

CHAPTER-V OTHER TAX AND NON-TAX RECEIPTS

5.1 Results of Audit

Energy and Petrochemicals Department

There are 23¹ auditable units in the Electricity Duty Department. Out of these, 02² units were selected for audit, there were 44,909 cases relating to Collection of fees and electricity duty in these two units. Out of these, audit selected 1,299 cases (2.89 *per cent*) for test check. Scrutiny of these cases revealed irregularities involving ₹ 0.17 crore in 76 cases (5.85 *per cent* of the test checked cases).

In addition to above, audit of “Levy and Collection of Mining Receipts from Petroleum and Natural Gas” was conducted in the offices of the Additional Chief Secretary (ACS), Energy and Petrochemicals Department (EPD) and the Director of Petroleum (DoP).

Ports and Transport Department

There are 34 auditable units in the Transport Department which include office of the Commissioner of Transport (CoT) and 33 Transport Districts headed by RTOs / ARTOs. Out of these, 10 units³ were selected for audit wherein 62,73,562 vehicles were registered⁴. Out of these; records of 24,380 vehicles (0.39 *per cent*) were test checked. Scrutiny of these cases revealed irregularities involving ₹ 25.42 crore in 14,833 cases (60.84 *per cent*).

In addition to above, audit noticed instances of ‘Variation in the amount of tax dues from defaulters in two different modules’ of VAHAN software. These cases were intimated to the Department separately.

Industries and Mines Department

There are 33 auditable units⁵ in the Geology and Mining Department. Out of these, 10⁶ units were selected for audit wherein 3,466 cases of mining leases were due for audit. Out of these, audit selected 1,205 cases (34.77 *per cent*) for test check. Scrutiny of these cases revealed irregularities involving ₹ 20.11 crore in 663 cases (55.02 *per cent*).

¹ Chief Electrical Inspector and Collector of Electricity Duty: 01, Deputy Chief Electrical Inspector: 04, Assistant Electrical Inspector: 18.

² Chief Electrical Inspector and Collector of Electricity Duty and one Deputy Chief Electrical Inspector, cases related to inspection of Lifts, escalators and other industrial/commercial undertakings and recovery of revenue therefrom.

³ Office of the CoT and nine RTO/ ARTOs.

⁴ Between 1996-97 and 2016-17.

⁵ Commissioner of Geology and Mining: 01, District Geologist/ Assistant Geologist: 32.

⁶ Commissioner of Geology and Mining and nine District Geologists/ Assistant Geologists.

These cases are illustrative only as these are based on test check of records. Audit pointed out some of the similar omissions in earlier years, not only these irregularities persist but also remain undetected till next audit is conducted. There is a need for the Government to improve the internal control system including strengthening of internal audit so that recurrence of such lapses can be avoided.

The irregularities involving ₹ 102.99 crore broadly fall under the following categories:

Table 01: Results of Audit

Sl. No.	Category	No. of cases	Amount (₹ in crore)
	Director of Petroleum		
1	Audit of “Levy and Collection of Mining Receipts from Petroleum and Natural Gas”	01	57.29
	Electricity Duty		
2	Non/short recovery of inspection fees	76	0.17
	Total (A)	77	57.46
	Taxes on Vehicles and Taxes on Goods and Passengers		
3	Variation in the amount of tax dues from defaulters in two different modules	01	0.22
4	Non/ short levy of motor vehicles tax	1,362	3.66
5	Other irregularities/Passenger Tax/Expenditure audit	13,471	21.54
	Total (B)	14,834	25.42
	Mining Receipts		
6	Non/short levy of dead rent/surface rent	342	4.37
7	Non/short levy of royalty/interest	04	0.06
8	Other irregularities	317	15.68
	Total (C)	663	20.11
	Grand Total (A+B+C)	15,574	102.99

During the course of the year, the Departments accepted under-assessment and other irregularities of ₹ 6.87 crore in 46 cases, which were pointed out in audit during 2017-18 and earlier years. ₹ 64.86 lakh were recovered in 37 cases.

This chapter contains an audit paragraph on “Levy and Collection of Mining Receipts from Petroleum and Natural Gas” and a few illustrative audit observations on “Taxes on vehicles and Taxes on goods and passengers” and “Mining receipts” are mentioned in the succeeding paragraphs.

Energy and Petrochemicals Department

5.2 Audit of “Levy and Collection of Mining Receipts from Petroleum and Natural Gas”

5.2.1 Introduction

The levy and collection of mining receipts from Petroleum and Natural Gas in the shape of royalty, dead rent, surface rent, license fees and penalty etc., are regulated under the Oilfields (Regulation and Development) (ORD) Act 1948 and the Petroleum and Natural Gas (PNG) Rules, 1959 made thereunder.

Director of Petroleum (DoP) was formed in November 1997⁷ in the EPD. It was envisaged in the GR dated 26 November 1997 that DoP shall undertake works assigned to it by the State Government. The works include: (i) Sanctioning of No Objection Certificate (NOC) for Petroleum Exploring License (PEL)/ Petroleum Mining Lease (PML), (ii) Setting up a systematic machinery to increase production of crude oil and natural gas and to increase earnings from royalty therefrom, (iii) Checking the exploration activities carried out by private companies and (iv) verify figures of production and the amount of royalty.

Organisational set-up

The Additional Chief Secretary (ACS) heads the Energy and Petrochemicals Department at Government level. He is assisted by the Director of Petroleum (DoP) who administers the Department at the departmental level. He is assisted by Geologist, Assistant Geologists and Assistant Manager (Commercial) and other related staff in the performance of his duty.

As against sanctioned strength of one Geologist, two Assistant Geologists, one Assistant Manager (Commercial), one Accountant and one Junior Clerk; post of one Assistant Geologist was vacant in the office of the Director of Petroleum (DoP). Further, one post of Petroleum Engineer approved in the Budget 2015-16 was also vacant.

5.2.1.1 Mineral Profile of Petroleum and Natural Gas in Gujarat

The total mining receipts from Petroleum and Natural Gas during 2012-13 to 2016-17 amounted to ₹ 9,333.18 crore which was 20.24 *per cent* of the total non-tax revenue receipts (₹ 46,117.08 crore) received by the State during the period.

Exploration blocks are awarded by the Director General of Hydrocarbons (DGH) under the supervision and control of the Ministry of Petroleum and Natural Gas (MoPNG), Government of India (GoI). The awardee has to obtain a Petroleum Exploration License (PEL) from the State Government for securing onshore exploratory rights. After discovery of hydrocarbons in the

⁷ Energy and Petrochemicals Department Resolution No. 1095-5399-E (part-2) dated 26 November 1997.

exploration blocks, the respective areas are converted into Petroleum Mining Leases (PMLs). The PMLs in Gujarat have been granted under different policies framed by the GoI from time to time. The rates and working of royalty differ from policy to policy. These policies have been briefly discussed in the **Annexure-A**.

