

## CHAPTER VI

### MINING RECEIPTS

#### 6.1 Non-tax revenue Administration

Assessment and collection of mining receipts are regulated by the Mines and Minerals (Development and Regulation) (MMDR) Act, 1957, the Mineral Concession (MC) Rules, 1960, Mineral Conservation and Development (MCD) Rules, 1988 and Odisha Minerals (Prevention of Theft, Smuggling and Illegal Mining and Regulation of Possession, Storage, Trading and Transportation) Rules, 2007 framed thereunder. The organisational setup for administration of mining receipts is as under:



#### 6.2 Internal Audit

During the year 2017-18, Internal Audit Wing of the Department had audited all the 12 units that were planned for audit. Further, 250 paragraphs of Internal Audit Reports having money value of ₹ 713.87 crore were pending for disposal as on 31 March 2018.

#### 6.3 Results of Audit

During 2017-18 audit was conducted in 19 out of 32 Auditable units (59.38 per cent) in Steel and Mines Department. Revenue collected in the test checked 19 units were ₹ 4,925.66 crore. Test check of assessment and other records showed non/ short receipts of royalty, Dead Rent (DR), Surface Rent (SR), interest and other irregularities involving ₹ 266.59 crore in 609 cases as indicated in the **Table 6.1**.

**Table 6.1**  
**Category of Audit observations on revenue receipt**

Sl. No.	Categories	Number of cases	Amount
1	Non/ short receipts of Royalty, DR, SR, interest <i>etc.</i>	212	167.70
2	Other irregularities	397	98.89
<b>Total</b>		<b>609</b>	<b>266.59</b>

(₹ in crore)

During the year 2017-18, the Department accepted under-assessment and other deficiencies worth ₹ 144.28 crore in 396 cases pointed out by Audit. An amount of ₹ 0.40 crore pertaining to eight cases was also realised during the year which was pointed out in earlier years.

There are three broad categories of audit observations which are detailed below. There may be similar irregularities, errors/ omissions in other Units of the department but not covered in the test audit.

Department may, therefore, like to internally examine all other units with a view to ensure that Mining receipts are realised as per provisions of the Act and Rules.

#### **6.4 Audit observations**

Audit scrutinised the records maintained in the offices of the Director of Mines, Odisha, Deputy Directors of Mines and Mining Officers and noticed short-levy of royalty as discussed in the succeeding paragraphs.

#### **6.5 Non-observance of provisions of the Acts/ Rules**

*Mines and Minerals (Development and Regulation) Act, 1957, Mining Concession Rules, 1960, Mineral Conservation and Development Rules, 1988 read with the notifications and instructions of the State/ Central Government issued from time to time provide for assessment, levy and realisation of royalty at the prescribed rate.*

*Cases of short levy of royalty & other charges and non-levy of DR & SR are discussed in the following paragraphs.*

##### **6.5.1 Short-levy of royalty on sized coal**

**Non-inclusion of sizing charges in the Run-of-Mine price of coal during assessment resulted in short levy of royalty of ₹ 112.26 crore.**

Section 9 of MMDR, Act 1957, provides that the holder of a mining lease shall pay royalty in respect of any mineral removed or consumed by him from a lease area at the rate specified in the Second Schedule. In terms of Notification dated 10 May 2012 of Ministry of Coal, royalty on coal is leviable at the flat rate of 14 *per cent ad-valorem* on the price of coal as reflected in the invoice excluding taxes, levies and other charges. As per Notification of Coal India Limited of December 2013 on price of coal, if the top size of coal is limited to 100 millimetres through manual facilities or mechanical means,<sup>1</sup> sizing charge at the rate of ₹ 79 per tonne shall be added to the price applicable for Run-of-Mine<sup>2</sup> (ROM) coal. Further, under Rule 64(B) (1) of MCR, 1960, in case processing of ROM minerals is carried out within the leased area, then, royalty shall be chargeable on the processed mineral removed from the leased area.

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<sup>1</sup> Run-of-Mine coal is crushed to desired size through manual (by crushing & sieving) or mechanical means by using Surface Miner equipment

<sup>2</sup> Run-of-Mine coal is processed through manual or mechanical means to obtain desired size of coal

Mention was made in earlier Audit Reports<sup>3</sup> regarding short-levy of royalty on sized coal in different Mining Circles. Scrutiny of relevant records (May 2017 to October 2017) revealed that similar irregularity persisted in three Mining Circles<sup>4</sup> in the year 2017-18 also. It was observed that one lessee<sup>5</sup> despatched 10.15 crore MT of sized coal of less than 100 mm size relating to 15 coal mines during April 2016 to February 2017. The lessee paid royalty at the rate applicable to price of ROM coal and not on the price of coal including sizing charges. The Deputy Director of Mines (DDMs) concerned during assessment did not calculate the royalty on the price of coal including sizing charges. The sizing charges notified by the Coal India Limited was ₹ 79 per tonne and the royalty on sizing charges worked out to ₹ 11.06 (14 per cent of ₹ 79) per tonne. This resulted in short-levy of royalty worth ₹ 112.26 crore (10.15 crore × ₹ 11.06).

Thus, by not adhering to the prescribed guidelines and notifications during assessment of royalty on coal, the DDMs deprived the state exchequer of royalty worth ₹ 112.26 crore.

