

CHAPTER VII : MINING RECEIPTS

7.1 Results of Audit

Test check of records relating to assessment and collection of mining revenue during the year 2004-05 revealed non/short assessment of royalty, dead rent, non recovery of contract money, royalty, mineral area development cess and short levy of interest on belated payment of royalty etc. amounting to Rs.250.71 crore in 1,286 cases which can broadly be categorised as under:

(Rupees in crore)

S. No.	Category	Number of cases	Amount
1.	Non/short realisation of mineral area development cess and revenue against Revenue Recovery Certificates	317	9.40
2.	Non assessment of royalty and dead rent	87	90.49
3.	Short levy of interest on belated payments of royalty	22	12.52
4.	Non levy of royalty and penalty on minor mineral and non recovery of contract amount, stamp duty and registration fee	53	42.87
5.	Others	807	95.43
	Total	1,286	250.71

During the year 2004-05, the Department accepted underassessment of royalty, dead rent of Rs.88.92 lakh involved in 340 cases. All these cases were pointed out during 2004-05.

A few illustrative cases involving Rs.2.53 crore are mentioned in this chapter.

7.2 Non levy of interest and process expenses

According to Mines and Mineral (Development and Regulation) Act, (MMDR Act), 1957 and Mineral Concession Rules, 1960, if any rent, royalty, fee and other sum is due as arrear for payment to the State Government, the lessee is liable to pay simple interest at the rate of 24 *per cent* per annum on arrears from sixtieth day of the expiry of the stipulated date until payment of such royalty, fee or other sum etc. Under the provisions of *Lokdhan Adhinyam*, 1987 and notification issued on 23 March 1995 by the Directorate, Institutional Finance, the banking authority which issues RRC is responsible for paying the cost of process expenses at the rate of three *per cent* of the principal amount recovered and depositing it into the treasury by challan.

Test check of records of mining offices, Morena and Vidisha revealed that though Revenue Recovery Certificates (RRCs) on arrear of royalty of Rs.1.04 crore outstanding on March 2004 were issued to defaulters, interest of Rs.1.78 crore and process expenses of Rs.0.03 crore as leviable were not included in RRCs. This resulted in non levy of interest including process expenses amounting to Rs.1.81 crore.

After this was pointed out in audit the Department admitted the facts. However, reasons for non inclusion of the amounts in RRCs and action taken to recover the same were not intimated.

The matter was reported to the Government in December 2004; their reply had not been received (December 2005).

7.3 Non levy of dead rent

According to MMDR Act, the holder of mining lease, whether granted before or after the commencement of the MMDR Act, shall notwithstanding anything contained in the instruments of lease or in any other law for the time being in force, pay to the State Government every year, dead rent at such rate as may be specified in the third schedule for all the areas included in the instrument of lease. If dead rent was not paid within stipulated date, interest at the rate of 24 *per cent* is also leviable.

Test check of records of mining office Shahdol and Diamond Officer Panna revealed between September 2004 and January 2005 that dead rent for the period from 1999 to 2004 amounting to Rs.33.04 lakh was outstanding from lessee. In addition, interest amounting to Rs.9.30 lakh was also leviable on the outstanding amount. The Department had not taken any action for recovery. This resulted in non realisation of revenue amounting to Rs. 42.34 lakh.

After this was pointed out in audit (between September 2004 and January 2005) Mining Officer Shahdol and Diamond Officer Panna stated between September 2004 and January 2005 that action would be taken and intimated to audit. Further progress of action taken had not been received (December 2005).

The matter was reported to the Government in December 2004 and March 2005; their reply had not been received (December 2005).

7.4 Non/short levy of royalty/interest

According to the MMDR Act, the holder of a mining lease granted before the commencement of this Act shall, notwithstanding anything contained in the instrument of lease or in any law in force at such commencement, pay royalty in respect of any mineral removed or consumed by him or by his agent, manager, employee, contractor or sub lessee from the leased area after such commencement at the rate for the time being specified in the *Second Schedule* in respect of that mineral. If the royalty is not paid within the specified date, interest at the rate of 24 *per cent* is also leviable.

- Test check of records of Mining Office, Katni revealed between July 2004 and May 2005 that a lessee had not paid royalty amounting to Rs.4.50 lakh pertaining to period from July 1999 to December 2003. The Department had not taken action for the recovery of outstanding amount of royalty and interest thereon leviable to the tune of Rs.1.32 lakh. This resulted in non realisation of revenue amounting to Rs.5.82 lakh.

After this was pointed out in audit (July 2004) the mining officer stated that audit would be informed after verification.

- Besides, another lessee was using white clay during April 2003 to March 2004 for production of cement and paid royalty at the rate of Rs.10 per tonne instead of Rs.21 per tonne. This resulted in short levy/payment of royalty including interest of Rs.25.50 lakh.

The matter was reported to Director Geology and Mining and Government (between July 2004 and May 2005); their reply in first case had not been received while in the second case Government stated in June 2005 that demand has been raised against the lessee (August 2005).

7.5 Evasion/short realisation of royalty and interest

The Mineral Concessions Rules, 1960 provide that every lessee will submit to the Mining Officer every month a return of despatch of mineral by the 10th of the following month. The Mining Officer shall assess the dead rent/royalty payable by lessee after such enquiry and verification, as he may deem necessary. The rate of royalty of lime stone was Rs.40 per tonne.

Test check of records of Mining Office Damoh, revealed that lessee M/s Diamond Cement had in his annual return for 2002-03 shown despatch of lime stone as 15.32 lakh tonne and paid royalty of Rs.5.83 crore instead of Rs.6.13 crore. This resulted in evasion of royalty of Rs.29.61 lakh. Besides, interest of Rs.10.81 lakh was also leviable.

After this was pointed out in audit (September 2004), the Department stated that the matter would be considered and action would be taken (December 2005).