The State Government granted 168 PMLs up to 31 March 2017. Out of these 144 were granted to ONGC (131 Nomination blocks, nine Pre-NELP⁸ blocks and four NELP Blocks), six were granted to Gujarat State Petroleum Corporation (GSPC) under NELP and 18 were granted to eight private companies⁹. In addition to the above, eight PELs¹⁰ were granted for exploration of hydrocarbons in the State.

In Gujarat Nomination Blocks were awarded to ONGC only. Though, in case of Pre-NELP Blocks, ONGC is the licensee/ lessee, the blocks are operated by the GSPC (four blocks), M/s Essar Oil Ltd. (three blocks) and Hindustan Oil Exploration Company Ltd. (two blocks). NELP Blocks were awarded to only ONGC and GSPC.

5.2.1.2 Sedimentary basins of Petroleum and Natural Gas

Sedimentary basins of Petroleum and Natural Gas fall under the following four categories:

- Category I called “*Proven Commercial Productivity*” where commercial production of the petroleum and natural gas has commenced. It consisted of 53,500 Sq. km and is located in Cambay basin¹¹.
- Category-II called “*Identified prospectively*” where hydrocarbon discoveries have been made but commercial production is yet to commence. It consisted of 43,000 Sq. km and is located in Kutch basin¹².
- Category-III called “*prospective basins*” where existence of hydrocarbons is geographically prospective. It consisted of 52,000 Sq. km and is located in Saurashtra basin¹³.
- Category IV called “*Prospective basins*” where uncertain potential exists which may be prospective by analogy with similar basins in the world, is located in Narmada basin.

⁸ New Exploring Licensing Policy explained in Annexure-A.

⁹ 1. SELAN Exploration Technology Ltd, 2. Hindustan Oil Exploration Company Ltd., 3. HERAMEC Ltd, 4. Hydrocarbon Development Resources Company Ltd, 5. Interlink Petroleum Ltd, 6. Joshi Technologies International Ltd, 7. OILEX Ltd, 8. Sun Petro Ltd.

¹⁰ Block CB-ONN-2010/1, Block CB-ONN-2010/4, CB/ONN-2010/5, Block CB-ONN-2010/6, Block CB-ONN-2010/8, Block CB-ONN-2010/9, Block CB-ONN-2010/10, Block CB-ONN-2010/11.

¹¹ Cambay Basin covers area from Surat (Gujarat) in the south to Sanchor (Rajasthan) in the north.

¹² Kutch basin forms the north-western part of the western continental margin of India.

¹³ Saurashtra basin is located in the northern part of western continental margin of India.

The estimated reserves of the three¹⁴ basins in Gujarat are given in **Table-1 of Annexure-B**. Gujarat has estimated resources of 3,090 million metric tonnes (mmt) of crude oil and natural gas. It is the second highest producer of crude oil and natural gas in India (**Table-2 and Table-3 of Annexure B**).

5.2.2 Scope and objectives of Audit

Energy and Petrochemicals Department (EPD) and Office of the Director of Petroleum (under administrative control of EPD) maintain the records relating to grant of licenses and leases and levy and collection of mining receipts from crude oil and natural gas. Test check of the records of these two offices for the period 2012-13 to 2016-17 was conducted from January 2018 to March 2018 in respect of all the licenses and leases granted with a view to ascertain that:

- the existing provisions of the Act and Rules were followed and
- adequate procedures were framed by the Department for levy and collection of mining receipts.

5.2.3 Trend of Revenue

The budget estimates (BEs) *vis-à-vis* actual receipts collected between 2012-13 to 2016-17 in respect of crude oil and natural gas were as under:

Table 02: Budget estimates *vis-a-vis* Actual receipts

(₹ in crore)

Year	Budget Estimates (BEs)	Revised Estimates (REs)	Actual receipts
2012-13	558.73	886.03	915.37
2013-14	481.80	481.80	777.50
2014-15	869.65	701.14	2,952.89
2015-16	869.65	739.76	2,438.29
2016-17	956.60	2,797.59	2,249.13

(Source: Budget Publication No.02 and Finance Accounts of the State, voucher level compilation data and challan receipts produced by the Department)

Revenue collected in 2012-13

The actual receipts during 2012-13 were shown as ₹ 51.98 crore in the Finance Accounts against budget estimates of ₹ 558.73 crore. After this was brought to the notice of the Department in June 2018, the DoP stated (December 2018) that the royalty amount on account of mineral and natural gas shown in the Finance Accounts was not correct. It intimated that the revised estimates of royalty for 2012-13 were of ₹ 886.03 crore against which the actual receipts as per receipted challan was of ₹ 915.37 crore. These amounts were credited to Major Head 0853 - Non-ferrous Mining and Metallurgical Industries.

¹⁴ Cambay, Kutch, Saurashtra.

The Department had at no time made any effort to reconcile the departmental figures with the Finance Accounts/ Budget Publication to ensure correct depiction of figures in these documents.

Steep rise of revenue in 2014-15 as compared to 2013-14

The DoP stated that till the interim order¹⁵ dated 13 February 2014 of the Supreme Court of India (SLA (Civil) No. 1596 of 2014), royalty was being paid by the ONGC on the discounted price of crude oil as was decided by Petroleum Planning and Analysis Cell (PPAC), MoPNG, GoI. Thereafter, the Supreme Court of India had in the interim order of 13 February 2014 directed ONGC to pay the royalty at pre discounted price from February 2014 onwards. ONGC paid to the State Government royalty (arrears on account of the pre-discounted price) of ₹ 763 crore, ₹ 881 crore during 2014-15, 2015-16 and in pursuance of an agreement, Government of India paid the royalty arrears of ₹ 1,258.80 crore, ₹ 6,000.00 crore and ₹ 393.78 crore during 2016-17, 2017-18 and 2018-19 (up to June 2018) respectively. Thus, arrears of ₹ 739.42 crore were yet to be received by the State Government from the GoI.

5.2.4 Assessment of royalty

Scrutiny of the records in the office of the DoP revealed a number of deficiencies in assessment of royalty as discussed in the following paragraphs:

5.2.4.1 Assessment of royalty in respect of NELP and Pre-NELP category

As per the provisions of Oilfields (Regulation and Development) Act 1948, royalty for crude oil and natural gas depends upon the post well head cost for cases other than nominated blocks of ONGC or OIL. It was specified in Notification dated 20 August 2007 issued by GoI that 'per unit rate of post well head cost' shall be determined based on actual post well head expenditure reported in previous year's audited accounts after excluding the elements like depreciation expense, Income Tax, surcharge thereon and profit on petroleum. There was no mention of including 'cost of capital' for the purpose of determining 'post well head cost'.

