

CHAPTER VI : MINING RECEIPTS

6.1 Results of audit

Test check of the records relating to the assessment and collection of mining revenue during the year 2006-07 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. 38.84 crore in 1,258 cases which fall under the following categories:

Sl. No.	Category	Number of cases	Amount (Rs. in crore)
1.	Short levy of interest on belated payments of royalty	59	3.04
2.	Non/short realisation of mineral area development cess and revenue against revenue recovery certificates	19	1.04
3.	Non-levy of royalty and penalty on minor mineral and non-recovery of contract amount, stamp duty and registration fee	98	0.49
4.	Non-assessment of royalty and dead rent	76	0.24
5.	Others	1,006	34.03
Total		1,258	38.84

During the year 2006-07, the department accepted underassessment of royalty, dead rent of Rs. 293.16 crore in 1,746 cases, of which 1,258 cases involving Rs. 38.84 crore were pointed out during 2006-07 and the rest in the earlier years. An amount of Rs. 49 lakh had been recovered in 96 cases.

A few illustrative cases involving Rs. 5.20 crore are mentioned in the following paragraphs.

6.2 Non-realisation of revenue due to non-renewal of lease deeds

According to the Mineral Concession Rules, 1960, if the application for renewal of mining lease is not disposed of by the State Government before the date of expiry of the lease, the period of that lease shall be deemed to have been extended.

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

Test check of the records of the mining offices Katni and Satna between October and November 2006 revealed that four lessees holding mining leases for a period of 20 years between October 1976 and May 2002 applied for renewal of their lease between October 1995 and May 2001. The department after completing the formalities had forwarded their applications (between October 1997 and September 2004) to the State Government. Since the Government did not take a decision for renewal, the stamp duty could not be levied. This resulted in non-realisation of stamp duty and registration fee of Rs. 7.29 crore.

After the cases were reported to the Director, Geology and Mining in January 2007; he stated (September 2007) that action for recovery was in progress.

The matter was reported to the Government (January 2007); their reply has not been received (January 2008).

6.3 Non-realisation of rural infrastructure and road development tax from the holders of mining lease

According to the provisions of Madhya Pradesh *Grameen Avasanrachna Tatha Sadak Vikas Adhiniyam*, 2005 and notification of September 2005, rural infrastructure and road development tax shall be levied annually at five *per cent* of the annual value of such minerals.

Test check of the records of the mining offices at Katni and Satna between October and November 2006, revealed that 10 lessees holding mining leases for different periods from October 1976 to June 2035 had extracted and removed 107.25 lakh tonne minerals from the lease area between August 2005 to October 2006. The sale value of the minerals worked out to Rs. 63.61 crore on which the rural infrastructure and road development tax amounting to Rs. 3.18 crore was leviable. The department had not initiated any action for realisation of the tax.

After the cases were reported to the Director, Geology and Mining in January 2007; he stated in September 2007 that Rs. 20,000 has been recovered in Satna District. The reply in the remaining cases has not been received. (January 2008).

The matter was reported to the Government (January 2007); their reply has not been received (January 2008).

6.4 Short realisation of royalty

According to the Mines and Mineral (Regulation and Development) Act, 1957, every lessee holding a mining lease is required to pay royalty in respect of the minerals removed/consumed from the leased area at the rate prescribed in the second schedule. The rate of royalty on crude white clay was revised from Rs. 10 per tonne to Rs. 21 per tonne w.e.f. 12 September 2000.

Test check of the records of the Mining Officer, Katni in October 2006 revealed that a lessee holding mining lease for extraction of lime stone and manufacture of cement, had extracted and removed 3.77 lakh tonne clay mineral from the leased area between January 2005 and March 2006. The lessee had paid Rs. 35.62 lakh as royalty at the rate of Rs. 10 per tonne against the rate of Rs. 21 per tonne. Payment of royalty at lower rate resulted in loss of revenue of Rs. 43.55 lakh.

The cases were reported to the Director, Geology and Mining and the Government in January 2007. The Director, Geology and Mining stated (September 2007) that demand notice had been issued for recovery. The reply from the Government has not been received (January 2008).

6.5 Short realisation of royalty from lessees holding quarry leases

According to the provisions of Madhya Pradesh Minor Minerals Rules, 1996 every lessee holding quarry lease shall pay to the State Government royalty in respect of minerals removed by him from the leased area at the rate specified in schedule III to the rules.

Test check of the records of the Mining Officer, Katni in October 2006 revealed that three lessees had removed 82,361.50 cubic metre of marble stone from the leased area between May 2002 and June 2006. The lessees had paid royalty amounting to Rs. 287.59 lakh against the payable amount of Rs. 330.28 lakh. The department had not taken any action against the lessees to realise the balance revenue of Rs. 42.69 lakh.

