

CHAPTER – VI
MINING & GEOLOGY
DEPARTMENT

CHAPTER-VI

MINING & GEOLOGY DEPARTMENT

6.1 Tax Administration

The Mining and Geology Department (MGD) Meghalaya is entrusted with management and regulatory tasks for mining and mineral development in the State, conservation of resources and environment, safety and health of workers, restoration of mine degraded areas and rehabilitation of affected people. Coal and limestone are the major minerals of the State. The major source of mining receipts is collected from mining of these minerals in the form of royalty, application fee, dead rent, fines/penalties, *etc.*, from the lessees. The collection of tax is governed by the Mines & Minerals (Development & Regulation) Act, 1957, the Mineral Concession Rules, 1960 and the Meghalaya Minerals Cess Act, 1988.

The Principal Secretary to the Government of Meghalaya, MGD is in overall charge of the Department at the Government level. The Director of Mineral Resources (DMR) is the administrative head of the Department. At the district level, the Divisional Mining Officers (DMOs) have been entrusted with the collection of royalty and cess on minerals and issuing of permits. The collection of tax is governed by the Mines & Minerals (Development & Regulation) Act, 1957, the Mineral Concession Rules, 1960 and the Meghalaya Minerals Cess Act, 1988.

6.2 Results of Audit

Test check of the records of one unit relating to the Mining and Geology Department during 2019-20 revealed non-realisation/short realisation of revenue and other irregularities involving ₹ 113.80 crore in 06 cases which fall under the following categories:

Table 6.2.1

(₹ in crore)			
Sl. No.	Category	Number of cases	Amount
1.	Non/Short realisation of revenue	01	102.73
2.	Short payment of revenue	02	8.64
3.	Loss of revenue	01	0.38
4.	Other irregularities	02	2.05
Total		06	113.80

The Department did not furnish any reply to the audit observations. No recovery was intimated in any of the cases during 2019-20.

Two illustrative cases having financial impact of ₹ 10.90 crore in terms of short/non-realisation of revenue and loss of revenue are discussed in the paragraphs 6.3 to 6.4.

6.3 Loss of revenue

Divisional Mining Officer, Jowai failed to realise interest amount of ₹ 34.10 lakh from three cement companies for belated payment of District Mineral Foundation Fund.

The Meghalaya District Mineral Foundation Rules, 2017¹(MDMFR), notified on 08 December 2017, provides for the establishment of District Mineral Foundation (DMF) in all mineral bearing districts of the State. The objective/purpose for creation of the DMF is for the interest and benefit of persons and areas affected by mining related operations. Subsequently, the Directorate of Mineral Resources (DMR), Government of Meghalaya (GoM) issued (11 January 2018) a circular wherein it was stated that for major minerals other than coal and lignite, the contribution to the DMF w.e.f. 17 September 2015 would be 30 per cent of royalty for mining leases granted before 12 January 2015 and 10 per cent of royalty for mining leases granted thereafter. In addition, it also stated that interest of 15 per cent per annum would be charged from 01 January 2018 if the outstanding dues are not cleared by 31 December 2017.

Scrutiny of records (November 2019) of the Divisional Mining Officer (DMO), Jowai revealed that during the period from 17 September 2015 to 31 December 2017, three cement companies² extracted a total quantity of 50,36,099 MT of limestone for which royalty amounting to ₹ 40.29 crore (50,36,099 MT × ₹ 80) was paid. The contribution to the DMF payable for the limestone extracted during the said period amounted to ₹ 11.32 crore. The cement companies paid the amount belatedly between 13 March 2018 and 11 April 2018. However, the DMO Jowai did not recover the interest for delayed payments amounting to ₹ 34.10 lakh as tabulated below:

Table 6.3.1: Non-realisation of interest on belated payment of DMF

Sl. No.	Name of Payee	Lease Location/ Address	Date of grant of lease	Rate of DMF applicable	Qty. of limestone extracted between 17.09.2015 to 31.12.2017 (in MT)	Royalty paid at ₹ 80/- per MT (₹ in crore)	DMF paid @ 30% or 10% of royalty (₹ in crore)	Due date (date of issue of notification)	Date of payment	Period of delay (in days)	Interest @ 15% per annum
1	2	3	4	5	6	7 (6x₹80)	8 (7x5)	9	10	11 (10-9)	12 {(8x15% x 11) ÷ 365}
1.	M/s Meghalaya Cements Limited	Mooiong Block-I	29.01.2007	30%	2,46,054	1.97	0.59	11.01.2018 ³	11.04.2018	90	2,18,415
		Khliehjeri	15.06.2006	30%	1,22,501	0.98	0.29		11.04.2018	90	1,08,741
2.	M/s Dalmia	Block I, II,	14.09.2009,	30%	2098611	16.79	5.04		13.03.2018	61	12,62,616

¹ Enacted in all mineral bearing districts of Meghalaya for the interest and benefit of persons and areas affected by mining related operations and for purposes connected therewith.