¹⁵ The GoI, in the year 2003, adopted a mechanism for sharing the under-recovery of the oil marketing companies on account of non-revision in the selling price of Public Distribution System (PDS) Kerosene and Domestic LPG. The Central Government through the mechanism directed the upstream marketing company i.e. ONGC and GAIL to give a discount on the sale of crude to the downstream companies viz. Indian Oil Corporation Ltd. (IOCL). Further, GoI, MoPNG directed (May, 2008) ONGC to pay royalty on post discounted price w.e.f. April 2008. GoG challenged the payment of royalty on discounted price vide SCA No. 13943 of 2011 in High Court of Gujarat (HCG). The decision of the court, which was in favour of GoG, was challenged by ONGC in Supreme Court of India (SCI). The SCI in its interim order directed ONGC for payment of royalty at pre-discounted price. The amount of arrears as on 31 January 2014 amounted to ₹ 10,036 crore out of which ₹ 1,644 crore was paid by ONGC. In the meantime an agreement was reached (February 2017) between ONGC, GoI and GoG, by dint of which, the GoI agreed to pay the entire remaining amount of arrears payable by the ONGC.

Audit scrutiny revealed that the Department had not specified the items eligible for post well head expenditure/ cost and the method of calculation for such cost. The costs (like security expenses, electricity bills, insurance, rent, audit fees, expenses towards Environment Impact Assessment study etc.) were allowed as claimed by the lessees in their respective returns.

- Audited Accounts of the assets for determining post well head expenditure, were not on record in the 19 leases sanctioned under Pre-NELP and NELP up to 31 March 2017. In absence of the audited accounts, the correctness of the royalty payable could also not be ascertained.
- Audited accounts in six¹⁶ cases were furnished to audit on requisition and the post well head expenses were checked with reference to total expenditure. Audit scrutiny of the above six audited accounts revealed that “Cost of Capital” was included in post well head cost on notional basis. Inclusion of ‘notional cost of capital’ in post well head expenses without specific instructions was irregular and resulted in short levy of royalty of ₹ 16.19 crore¹⁷ for the period from 2012-13 to 2016-17.
- It was found that the post well head expenses during 2016-17 in two cases were more than 90 per cent of the total expenditure, in other two cases these ranged between 80 per cent and 90 per cent of the total expenditure while in the remaining two cases between 68 per cent and 80 per cent of the total expenditure during 2016-17. The Department had not clearly mentioned the admissible and inadmissible items for arriving at the post well head cost.

DoP accepted (July 2018) the non-clarity about the expenditure to be considered for the well head price for the purpose of levy of royalty and stated that misuse of Notification of August 2007 had been brought to the notice of the State Government.

It is recommended that the State Government may take up the matter regarding the inclusion of notional cost of capital in the computation of post well head expenditure with the Central Government and identify the items that could qualify as allowable post well head expenses under the Act.

5.2.4.2 Royalty receivable from GoI in respect of small discovered fields (SDFs)

- The terms of the Production Sharing Contracts (PSCs) stipulated (1992-93) that the lessee shall be liable for payment of royalty to the State Government at the rate of ₹ 481 per MT for crude oil and 10 per cent of

¹⁶ Ingoli and Sanand East fields of CB-ONN-2000/1 (Ahmedabad Block), Tarapur-1, Tarapur-G, Tarapur 6 fields of CB-ON/2 (Tarapur Block) Ankleshwar field of CB-ONN 2003/2 (Ankleshwar Block), all allotted to GSPC.

¹⁷ Royalty (crude oil): Notional cost of capital (₹ 68.97 crore) X Rate of royalty (12.5 per cent for NELP)+ Notional cost of capital (₹ 25.37 crore) X Rate of royalty (20 per cent for Pre-NELP)= ₹ 8.62 crore+₹ 5.07 crore=₹ 13.69 crore.
Royalty (natural gas): Notional cost of capital (₹ 24.99 crore) X Rate of royalty (10 per cent)= ₹ 2.50 crore.

the well head price of the gas produced. Though, the rates of royalty were revised from time to time by the Government of India, the lessees under SDFs continued to pay royalty as per the PSCs. In these cases, the GoI agreed to reimburse the differential royalty payable to the State Government on account of the revision and framed modalities in July 2003 for the purpose. There were 18 SDFs in Gujarat up to 31 March 2017. As per the 'modalities for payment of royalty on crude oil production from the "Small Discovered Fields"¹⁸, the State Government was entitled to receive arrears of royalty from 1992-1993 to 31 March 2004 from the Central Government. During audit it was found that the Department had not worked out the amount of royalty receivable from the Central Government. No record in this regard was maintained/ made available to audit. As such the total amount payable to the State Government could not be ascertained.

- The State had received royalty of ₹ 378.05 crore for the period 01 April 2004 to 31 March 2017 from the Central Government. Though, the Department had requested to MoPNG between January 2010 and April 2010 to provide the basis on which the royalty was remitted to the State Government it was not received except for the period April 2015 to January 2016 (13 SDFs)/ February 2016 (03 SDFs) in which discrepancies in figures were noticed as under:

Audit noticed that during the period from April 2015 to February 2016 monthly production figures as per returns furnished by a lessee viz M/s Joshi Technologies International Inc. to DoP in respect of Dholka and Wavel fields, were lower in 17 cases (Dholka:10, Wavel:07) and higher in five cases (Dholka:01, Wavel:04) than figures shown in the returns furnished to the MoPNG, Government of India during the year 2015-16. The net effect of under payment of royalty involved amounted to ₹ 18.09 lakh.

In the absence of complete calculations and non-reconciliation of production figures, correctness of the figures of difference of royalty received from the Central Government could not be ascertained.

5.2.4.3 Restricting the use of Petroleum and Natural Gas in mining operation

The State Government under Rule 25 of the PNG Rules is empowered to restrict the use of Petroleum or natural gas considered to be un-economical or conducive to waste. Rule 14(1)(a)(ii) of the PNG Rules stipulated that no royalty shall be payable in respect of natural gas which was unavoidably lost or is returned to the reservoir or is used for drilling or other operations relating to the production of petroleum or natural gas or both.

