

CHAPTER VII : MINING RECEIPTS

7.1 Results of audit

Test check of records relating to assessment and collection of mining revenue during the year 2005-06 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.359.13 crore in 2,455 cases which can broadly be categorised as under:

(Rupees in crore)

Sl. No.	Category	Number of cases	Amount
1.	Non/short realisation of mineral area development cess and revenue against revenue recovery certificates	10	0.01
2.	Non assessment of royalty and dead rent	138	5.02
3.	Short levy of interest on belated payments of royalty	81	104.84
4.	Non levy of royalty and penalty on minor mineral and non recovery of contract amount, stamp duty and registration fee	533	76.76
5.	Others	1,693	172.50
	Total	2,455	359.13

During the year 2005-06, the department accepted underassessment of royalty, dead rent of Rs.31.13 crore involved in 619 cases of which 588 cases involving Rs.28.76 crore were pointed out during 2005-06 and rest in earlier years. Rs.2.90 crore had been recovered in 21 cases.

A few illustrative cases involving Rs.2.16 crore are mentioned in this chapter.

7.2 Non realisation of revenue due to non renewal of lease deed

Under the Registration Act, 1908, deeds conveying lease hold right for period beyond one year are required to be registered compulsorily. According to Indian Stamp Act, 1899 in case of lease of mine in which royalty or share of produce is received as rent or part of rent, the stamp duty and registration fees are leviable on average annual royalty.

Test check of records of Mining Officer, Chhindwara revealed in December 2005 that Western Coal Field Limited Pench area, holding mining lease for a period of 30 years for extraction of coal in 1,982 hectares, applied for renewal of lease on 30 April 2002. The lease was not renewed and it expired on 30 April 2003, consequently no stamp duty could be levied. This resulted in non realisation of revenue in the shape of stamp duty and registration fee of Rs.1.66 crore.

The matter was reported to Director Geology and Mining and Government between January and February 2006; their reply had not been received (January 2007).

7.3 Short realisation of dead rent

According to the Madhya Pradesh Minor Mineral (MPMM) Rules, 1996, a lessee is liable to pay dead rent every year except for the first year of lease at the rates specified in schedule IV, in advance for the whole year, on or before the 20th day of the first month of the following year.

Test check of records of six mining offices¹ revealed that 29 quarry leases were sanctioned for different periods between February 1995 and May 2014. The lessees paid dead rent amounting to Rs.10.76 lakh only against the payable amount of Rs.25.98 lakh due from January 2001 to December 2005. No demand was raised for realisation of balance dead rent. This resulted in short realisation of dead rent amounting to Rs.15.22 lakh.

After this was pointed out between November 2005 and March 2006, all the mining officers stated that action for recovery would be taken after scrutiny.

The matter was reported to the Director, Geology and Mining and the Government between December 2005 and March 2006; their reply had not been received (January 2007).

7.4 Non/short realisation of royalty

According to MPMM Rules, the Collector shall grant permission for extraction, removal and transportation on any minor minerals from any specified quarry or land which may be required for the works of any department and undertaking of the Central or State Government. Such permission shall only be granted on payment of royalty in advance.

¹ *Betul, Bhopal, Chhindwara, Gwalior, Morena and Raisen*

Test check of records of Mining Office, Raisen in February 2006 revealed that permission for extraction, removal and transportation of minor minerals was granted by Collector to three contractors for nine works during the period between December 2002 and January 2004. Two contractors had not paid royalty of Rs.7.30 lakh and one contractor paid royalty of only Rs.1.15 lakh against Rs.8.51 lakh. This resulted in non/short realisation of royalty amounting to Rs.14.66 lakh.

After this was pointed out in February 2006, the Mining Officer Raisen stated that the action for recovery would be taken after detailed review of the case in respect of one contractor and in respect of two contractors notices for recovery were issued.

The matter was reported to the Director, Geology and Mining and Government between February and May 2006; their reply had not been received (January 2007).

7.5 Non submission of returns

According to Mineral Concession Rules, 1960, every lessee holding mining lease shall maintain records of production, removal of mineral and employment of labours. The lessee is required to submit monthly and annual returns in the prescribed proforma on due date, failing which the department may impose penalty not exceeding double the amount of annual dead rent.

Test check of records of Mining Office, Chhindwara revealed in December 2005 that Western Coal Field Limited Kanhan area holding mining lease for extraction of coal had not submitted monthly and annual return for the period from April 2003 to March 2005. The department had not initiated any action against the lessee under the terms of agreement. This resulted in non realisation of revenue of Rs.12.04 lakh in the shape of penalty calculated at double the amount of annual dead rent.

After this was pointed out in December 2005, the mining officer stated that action would be taken against the lessee under the rules.

The matter was reported to Director Geology and Mining and Government between January and February 2006; their reply had not been received (January 2007).

7.6 Short levy of stamp duty and registration fee

Mineral Resources Department issued instructions in March 1993 and October 1994, followed by clarification issued by Inspector General Registration (May 2005), that in case of registration of agreements of trade quarries, the whole amount stipulated in auction of a quarry, is to be treated as premium and stamp duty at the rate of eight *per cent* is leviable under Indian Stamp Act, 1899. Further registration fee at the rate of 75 *per cent* of the stamp duty is also leviable under the Registration Act, 1908.

Test check of records of Mining Office, Raisen revealed that 35 trade quarries were sanctioned to private contractors for the period of two years (2005-2007). The department had not taken into account, the amount stipulated in auction of quarries while calculating stamp duty and registration fee. The department had levied stamp duty and registration fee of Rs.12.39 lakh against the leviable amount of stamp duty and registration fee of Rs.25.32 lakh. This resulted in short levy of stamp duty and registration fee of Rs.12.93 lakh.

After this was pointed out in March 2006, the mining officer stated that matter was reported to Sub Registrar for necessary action.

The matter was reported to Director Geology and Mining and Government (March 2006); their reply had not been received (January 2007)

7.7 Short realisation of interest on belated payments of royalty

According to Mineral Concession Rules, a lessee is liable to pay royalty on scheduled date, failing which he shall be liable to pay interest at 24 per cent per annum from the sixtieth day of the expiry of stipulated date till the payment of such royalty.

Test check of records of Mining Office, Rewa in March 2006 revealed that a lessee holding mining lease for extraction of limestone had paid royalty amounting to Rs.3.67 crore for the period from May 2004 to March 2005 late by nine to 71 days. The department assessed and recovered interest amounting to Rs.2.44 lakh against the recoverable amount of Rs.10.09 lakh. This resulted in short realisation of revenue amounting to Rs.7.65 lakh.

The matter was reported to Director Geology and Mining and Government between April and May 2006; their reply had not been received (January 2007).