² (i) M/s Meghalaya Cements Ltd (ii) M/s Star Cements Limited (formerly Cement Manufacturing Company Ltd) (iii) M/s Dalmia Bharat Cements Ltd. The remaining three cement companies were not having mining licences during the period.

³ The due date of payment as stated in the Notification was 31.12.2017, however the notification was issued only on 11.01.2018. The interest on late payment of DMF has thus been calculated from the date of issue of the notification.

Sl. No.	Name of Payee	Lease Location/ Address	Date of grant of lease	Rate of DMF applicable	Qty. of limestone extracted between 17.09.2015 to 31.12.2017 (in MT)	Royalty paid at ₹ 80/- per MT (₹ in crore)	DMF paid @ 30% or 10% of royalty (₹ in crore)	Due date (date of issue of notification)	Date of payment	Period of delay (in days)	Interest @ 15% per annum
	Bharat Cement Limited (includes Adhunik Cements Ltd)	IV	14.09.2009, 26.07.2010								
		Block V	14.12.2016	10%	249056	1.99	0.20		13.03.2018	61	49,948
3	M/s Star Cements (formerly CMCL)	Khub-I	20.11.2004	30%	5,39,819	4.32	1.30		04.04.2018	83	4,41,912
		Khub-II	14.01.2006	30%	3,40,198	2.72	0.82		04.04.2018	83	2,78,496
		Khub-III	04.01.2017	10%	2,24,570	1.80	0.18		04.04.2018	83	61,280
		Wahpynkon - I	14.01.2006	30%	12,03,247	9.63	2.89		04.04.2018	83	9,85,014
		Wahpynkon - II	04.01.2017	10%	12,043	0.09	0.01		04.04.2018	83	3,286
Total					50,36,099	40.29	11.32				34,09,708

Source: Information provided by the Department.

Audit further noted that the DMO, Jowai did not even issue a demand notice to the cement companies for payment of interest. Thus, a total amount of ₹ 34.10 lakh remained un-realised from the three cement companies till date (September 2021). Reason for non-realisation of ₹ 34.10 lakh from the cement companies being interest amount for delayed payments of contribution to DMF was not stated by the DMO, Jowai.

The matter was reported to the Department (July 2021) and the State Government and (September 2021); reply is awaited (March 2022).

6.4 Non-realisation of mineral cess

Divisional Mining Officer, Jowai failed to collect mineral cess amounting to ₹ 10.56 crore from cement companies.

Section 9(2) of the Mines and Minerals (Development and Regulation) Act, 1957 (MMDR) stipulates that the holder of a mining lease shall pay royalty in respect of any mineral removed or consumed from the leased area at the specified rate⁴. The Mining and Geology Department (MGD) is authorised to grant mining lease for mining of limestone by cement companies and to collect royalty on the limestone removed/consumed therefrom. Royalty on limestone removed/consumed from leases other than those granted by the MGD is collected by the Forest Department. In addition, mineral concession cess (cess) at specified rates⁵ was also leviable under the provisions of the Meghalaya Mineral Cess Act, 1988 (MMC). However, in respect of collection of cess, only the MGD is authorised to do so from across the state. The MGD after collection of cess issues Mineral Cess Challans (MCC) for transport of limestone outside the State and issues certificate in respect of those utilised by the cement companies.

⁴ ₹ 80 per MT w.e.f. 01 September 2014 and ₹ 100 per MT w.e.f. 24 January 2019.

⁵ ₹ 60 per MT with effect from 21 March 2016.