Audit noticed that ONGC had claimed deduction of natural gas of 3,49,267 (as unavoidable loss/ return to reservoir) and 23,72,951 (natural gas used in mining operations approved by the State Government) thousand SCM aggregating to 27,22,218 thousand SCM during 2012-13 to 2016-17. The

¹⁸ D.O.No. O19018/37/94-ONG.VI dated 10 July 2003 of MoPNG, GoI.

following table shows year wise position of unavoidable loss and Gas used for mining operations:

Table 03: Year wise position of deductions claimed by ONGC

(Quantity in thousand SCM)

Period	Gross Production	Unavoidably lost or returned to reservoir	Used for mining operations	Total deduction	Net Production as per Monthly Return	Percent age of Unavoidable loss	Percent age of gas used in mining operations	Percent age of Total Loss vis a vis Gross Production
2012-13	1957001	35373	590201	625574	1331427	1.81	30.16	31.97
2013-14	1668930	69671	518558	588229	1080701	4.17	31.07	35.25
2014-15	1372483	103635	424643	528278	844205	7.55	30.94	38.49
2015-16	1444830	84863	426098	510961	933869	5.87	29.49	35.36
2016-17	1454078	55725	413451	469176	984902	3.83	28.43	32.27
Total	7897322	349267	2372951	2722218	5175104	4.42	30.05	34.47

Among the four assets, Mehsana asset claimed highest deduction viz 50.18 per cent followed by Ahmedabad asset which claimed deduction of 41.69 per cent of the total gross production during 2012-13 to 2016-17 while the Ankleshwar asset claimed 30.97 per cent and Cambay asset claimed 27.24 per cent. No scientific study to ascertain the correctness of the deductions claimed by the assets was conducted by the DoP.

ONGC in its returns submitted to DoP indicated in one column, the quantity of “Natural gas used for Mining operation as approved by the State Government”. However, the State Government had not approved or prescribed any norm or mining operations where use of natural gas was permitted. Though Rules provide for restriction of the gas for un-economical purposes, the Department had made no efforts to ascertain the correctness of the deduction claimed. It could take up the matter with GoI for fixing a percentage of the unavoidable loss. This would make the system smooth, dependable, transparent and would minimize the chances of pilferage.

5.2.5 Non-realisation of revenue due to non-execution of lease deeds

The PNG Rules 1959 empower the State Government to grant a mining lease of petroleum and natural gas on land within the State, with prior approval of the Central Government. The Registration Act 1908 stipulates that deeds conveying leasehold rights for the period beyond one year should be registered compulsorily. The Gujarat Stamp Act 1958 provides for levy of stamp duty in case of lease of mines in which royalty or share of produces is received as rent or part of rent at prescribed rates.

Mention was made in the Audit Report (Revenue Sector) for year ended 31 March 2016 (Para 6.3) regarding non-execution of lease deeds and consequent non-recovery of stamp duty and registration fees. The irregularity was also

pointed out in earlier Audit Reports. However, this irregularity still persists and audit found that non-execution of the mining lease deeds during the period 2015-17 deprived the State Government of revenue by way of stamp duty of ₹ 30.54 crore and registration fees of ₹ 6.25 crore (aggregating to ₹ 36.79 crore)¹⁹.

DoP replied (July 2018) that the matter had been referred (between July 2015 and January 2018) to the Revenue Department and clarification from the Revenue Department was received (April 2018). The DoP *vide* its Circular dated 28 June 2018 had instructed ONGC and other lease holders to initiate process of execution of lease deeds. The status thereof is awaited (January 2019).

The fact remains that the delay in the process of execution of lease deeds has blocked Government Revenue of ₹ 36.79 crore for the two years i.e. 2015-17.

5.2.6 Revision of rates of surface rent

Rule 13(2)(b) of the PNG (Amendment) Rules 2003 provides that the lessee shall pay surface rent not exceeding the land revenue for the surface area of the land actually used by him for the purpose of the operations conducted under the lease. The Government had fixed the rate of surface rent at the rate of ₹ 10,000 *per* Sq. km (i.e. one *paise per* sqm) in August 1968 with the approval of the MoPNG, which was equal to the non-agricultural assessment (NAA) rates prevailing at that time. The rates of NAA were revised from time to time, latest in March 2008 to ₹ 1,00,000 *per* Sq. km. As per the records made available to audit, the Government of Gujarat sent a proposal for revision of the surface rent in March 2015 after a lapse of 47 years. The GoG proposed for enhancing the surface rent from ₹ 10,000 *per* Sq. km to ₹ 10,00,000 *per* Sq. km. No records indicating the justification for the proposed revised rates were available.

The Government of India in October 2015 agreed with the view of the State Government but stated that the surface rent cannot exceed the land revenue and cess assessed on the land. It asked the State Government to indicate the land revenue assessed on the land. Thus, the surface rent should have been increased to ₹ 1,00,000 *per* Sq. km. The State Government had not made any further communication with the GoI and continued to levy the surface rent at old rates i.e. ₹ 10,000 *per* Sq. km. Revenue foregone due to non-revision of rates of surface rent during 2012-13 to 2016-17, in respect of the land actually used for mining operation measuring 332.69 Sq. km., worked out to ₹ 2.99 crore.

EPD agreed (February 2018) to resolve the matter at the earliest and intimate audit accordingly.

¹⁹ The Superintendent of Stamps and Inspector General of Registration, Gujarat State has issued (September 1979) instructions for working out the duty chargeable in case of lease of mines. As per the instructions, stamp duty in case of lease of mines shall be leviable on aggregate of the (1) Annual dead rent (2) Annual royalty (estimated) payable during first year (3) Surface rent and (4) Deposit.

5.2.7 Non-raising of demand of (interest) late payment charges

As per proviso to Rule 13(2)(a) of PNG (Amendment) Rules 2009, the lessee shall pay dead rent within 30 days of the grant of Petroleum Mining Lease and yearly dead rent in advance for every subsequent year. In case of non-payment of dead rent, the lessee was required to pay late payment charges at the prescribed rates²⁰.

- It was noticed in one case that land measuring 2,300 Hectares was in the occupation of a lessee (ONGC) with effect from 10 March 2008. However PML²¹ for this land was granted *vide* order dated 19 October 2016, with retrospective effect from 10 March 2008. The lessee had not commenced the commercial production and was liable to pay annual dead rent of ₹ 2.30 lakh since the date of occupation, which was not paid by him annually. The Department demanded (March 2016) the dead rent of ₹ 20.84 lakh only for the period March 2008 to March 2017, which was paid by the lessee in November 2017. However, the Department did not demand late payment charges of ₹ 18.58 lakh accrued upto 31 March 2017 resulting in non-realization of the revenue to that extent. The Department stated (January 2018) that interest (late payment charges) was payable from 30 days from the date of grant of PML (19 October 2016). The reply of the Department was not correct as late payment charges were payable after expiry of 30 days from the date the lessee was liable to pay the dead rent.
- In another case, land measuring 9,129 Hectares was in the occupation of a lessee (ONGC) on 16 November 2010. However, PML²² was granted *vide* order dated 28 January 2016, with retrospective effect from 16 November 2010. The lessee had not commenced the commercial production and was liable to pay annual dead rent of ₹ 9.12 lakh since the date of occupation, which was not paid by him annually. The Department demanded (between March 2016 and August 2017) only the dead rent from the effective date, which amounted to ₹ 58.15 lakh but did not demand late payment charges of ₹ 34.10 lakh (up to 31 March 2017). The dead rent was not paid by the lessee (July 2018). No efforts to recover the same as arrears of land revenue were made by the Department.

