

CHAPTER-VII: Mineral Concession, Fees and Royalties

7.1 Results of audit

Test check of the records of Mining Department, conducted during 2005-06, revealed under assessments and loss of rent, royalty, fee etc. amounting to Rs 231.10 crore in 11,844 cases, which broadly fall under the following categories:

(Rupees in crore)

Sl. No.	Category	No. of cases	Amount
1	Non/short levy of royalties and cess	344	70.64
2	Short levy of royalty due to downgrading of coal	4	6.32
3	Non/short levy of dead rent/ surface rent	218	39.32
4.	Non levy of royalty on coal consumed by workmen	14	0.23
5.	Non levy of interest	73	0.40
6	Non levy of penalty/fees	882	108.77
7	Non/short levy of auction money due to non settlement / irregular settlement of sand <i>ghats</i>	43	1.37
8	Non initiation of certificate proceedings	501	4.00
9	Other cases	9765	0.05
Total		11,844	231.10

During 2005-06, the concerned Department accepted under assessment etc. of Rs 61.18 crore involved in 3,165 cases of which 2,547 cases involving Rs 8.86 crore were pointed out in audit during 2005-06 and rest in earlier years.

A few illustrative cases involving Rs 32.06 crore are given in the following paragraphs:

7.2 Short levy of surface rent

Under the Mineral Concession Rules, 1960, (MC Rules), holder of a mining lease is liable to pay surface rent in respect of surface area used by him for the purpose of mining operation at such rate not exceeding land revenue and cess assessable on the land. Further, mining operation being a commercial activity, surface rent is to be charged at commercial rate, which is equal to one twentieth of the market value of the land.

In District Mining Office (DMO), Bokaro, it was noticed in August 2005 that four lessees holding 24 leases of coal and sand used 24,326.27 acres of leased area for mining operation during 2003-04 and 2004-05. But the department levied surface rent at agricultural rate instead of commercial rate. This resulted in short levy of surface rent amounting to Rs 23.98 crore.

After this was pointed out in August 2005, district mining officer, Bokaro stated in March 2006 that demand has been raised for realisation of the same. Further reply has not been received (November 2006).

The case was reported to the department/Government in August 2005 and May 2006; their reply has not been received (November 2006).

7.3 Non/short levy of royalty due to misclassification of grade of coal

Under the Mines and Mineral Regulation and Development Act (MMRD Act), 1957, the holder of mining lease shall pay royalty in respect of minerals removed or consumed from the leased area at the rates specified. Further, the lessee is liable to pay royalty on the quantity of mineral extracted irrespective of whether it is removed or not from the leased area. Royalty is payable on the grade of coal notified by the coal controller.

In DMOs Dhanbad and Hazaribag, it was noticed between March 2004 and July 2005 that 21.96 lakh MT coal produced during 2002-03 and 2004-05 was incorrectly classified in the monthly returns furnished by the lessee. Royalty of Rs 19.26 crore was levied instead of Rs 26.83 crore. Failure of the assessing officer to classify coal correctly as per grades notified by coal controller resulted in non/ short levy of royalty of Rs. 7.57 crore.

After this was pointed out between March 2004 and July 2005, the district mining officers stated between February and August 2006 that demand has been raised. Further reply has not been received (November 2006).

The cases were reported to Government in May 2006, reply has not been received (November 2006).

7.4 Non levy of penalty for illegal mining of brick earth

As per provisions of Bihar Minor Mineral Concession Rules (BMMC Rules) and Government notification of March 1992, as adopted by Government of Jharkhand, every brick kiln owner/ brick earth remover shall pay the prescribed consolidated royalty based on categories of the brick kilns before issue of permit. Further Rule 40(8) provides that whoever removes minor mineral without valid lease/ permit shall be liable to pay the price thereof as penalty.

In DMO, Hazaribag it was noticed in April 2005 that 136 brick kilns were operated in brick season 2004-05 without obtaining valid permit and without payment of consolidated royalty. In no case demand for recovery of price of mineral was raised against the defaulters. As price of the mineral was not fixed by the Deputy Commissioner, penalty amounting to Rs 30.60 lakh calculated at the minimum rate of royalty was leviable from the brick kiln owners.

After this was pointed out in April 2005, the district mining officer, Hazaribag stated in May 2005 that action would be taken after examination. Further reply has not been received (November 2006).

The cases were reported to Government in May 2006; replies have not been received (November 2006).

7.5 Non levy of penalty for non submission of monthly returns

Under the BMMC Rules, as adopted by Government of Jharkhand, every lessee or permit holder is required to submit every month a return in the prescribed form for extraction and removal of minor minerals by the fifteenth day of the following month to which it relates. In case a lessee or a permit holder fails to furnish the required return within the prescribed period, he shall be liable to pay as penalty a sum of Rs. 20 for every day after the expiry of the prescribed date subject to maximum penalty of Rs 2,500.

In seven DMOs*, it was noticed between April and November 2005 that 73 lessees in 782 cases did not submit monthly returns for various months between December 2002 and March 2005. But no penalty was imposed by the department in any of the cases even after lapse of period which ranged between one and 28 months. This resulted in non levy of penalty amounting to Rs 19.55 lakh.

After this was pointed out between April and November 2005, the district mining officer, Bokaro stated in March 2006 that demand notices had been issued and the district mining officer, Koderma stated in September 2006 that demand of Rs 1.08 lakh against four lessees had been raised, while in all other

* Bokaro, Dumka, Godda, Koderma, Pakur, Ranchi and Sahebganj.

cases the concerned district mining officers stated between April and November 2005 that matter would be examined and action would be taken accordingly. Further reply has not been received (November 2006).

The cases were reported to Government in May 2006; reply has not been received (November 2006).