In reply, Government stated (November 2018) that demands had been raised in all the 15 cases involving ₹ 112.26 crore. Out of this, in seven cases involving ₹ 61.23 crore, revision application was filed by the lessee before the Revisionary Authority *i.e.*, Under Secretary, Ministry of Coal, Government of India for stay of execution of demand notice. Stay orders were issued in three out of seven cases. In respect of remaining eight cases, the Director of Mines, Odisha has been instructed (November 2018) to take steps for realisation of the demanded amount.

### 6.5.2 Dead Rent and Surface Rent not levied

**Dead Rent of ₹ 155.95 lakh by 65 lessees and Surface Rent of ₹ 16.67 lakh by 14 lessees were neither paid nor were they demanded by Deputy Directors of Mines.**

Section 9A of MMDR Act, 1957 provides that the holder of a mining lease shall pay to the State Government, every year, Dead Rent<sup>6</sup> (DR) at such rate, as may be specified in the third schedule appended to the Act for all the areas included in the instrument of lease. As per notification dated 01 September 2014 of Ministry of Mines, Government of India, DR payable was ₹ 2,000 per hectare per annum for low value minerals. DR for medium value, high value precious metals and stone minerals were two times, three times and four times of the said rates respectively. DR shall be paid in two half yearly instalments from January to June on or before 15 January and from July to December on or before 15 July of each year as per notification of the State Government dated 11 May 1978. Under Odisha Minor Mineral Concession Rules, 2004 as amended in 2016, the DR payable was at the rate from ₹ 5,000 to ₹ 53,500 per hectare per annum on leases granted to different category of minor minerals.

Similarly, under Rule 27 of MCR, 1960, the lessee shall also pay Surface Rent<sup>7</sup> (SR) for the surface area used by him for the purposes of mining operations as may be specified by the State Government. As per notification dated 07 November 2013 of Steel and Mines

<sup>3</sup> Audit Reports for the year ending March 2014, March 2015 and March 2017

<sup>4</sup> Rourkela, Sambalpur and Talcher

<sup>5</sup> Mahanadi Coal Fields Ltd.

<sup>6</sup> Dead Rent is the minimum royalty payable by the lessee, both for working and non-working mines

<sup>7</sup> Surface Rent is the compensation paid by the lessee for occupying the surface of the land

Department, SR is payable at the rate equivalent to one *per cent* of the market value of land per annum subject to a minimum of ₹ 3,000 to a maximum of ₹ 10,000 per annum per hectare for leases granted to different category of minerals in respect of land not assessable to land revenue.

Audit test checked (May 2017 to December 2017) the assessment records with details of payment of DR and SR in Mining offices. It was noticed that lessees under 11 Mining offices<sup>8</sup> did not pay DR worth ₹ 155.95 lakh. This was in respect of 65 mines and for different periods between January 2015 and January 2017. Similarly, lessees under four Mining offices<sup>9</sup> did not pay SR worth ₹ 16.67 lakh relating to the surface area used by them within the stipulated dates. This was related to mining operations in respect of 14 mines for different periods between January 2014 and January 2017.

The concerned DDMs/ MOs did not assess the cases and raise the demand for realisation of DR and SR, which resulted in non-realisation of Government Revenue to that extent.

In reply, Government stated (November 2018) that ₹ 82.13 lakh towards DR and ₹ 11.32 lakh towards SR have been realised from seven lessees, demand have been made for ₹ 62.30 lakh towards DR and ₹ 2.31 lakh towards SR against nine lessees and step was being taken for realisation of balance amount of ₹ 14.56 lakh in respect of five lessees towards DR and SR.

### **6.5.3 Salary component of Government staff posted in private weighbridges not realised**

**The salary component of ₹ 51.26 lakh in respect of Government staff posted in private weighbridges was not realised by the Deputy Director of Mines and deposited in Government account.**

Rule 11 (1) of the Odisha Minerals (Prevention of Theft, Smuggling and Illegal Mining and Regulation of Possession, Storage, Trading and Transportation) Rules, 2007 provides that Government may set up check-posts with or without barriers and weighbridges at any place within the State with a view to check the transport and storage of minerals raised without lawful authority and to check the quality and quantity of minerals transported from the lease-hold areas to depot. Under Rule 11(8) (ii) of the Rules *ibid*, the lessee, licensee or permit holder shall pay to the Government the weighment charges for weighment of mineral in a Government weighbridge at the rate prescribed by the Government. Steel and Mines Department approved (March 2010) the weighment charges as ₹ 35 per vehicle for weighment of minerals carried at the private weighbridges. Out of this, ₹ 25 was charged towards cost of weighbridge maintenance and ₹ 10 towards salary components of the Government staff. The amount collected towards salary component shall be deposited in Government account by the concerned Deputy Director of Mines (DDM).

Audit test checked records (October 2017) such as permit and pass details of vehicles carrying minerals from different mines under DDM, Rourkela. It was observed that lessees of four mines transported minerals through their own weighbridges from

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<sup>8</sup> DDM Joda, Koira, Koraput, Rourkela, Sambalpur, Talcher and MO Baripada, Berhampur, Bhawanipatna, Balangir and Keonjhar

<sup>9</sup> DDM Koira, Talcher and MO Baripada, Bhawanipatna

April 2015 to March 2017 using 5,12,614 transit passes. The salary component of the Government staff posted in those private weighbridges amounting to ₹ 51.26 lakh was, however, neither realised by the DDM nor deposited in Government account. This indicated failure on the part of the departmental authorities in realising Government revenue.

In reply, Government stated (July 2018) that demand notices had been issued to the defaulting lessees for realisation of the entire amount pointed out by audit.

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