Thus, above facts indicate lackadaisical attitude of the Department which resulted in non-realisation of revenue ₹ 1.11 crore and delayed realisation of revenue of ₹ 20.84 lakh.

²⁰ At 15.70 per cent and 16 per cent per annum from 08 April 2008 and 24 November 2017 of the outstanding amount in terms of Rule 23 (1) of the PNG Rules.

²¹ Jothana South measuring 23.00 Sq. km was granted to ONGC (Mehsana Asset) *vide* order No. PML-10-2008-940-E dated 19 October 2016.

²² 'Chaklasi-RasnoI Ext-1' measuring 91.29 Sq. km was granted to ONGC (Cambay Asset) *vide* order No. PML-10-2010-4869-E dated 28 January 2016.

5.2.8 Non levy of penalty on late submission of Returns

Rule 32A provides for levy of penalty extending to ₹ one thousand, if the PEL/ PML holder fails to furnish the information/ returns or acts in contravention of the Rules.

Audit noticed that in 324 cases during 2015-16 and during 2016-17, the lessees had submitted the monthly returns with delays ranging between one to 328 days. These lessees were liable to pay penalty of ₹ 14.70 lakh which was demanded by the Department after being pointed out by the audit. The Department recovered ₹ 9.76 lakh in 219 cases. DoP stated that in remaining cases, penalty as applicable would be recovered.

The facts indicate that the Department needs to strengthen its mechanism for watching timely submission of the returns so that the correctness of the figures of royalty, production etc.; mentioned in the returns is ensured.

5.2.9 Grant of Petroleum Exploration Licenses (PEL) and Petroleum Mining Leases (PML)

Rule 9 of the PNG Rules, 1959 stipulates that every PEL and every PML shall be effective from the date specified in this behalf in the license or the lease order. Rule 4 stipulates that no person shall mine petroleum except in pursuance of petroleum mining lease granted under these Rules. Further, Rule 21 stipulates that, in case of violations, the lease can be cancelled if the remedial measures are not taken by the lessee. The PEL/ PMLs were granted on the basis of the applications received from grantees.

5.2.9.1 Maintenance of records

Audit noticed that no register was prescribed and maintained by EPD/ DoP for managing the applications received for grant of PEL/ PMLs and their final disposal. Details of applications for PEL/ PML were found entered in an excel sheet by DoP. Neither these sheets were authenticated nor were submitted to the higher authorities for periodical verification. In the absence of such internal control mechanism, timely disposal of applications for grant of the mining licenses / leases could not be monitored. Further, in the absence of registers, audit could not verify the authenticity of the year wise information regarding disposal of applications and grant of PELs and PMLs furnished by the Department.

5.2.9.2 Grant of PMLs with retrospective effect

Audit observed that out of 66 cases, in 49 cases the orders for grant of PMLs were issued with retrospective effect. Of these, 31 orders for grant of PMLs were issued retrospectively with delay of more than one year as detailed in the following table:

Table 04: Age wise variation between effective date and date of grant

Age wise variation between the effective date and date of grant of PML	No. of cases
Up to 1 year	18
From 1 to 5 years	15
From 6 to 10 years	12
More than 10 years	4

Thus, the above facts indicate that the lessees were allowed to continue mining operations in 74.24 *per cent* of the total PMLs without grant order. The violation in these cases have been regularized by grant of orders from retrospective effect. However, the fact remains that lessees had continued mining operations and commercial production without valid authority.

5.2.9.3 Grant of PMLs from the date prior to date of application

- Audit noticed in five cases of fresh PMLs that the effective date (December 2003 to May 2015) of PML as per grant order was even earlier than the date of application (July 2004 to October 2016) made to the EPD. This indicated that the lessees were undertaking mining operations even before applying for the same.
- In five cases of re-grant, the lessees had applied (December 2008 to April 2015) for re-grant of mining lease after the expiry (November 2008 to January 2015) of the initial period of the PMLs. The delay ranged between 32 and 287 days. No order of the competent authority was found on record condoning the delay.

The EPD stated that in cases of re-grant, the delay in submission of applications had been due to administrative lapse on the part of the lessee. In the cases of grant of fresh mining lease, the Department stated that the effective date, as mentioned by the MoPNG in its order, which was prior to date of application made by the lessee to the Department, had been reproduced in the grant order.

The above facts indicate that the terms and conditions mentioned in the order granting lease like security clearance and employment of foreign nationals and permissions for various clearances like areal/ ground survey in the Air Force/ Defence area could not be checked before the grant of the leases.

5.2.9.4 Time taken for grant of PMLs/PELs

Rule 5 of the PNG Rules, empowered the State Government to grant PEL/ PML in respect of any land vested in the State Government with prior approval of the MoPNG, GoI. The Department had not prescribed any system in the form of Check-list, Circular, Guidelines or otherwise, for grant of licenses and leases and assessment of mining receipts.

No time limit was prescribed for grant of PMLs either in the Act or by issue of any instructions/ guidelines by the Department.

As on 01 April 2012, 29 applications were pending for grant of PMLs. During the period from 2012-13 to 2016-17, 80 applications were received. Out of these 109 applications, 66 were accepted for grant of PML, three were rejected and 40 applications were pending as on 31 March 2017. Age-wise analysis of 66 PMLs granted during the period from 2012-13 to 2016-17 is as under:

Table 05: Age wise analysis of grant of PMLs

Time taken	No. of PMLs						Total
	Up to 6 months	6 months to 1 year	1 year to 3 years	3 to 5 years	5 to 10 years	More than 10 years	
By GoG for issuing grant order from the date of approval by MoPNG	29	11	9	8	7	2	66
By GoG for issuing grant order from the date of application	6	11	25	7	13	4	66

No reasons for such prolonged periods for issue of grant orders were available in the individual grant files. This indicates the need for fixation of time limits for grant of PMLs.