Test check of records (November 2019) of the Divisional Mining Officer (DMO), Jowai relating to collection of cess revealed the following:

- A. During the course of excavation for civil foundation work and development of Plant site by two cement companies i.e. M/s Green Valley Industries Ltd. (GVIL) and M/s Goldstone Cements Ltd. (GCL), limestone to the tune of 25,93,174⁶ MT was extracted. The MGD allowed GVIL (July 2017) and GCL (May 2018) to utilise the extracted limestone as raw material for manufacturing of clinker and cement. The details of cess leviable and collection thereof by DMO, Jowai is indicated in **Table 6.4.1**:

Table 6.4.1: Table showing details of cess assessed and collection

(₹ in crore)

Sl. No.	Name of Cement Company	Quantity of limestone extracted (in MT)	Cess leviable on extracted limestone	Cess Collected	Short collection of Cess
1	2	3	4 (3*₹ 60)	5	6 (4-5)
1	GVIL	11,74,152	7.04	3.68	3.36
2	GCL	14,19,022	8.51	-	8.51
Total		25,93,174	15.55	3.68	11.87

Source: Information provided by the Department.

From the Table above it is observed that the DMO, Jowai had collected an amount of ₹ 3.68 crore against leviable Cess of ₹ 15.55 crore from the two cement companies. The DMO, Jowai failed to collect the remaining amount of ₹ 11.87 crore from the cement companies (GVIL: ₹ 4.64 crore and GCL: ₹ 8.51 crore).

On this being pointed out (December 2019), the DMO, Jowai stated (February 2020/October 2020) that demand notices were issued (February 2020/August 2020) to the companies to clear the due. The DMO, Jowai further informed (14 February 2022) Audit that M/s Green Valley Industries Ltd. has cleared the outstanding due of mineral cess of ₹ 3.36 crore (between February 2021 and March 2021). In respect of M/s Goldstone Cement Ltd., the DMO, Jowai admitted that the amount of ₹ 8.51 crore is still pending (February 2022).

B. Mention was made under **paragraph 6.3.11.1** of the Comptroller and Auditor General of India Report (Revenue Sector) for the year ended 31 March 2018 – Government of Meghalaya, regarding short collection of Mineral cess on limestone. In the said report, it was recommended that, the State Government should strengthen the system of recording of minerals transported through check-gates and should fix responsibilities on the erring officials for the revenue leakage. System should be in place for periodic reconciliation of figures of transport permits issued and validated at both Forest and Mining check-gates after ascertaining the reported figures of Land Custom Stations (LCSs).

Scrutiny of the records of the DMO, Jowai revealed that during 2018-19, the DMO, Jowai had realised a total amount of ₹ 1.97 crore as mineral cess on 3,28,550 MT of limestone. However, cross-check with the records of the Divisional Forest Officer (Territorial Division) (DFO-TD), Jowai revealed that a total of 6,69,978 MT had

⁶ GVIL = 11,74,152 MT and GCL = 14,19,022 MT.

passed through the Forest Check gates during the same period for which cess of ₹ 4.02⁷ crore was realisable. However, cess of only ₹ 1.97 crore was collected. Thus, there was short collection of mineral cess amounting to ₹ 2.05 crore by the DMO, Jowai as tabulated below:

Table 6.4.2: Details of short collection of Cess on Limestone by DMO, Jowai

Quantity of limestone transported as per DFO- TD, Jowai (in MT)	Quantity of limestone on which cess collected as per DMO, Jowai (in MT)	Quantity short collected on limestone (in MT)	Rate of cess per MT	Short collection (₹ in crore)
6,69,978	3,28,550	3,41,428	₹ 60/-	2.05

Source: Information provided by the Departments.

The DMO, Jowai in its reply (February/October 2020) stated that the information from the DFO-TD, Jowai has been sought for (February/October 2020) which is still awaited (February 2022). This indicated absence of periodical reconciliation of figures of transport permits issued and validated at both Forest and Mining check-gates after ascertaining the reported figures of LCSs as recommended by Audit.

Thus, the Divisional Mining Officer, Jowai failed to collect mineral cess amounting to ₹ 10.56 crore from the cement companies.

The matter was reported to the Government (October 2021) and reminder issued on 08 February 2022; reply is awaited (March 2022).



Shillong
The 28 June 2022

(SHEFALI SRIVASTAVA ANDALEEB)
Accountant General (Audit), Meghalaya

Countersigned



New Delhi
The 07 July 2022

(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India

⁷ 6,69,978 MT x ₹ 60 per MT = ₹ 4,01,98,680 (say ₹ 4.02 crore).

