be intimated after recovery of payable amount; the other DMOs stated that action would be taken after scrutiny.

We reported the matter (May 2015) to the Government and the Department, their replies have not been received (November 2015).

7.11 Internal Audit

Internal audit is a vital arm of internal control mechanism and is generally defined as the control of all controls. It helps the organisation to assure that the prescribed systems are functioning reasonably well.

The Department stated that no internal audit wing existed in the Department and therefore internal audit of the mining units was not conducted during the period 2009-10 to 2014-15.

⁸ Dewas, Harda, Hoshangabad, Panna, Shivpuri, Tikamgarh and Ujjain