A few illustrative cases for delayed grant of PML are discussed as follows:

- In one case ONGC applied (21 November 2003) to Secretary EPD, for grant of PML 'Kathana Ext-I' for area measuring 16.99 Sq. km in Anand District. The MoPNG granted approval on 15 July 2005. Director of Petroleum granted No Objection Certificate (NOC) on 13 December 2004 while NOC from District Collector (Anand) was sought (between May 2007 and July 2015) by the Department. However, it was not received. The PML was granted by the EPD *vide* order dated 28 September 2015 with retrospective effect from 15 March 2004 by treating NOC of District Collector as deemed to have been received. Thus, the PML was granted after a lapse of more than 11 years from the date of application and more than 10 years after grant of approval by the MoPNG.
- In another case, ONGC applied (14 July 2004) to Secretary EPD, for grant of PML 'Padra Ext-IX' for area measuring 21 Sq. km in Vadodara District. The MoPNG granted approval on 15 July 2005. Director of Petroleum granted No Objection Certificate (NOC) on 24 February 2005. NOC from District Collector (Vadodara) was sought (between August 2004 and July 2015) by the Department. However, it was not received. The PML was granted by the EPD *vide* order dated 23 September 2015 with retrospective effect from 10 March 2004 by treating NOC of District Collector as deemed to have been received. Thus, the PML was granted after a lapse of more than 11 years from the date of application and more than 10 years after grant of approval by the MoPNG.

- Further, in two cases²³, it was observed that the PML grant orders for the period 26 December 2008 to 25 December 2013 and 06 October 2009 to 05 October 2014 were issued on 20 August 2014 and 17 October 2014, respectively i.e. after completion of the lease period of five years.

5.2.10 Grant of NOC

EPD seeks two NOCs, one from DoP and the other from the District Collector in whose jurisdiction the proposed PML area falls. There was no legal authority/ instruction/ guidelines etc. or any procedure, regarding the issue of NOCs. However, it was found that the Revenue Department *inter-alia* prescribed for public safety aspects and necessary permissions from the competent authority (s) before commencement of the mining operations while technical aspects were being dealt by the DoP like the quantity and presence of the natural gas available in the mine.

The Revenue Department, however, in their Circular dated 21 January 2015 instructed all the District Collectors to issue NOCs within two months for PEL and one month for PML after the receipt of application failing which it would be deemed to have been issued. No such instructions were issued for DoP by the EPD.

5.2.10.1 Issue of NOCs by DoP

Out of total 60 cases where DoP had issued NOC during 2012-13 to 2016-17, in 37 cases, NOCs were issued after one year from the date of application. These included nine cases where NOCs were issued after five years. The details are as under:

Table 06: Time taken by the DoP to grant NOC

Time taken	No. of PMLs						Total
	Up to 6 months	6 months to 1 year	1 year to 3 years	3 to 5 years	5 to 10 years	More than 10 years	
By DoP for issuing NOC from the date of application	10	13	20	8	9	0	60

Thus, absence of prescribed time limit and a mechanism to watch the pendency resulted in prolonged periods for issue of NOCs. Consequently, grant orders also delayed. The EPD had not prescribed any parameter or check-list for issue of NOC. In six²⁴ cases, PMLs were granted to Gujarat State Petroleum Corporation (GSPC) without obtaining NOC from the DoP. The objections raised by DoP were as follows:

²³ PMLs granted to ONGC during 2014-15, *Balol Ex-1* and *Charda* in Mehsana district.

²⁴ Ank-21, Ank-40S, M1 M6, Sanand East-1, Tarapur-6 and Tarapur-G.

1. Commercial production had commenced prior to grant of PML. Provisional post well head cost as required under MoPNG Notification of August 2007 was also not submitted.
2. Production was done during exploration period and royalty on displaced/ testing oil (sludge oil) was not paid.
3. Application for PML was made after expiry of PEL period, etc.

It would be seen from the above that the commercial production had started prior to the grant of PML, which was a violation of Rule 4 of the PNG rules. The matter was reported by the Director to the Government. The Government was required to issue notice under Rule 21 (1) (a) of the PNG Rules and to take necessary remedial steps.

5.2.10.2 Issue of NOCs by Revenue Department

Audit found that the District Collectors (DCs) had issued NOCs in only four cases out of 66²⁵ PMLs granted during the period 2012-13 to 2016-17, subject to the following conditions:

- No Drilling work or installation of pipeline shall be carried out near village lake or residential area;
- All approach roads and natural drainages should be kept clear and separate permission from Roads and Buildings Department and/ or other concerned authority shall have to be obtained for the approach road to the drilling site;
- No work shall be carried out in the radius of 150 meters or as prescribed by law/ rule from time to time of any tube well used for agriculture;
- If work has to be carried out in the land owned by private/ individual, permission thereof shall be obtained before beginning of the work etc.

Audit observed that no mechanism was drawn by EPD regarding the checks to be exercised before issuing NOCs by Revenue Department. Besides, it was not found on record whether the conditions imposed by DCs were complied with before grant of PML.

A few instances of violation of NOC issued by Revenue Department are discussed as follows:

- Audit visited (August 2018) office of the District Collector, Anand and found that NOC was to be obtained in five²⁶ cases (one PEL and 4 PMLs) from District Collector, Anand. Out of these five cases, in two cases (one case of PEL²⁷ and one case of PML²⁸), NOC was granted by the Collector whereas in the remaining three cases, PMLs were granted (in March 2014,

²⁵ In one case issue of NOC was not forthcoming from records produced to audit.

²⁶ Applications were made between November 2003 and December 2014.

²⁷ NELP IX Block CB-ONN-2010/11 awarded to Gas Authority of India Ltd. *vide* letter dated February 2013.

²⁸ Vadtal 14.37 Sq. km (ONGC Cambay Asset) granted *vide* letter dated April 2015.

July 2015 and September 2015) by the EPD without receipt of NOC. In these three cases, time ranging between seven months to 11 years had elapsed from the date of application, at the time of issue of grant order by the EPD. There was no system in place at the Collector office for time bound issuance of NOC for grant of PEL/ PMLs. In one case involving area of 14.37 Sq. km; audit noticed that the Circle Officer (Revenue Department) to whom the case was referred, in his report had earmarked a portion of the land as constructed area and remaining was stated as agricultural land. He had recommended grant of PML on agricultural land only. However, the District Collector granted NOC for the entire area of 14.37 Sq. km. The reasons for grant of NOC for the entire piece of land were not found on record or intimated to audit.

- In 26 cases of PMLs where NOCs required to be issued, were not issued despite requested by the EPD. It could not be ascertained in the DC's office whether any exercise was done for issue of these NOCs and the reason as to why these could not be issued.
- In four cases²⁹, the PMLs were granted subject to the condition that NOCs from the DC would be obtained within six months. No record showing these NOCs having been issued were found on record.