After the cases were reported to the Director, Geology and Mining and the Government in January 2007, the Director, Geology and Mining stated (September 2007) that Rs. 20.41 lakh had been recovered and action for recovery of balance amount was in progress. The reply from the Government has not been received (January 2008).

6.6 Non-levy of interest on belated payment

According to the Mineral Concession Rules, 1960, a lessee is liable to pay royalty by the prescribed date, failing which he is liable to pay simple interest at the rate of 24 *per cent* per annum from the sixtieth day of the expiry of the stipulated date until the payment of such royalty. Under the Madhya Pradesh Minor Mineral Rules, 1996 and conditions of contract agreement, contractors of trade quarries¹ are required to pay contract money on or before the dates indicated in their contract agreement, failing

¹ Quarries which were granted by way of auction for a maximum period of three years.

which the contractor is liable to pay, in addition to the contract money, interest at 24 per cent per annum till the default continues.

Test check of the records of the mining offices at Rewa and Shivpuri between June 2006 and March 2007 revealed that one lessee holding mining lease and nine contractors of trade quarries delayed the payment of royalty/contract money amounting to Rs. 11.72 crore by periods ranging from one to nine months. The department had not initiated any action for the levy of interest on belated payments. This resulted in non-levy of interest amounting to Rs.37.87 lakh.

The cases were reported to the Director, Geology and Mining and the Government between June 2006 and April 2007. The Director, Geology and Mining stated (September 2007) that action for recovery was in progress. Reply from the Government has not been received (January 2008).

6.7 Short realisation of contract money

Under the Madhya Pradesh Minor Mineral Rules, 1996, if the contract money remains unpaid for more than three months, the Government may cancel the contract and take possession of the quarry and re auction at the risk and cost of the original contractor. Consequent upon cancellation of contract and its re auction, the loss sustained in this process would be recovered as arrears of land revenue.

Test check of the records of five mining offices² between June 2006 and January 2007 revealed that 30 trade quarries were auctioned for different periods between April 2005 and March 2007. Though the contractors had paid contract money amounting to Rs. 28.32 lakh against the payable amount of Rs. 67.85 lakh, yet the department had not initiated any action, either for cancellation of the contract and re auction or for recovery of the outstanding amount. This resulted in short realisation of contract money amounting to Rs. 39.53 lakh.

The cases were reported to the Director, Geology and Mining and the Government between June 2006 and March 2007; the Director, Geology and Mining stated (September 2007) that the action for recovery was in progress. Reply from the Government has not been received (January 2008).

6.8 Non/short realisation of dead rent

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

Test check of the records of seven mining offices³ revealed that 43 quarry lessees either did not pay dead rent or paid it short. Dead rent of Rs. 33.58 lakh due from March 2001 to December 2006 was payable against which Rs. 7.50 lakh was paid. This resulted in short realisation of revenue amounting to Rs. 26.08 lakh.

² Chhatarpur, Guna, Gwalior, Hoshangabad and Shivpuri.

³ Barwani, Bhopal, Guna, Katni, Neemuch, Satna and Shivpuri.

The case was reported to the Director, Geology and Mining and the Government between August 2006 and April 2007; the Director, Geology and Mining stated that Rs. 8.86 lakh had been recovered. Action for recovery of balance amount was in progress. Reply from the Government has not been received (January 2008).

6.9 Short levy of stamp duty and registration fee

The Mineral Resources Department issued instructions in March 1993 and October 1994 that on registration of agreement of trade quarries, the whole amount stipulated in auction of a quarry is to be treated as premium and stamp duty at eight *per cent* shall be leviable under the Indian Stamp Act, 1899. Further, registration fee at 75 *per cent* of stamp duty is also leviable under Indian Registration Act, 1908.

Test check of the records of the mining offices at Gwalior and Shivpuri between June 2006 and January 2007 revealed that 17 trade quarries were auctioned for two years from April 2005 to March 2007 on levy of contract money of Rs. 76.16 lakh per year. At the time of registration of the documents, the department had levied Rs. 6.09 lakh and Rs. 4.59 lakh as stamp duty and registration fee against the leviable amount of Rs. 12.18 lakh and Rs. 9.18 lakh respectively. This resulted in short levy of stamp duty of Rs. 6.09 lakh and registration fee of Rs. 4.59 lakh.

The matter was reported to the Director, Geology and Mining and the Government between July 2006 and April 2007. The Director, Geology and Mining stated (September 2007) that the action for recovery was in progress. Reply from the Government has not been received (January 2008).