The above facts indicate the need for prescribing necessary checks and follow-up for grant of NOC by the District Collector so that social, environmental, and public safety standards prescribed in the rules and regulation are ensured.

It is recommended that EPD should set up a suitable procedure in consultation with the Revenue Department and other stake holders after considering the technical and other aspects to ensure safety of public property and adherence to other applicable Acts and Rules.

5.2.11 Conclusion

The audit revealed a number of system and compliance deficiencies. The EPD had neither laid down the procedure for grant of PELs/ PMLs in the form of a Government Resolution, Circular, Guidelines, etc., nor prescribed parameters to be checked before issuing of NOCs by DoP/ District Collector. No time limits were prescribed for various stages of grant of licenses and leases. The absence of time limits resulted in prolonged periods for issuance of NOCs and grant orders which indicates lack of efficiency and timeliness. PMLs were granted with retrospective effect, therefore, the Department could not monitor the compliance with the terms and conditions of lease right from the effective date. The EPD did not have a system to assess the amount of royalty receivable.

There was no practice to cross check the particulars mentioned in the returns furnished by the lessee with essential details such as sales price, quantity tally statements, post well head expenses etc. for ensuring the correctness of royalty paid. There were cases of non-execution of lease deeds which blocked Government revenue in the form of stamp duty and registration fees. There

²⁹ Ank-21, M1 M6, Sanand East-1 and Tarapur-G.

was absence of a system of periodically reviewing and revising the surface rent to keep it aligned with prevailing non-agricultural assessment rates.

Ports and Transport Department

5.3 Non-realisation of motor vehicles tax

The Gujarat Motor Vehicles Tax (GMVT) Act prescribes that transport vehicles such as contract carriages³⁰, goods carriage vehicles and non-transport vehicles³¹ are required to pay tax on monthly/ half yearly/ yearly basis respectively except for the period where the vehicles are not in use. As per Section 8A (1) of the Act, in case of delay in payment, interest at the rate of eighteen *per cent* per annum and as per Section 18 and CoT Circular³², if the delay exceeds one month a penalty at the rate of two *per cent* per month subject to a maximum of 25 *per cent* of tax is also chargeable. Section 12 of the Act, *ibid*, authorises the Department to recover unpaid tax as arrears of land revenue. Section 12B empowers the Department to detain and keep in custody the vehicles of those owners who defaulted in payment of Government dues.

During test check of the Demand and Collection Registers and VAHAN system of seven taxation authorities³³ between January 2016 and March 2018, audit had noticed that the operators of 665 transport³⁴ vehicles (Goods vehicles, omnibuses³⁵/ maxi cabs³⁶ etc.) and 115 non-transport³⁷ vehicles had neither paid tax nor filed non-use declarations for various periods between 2013-14 and 2016-17. There was no proper monitoring system to trace such vehicles in default. The Regional Transport Authorities failed to issue demand notices and take recovery action prescribed in the Act which shows weak internal control system in the Department. The Department neither invoked provisions of Section 12 nor took action under Section 12B. This has resulted in non-realisation of motor vehicles tax amounting to ₹ 3.47 crore. Besides, interest and penalty was also leviable at the rates prescribed in the Act.

Table 07: Non Recovery of Motor Vehicles Tax

Type of vehicles	No of operators/ owners involved	Non-recovery of motor vehicle tax (₹ in lakh)
Transport	665	341.22
Non-transport	115	5.42
Total	780	346.64

³⁰ Maxicab, Motorcab etc.

³¹ Cranes, Compressors, Rigs, Excavators and Loaders etc.

³² No. CoT/Tax Default/Comp./On/5598 dated 16 November 2009.

³³ Anand, Bhavnagar, Gandhinagar, Kutch-Bhuj, Rajkot, Vadodara and Valsad.

³⁴ Registered between June 1979 and February 2017 (Aged between One month and 35 years).

³⁵ Any motor vehicle constructed or adapted to carry more than six persons excluding the driver.

³⁶ Any motor vehicle constructed or adapted to carry more than six persons, but not more than 12 passengers excluding the driver, for hire or reward.

³⁷ Registered between May 1994 and September 2016 (Aged between Six month and 23 years).

These cases were pointed out to the Department between January 2016 and March 2018. On this being pointed out, the Commissioner of Transport (CoT) stated (September 2018) that an amount of ₹ 30.31 lakh had been recovered in 74 cases while demand notices had been issued in the remaining cases. Further reply is awaited (January 2019).

5.4 Non-levy of Entry Tax

Under Section 3(1) read with Section 2(k) of the Gujarat Tax on Entry of Specified Goods into Local Area Act, 2001 there shall be levied and collected on the entry of specified goods into a local area a tax on the purchase value thereof at the rates fixed by Government. The Government of Gujarat fixed³⁸ the rate of entry tax at 15 *per cent* on the purchase value of motor vehicles brought from other States in Gujarat. The Commissioner of Commercial Tax had requested (September 2003 and October 2015) the Commissioner of Transport not to release registration documents till payment of proper entry tax. The Commissioner of Transport had instructed (in August 2013 and December 2015) all the RTOs/ ARTOs to recover entry tax in case of motor vehicles brought from other States in Gujarat before registration of such vehicles in Gujarat. The para on similar topic has appeared in the Audit Report (Revenue Sector) for the year 2011-12 and had been accepted by the Department.

During test check of the registration records and other records of RTO, Valsad in March 2016, audit had noticed that in case of nine registered vehicles brought from other states in 2013-15, the departmental officials did not levy entry tax at the rate of 15 *per cent* on the purchase value of vehicles. This resulted in non-levy of entry tax of ₹ 26.84 lakh.

On this being pointed out, the CoT stated (September 2018) that demand notices had been issued to the vehicle owners. Further, the Commissioner of State Tax stated (November 2018) that DCCT, Valsad had been instructed to coordinate with the RTO and get the details of persons from whom entry tax is to be recovered. Further reply is awaited (January 2019).

5.5 Excess Collection of Passenger Tax

Section 3 of the Gujarat Motor Vehicles (Taxation of Passengers) Act, 1958 provides for levy of tax on all passengers carried by a stage carriage at prescribed rate from fleet owners. The rate of passenger tax was revised in July 2014 from 17.5 *per cent* to 7.5 *per cent* of the inclusive amount of fares collected. Section 9A provides for refund of excess payments. However, there is no provision in the Act either to levy penalty for collection of tax in excess of as prescribed by the legislature or forfeit³⁹ such excess collected tax.

During scrutiny of the passenger tax collection records in the office of the Commissioner of Transport (COT), Gandhinagar for the period 2016-17, audit

³⁸ Vide notification dated 1 April 2008.

³⁹ As it is impossible to pass on the benefit of refund granted under Section 9A to the passengers.

had noticed (August 2017) that a fleet owner (i.e. Rajasthan State Road Transport Corporation- RSRTC) had plied stage carriages (through 21 divisions of RSRTC) between various destinations in Rajasthan and Gujarat. The fleet owner had collected gross fare of ₹ 17.45 crore including passenger tax. Further scrutiny of details of passenger tax collected revealed that the fleet owner had collected and remitted⁴⁰ passenger tax of ₹ 3.05 crore (at the rate of 17.5 per cent) instead of ₹ 1.31 crore (at the rate of 7.5 per cent). The assessing authority failed to timely assess the tax leviable and to inform the RSRTC to collect the tax at correct rates. This resulted in excess collection of passenger tax of ₹ 1.74 crore.

The Department stated (June/ November 2018) that the RSRTC had collected passenger tax at higher rates up to June 2017. An adjustment of ₹ 37.73 lakh was provided to the RSRTC upto 30 April 2018.

Thus, due to absence of a system to timely assess passenger tax liability of fleet owner, the passengers had to bear excess burden of tax.

5.6 Variation in the amount of tax dues from defaulters in two different modules

The Gujarat Motor Vehicles Tax (GMVT) Act, 1958 prescribes that the owners of contract carriage and goods carriage vehicles are required to pay assessed tax on monthly/ half yearly/ yearly basis respectively except for the period when the vehicles are not in use. In case of delay in payment, interest⁴¹ is leviable and penalty⁴² is also chargeable. VAHAN software was introduced in March 2008 for compiling the data of registration, recovery of tax and other dues of the vehicles. The software consists of 'Tax Defaulter List' module (used for issuing demand notices) and 'Collection of MV Tax' module (used to receive the tax dues) with reference to the provisions of the GMVT Act/ GMV Rules. In the VAHAN-IV software, the 'Tax Defaulter List' module provides for generation of 'tax demand notice' for issuance to the respective tax defaulters.

On receipt of such tax demand notice, the defaulter approaches the cashier to deposit the dues. The cashier operates 'Collection of MV Tax' module for payment of tax.

During audit (between March and August 2018) of four⁴³ RTOs, audit had generated tax demand notices from the 'Tax Defaulter List' module in respect of 41 transport⁴⁴ vehicles and compared⁴⁵ these with the total due amount as generated by the 'Collection of MV Tax' module. Audit noticed that as per the

⁴⁰ During the same period Maharashtra State Road Transport Corporation had collected and remitted passenger tax at the rate of 7.5 per cent.

⁴¹ Under Section 8A of the GMVT Act, at the rate of one and half per cent per month.

⁴² Under Section 18 of the GMVT Act, if the delay exceeds one month, a penalty at the rate of two per cent per month subject to a maximum of 25 per cent of tax.

⁴³ Ahmedabad, Banaskantha, Vadodara and Valsad.

⁴⁴ Goods carriers, Maxi-cab and Bus.

⁴⁵ Ahmedabad (19 April and 18 August 2018), Banaskantha (5 March 2018), Vadodara (26 March 2018), Valsad (15 May 2018).

‘Tax Defaulter List’ module total tax payable in respect of these 41 transport vehicles was ₹ 71.19 lakh whereas as per ‘Collection of MV Tax’ module the total tax payable was ₹ 49.26 lakh. Thus, there was variation of ₹ 21.93 lakh in the amount of tax dues as reported by these two different modules in 41 randomly test checked cases.

When this was pointed out, the Commissioner of Transport (CoT) stated (April 2018) that the system was developed by NIC, Delhi under the guidance of Ministry of Road Transport and Highways (MoRTH). In this regard, neither any approval of State authorities was sought nor any certificate for the purpose was given by the State authorities. However, necessary modifications as per local requirements of the State authorities, were being carried out. The CoT also stated that the payment from each defaulter was being recovered after verifying the manual record of tax payment details available with the defaulter and the departmental records. The reply indicates that there is a need for rectifying the defects in the software before putting it into use. Discrepancy in amounts of tax dues from defaulters in these two different modules relating to recovery of dues may lead to loss of revenue. Further, human intervention defeats the very purpose of automation.

The Department may take up the matter with NIC for incorporating necessary checks in the system to make the data of the two modules compatible and reliable.

Industries and Mines Department

5.7 Non-levy of dead rent

Rule 21 (4) of the Gujarat Minor Mineral Concession Rules, 2010 stipulates that where the royalty paid during a year in respect of a minor mineral is less than the dead rent payable, only the difference between the two amounts shall be payable as dead rent. In case of delay in payment of dead rent, interest⁴⁶ is also chargeable. Further, as per Rule 42 of the Rules *ibid* the lease shall be liable to cancel if the lessee ceases to work on the quarry for a continuous period of one year.

During test check of the Demand and Collection Registers of the offices of four District Geologists⁴⁷ for the period 2012-13 to 2016-17, audit had noticed (between January and November 2017) that quarry leases for minor minerals namely black trap, ordinary sand, quartzite and silica sand had been allotted for a period ranging from three years to 30 years in 38 cases. Out of the above cases audit further noticed that

- (a) In nine cases the lease holder had not excavated any mineral for a continuous period of one/ two years. Thus, the leases were required to be cancelled. However, the Geologist had not cancelled such idle leases. In these cases, the lessees were required to pay the dead rent of ₹ 13.64 lakh also.

⁴⁶ Under Rule 72, simple interest at the rate of 18 per cent per annum.

⁴⁷ Bharuch, Modasa, Vadodara and Valsad.

(b) In the remaining 29 cases, the royalty payable/ paid was less than dead rent payable. Thus, the lessees were liable to pay the differential amount between dead rent and royalty payable/ paid, amounting to ₹ 83.29 lakh.

The Department could have found out the liability of dead rent/ differential dead rent on scrutiny of the returns filed by the lessees and lease allotment file. However, the Department failed to notice that certain leases were liable to be cancelled and dead rent/ differential dead rent was required to be recovered. As such, neither the idle leases were cancelled nor demand for the dead rent/ differential amount was raised by the Department. This resulted in non-levy of dead rent of ₹ 96.93 lakh. Interest was also chargeable for delayed payment.

Audit pointed out these cases to the Department between January 2017 and November 2017.

On this being pointed out, the Commissioner of Geology and Mining stated (June 2018) that an amount of ₹ 14.64 lakh had been recovered in nine cases whereas recovery proceedings under the Gujarat Land Revenue Code 1879 had been initiated in six cases. In the remaining cases demand notices had been issued. Further reply is awaited (January 2019).