

CHAPTER- VIII
MINING RECEIPTS

8.1 Results of Audit

Test-check of records relating to assessment and collection of mining revenue during the year 2002-2003 revealed non/short-assessment of royalty, dead rent, non-recovery of contract money, royalty, mineral area development cess, non-levy of interest on belated payment of royalty etc. amounting to Rs.39.81 crore in 1,280 cases which can broadly be categorised as under:

(Rupees in Crore)

Sl. No.		Number of cases	Amount
1.	Non-assessment of royalty and dead rent	149	4.37
2.	Non/short-realisation of mineral area development cess and revenue against Revenue Recovery Certificates	754	1.65
3.	Non/short-levy of interest on belated payments of royalty	60	4.65
4.	Non-levy of royalty and penalty on minor minerals and non-recovery of contract amount, stamp duty and registration fee.	55	6.74
5.	Others	262	22.40
	TOTAL	1,280	39.81

A few illustrative cases involving Rs.120.86 crore are discussed in the following paragraphs:

8.2 Non/Short-levy of dead Rent

According to the provisions of the Madhya Pradesh Minor Mineral Rules, 1996 and terms of lease deed, a lessee shall be liable to pay royalty or dead rent, whichever is higher, on minerals extracted from the lease area. Dead rent is, however, required to be deposited in advance on or before 20 January each year. If a lessee fails to pay the dead rent/royalty due in time, he shall be liable to pay interest at the rate of 24 percent per annum for the period of default.

8.2.1 Test-check of records of nine Mining Officers¹ revealed that in the cases of 71 lessees, either the returns furnished by them were nil or the royalty of Rs.2.36 lakh deposited by them was less than the dead rent payable during the period between March 1997 and December 2002. The lessees were liable to pay dead rent of Rs.39.25 lakh but the Department failed to recover the same. This resulted in short-realisation of dead rent of Rs.36.89 lakh. In addition, interest amounting to Rs.14.64 lakh was also chargeable.

This was pointed out in audit and the Mining Officer, Mandsaur stated in September 2002 that demand notices had been issued for recovery. The replies in other cases were awaited (June 2004).

The matter was reported to the Government between December 2002 and March 2003; their reply had not been received (June 2004).

8.2.2 Test-check of records of Mining Officer, Chhattarpur revealed that a mining lease in favour of M.P. Mining Corporation for 10 years was sanctioned in March 1998. The Department had failed to recover the dead rent of Rs.4.24 lakh for the period from July 1998 to December 2002 from the lessee. In addition, the lessee was liable to pay interest of Rs.1.90 lakh. This resulted in non-realisation of dead rent of Rs.6.14 lakh.

This was pointed out in audit and the Mining Officer, Chhattarpur stated in May 2003 that Madhya Pradesh Mining Corporation had been asked to deposit the amount.

The matter was reported to the Government in March 2003; their reply was awaited (June 2004).

8.3 Blockage of Govt. revenue due to delay in finalisation of cases of illicit extraction.

According to the Mines and Minerals (Regulation & Development) Act, 1957 no person shall undertake any prospecting or mining operations in any area without prospecting licence or mining lease granted under the Act. Under Mineral Concession Rules, 1960 an application for renewal of mining lease shall be made at least twelve months before the date on which it is due to expire. Further, as per Madhya Pradesh Land Revenue Code, 1959, any person, who extracts or removes minerals from any

¹ *Bhopal, Chhattarpur, Dhar, Mandsaur, Neemuch, Panna, Sidhi, Umari and Vidisha*

mine or quarry without lawful authority, shall be liable to pay penalty of an amount not exceeding double the market value of the mineral so extracted or removed.

Test-check of records of Mining Officer, Chhindwara revealed that the lease of Nandan Colliery in favour of Western Coalfield Ltd. expired on 3 May 1997. As renewal of lease was not applied within the prescribed time, the Department registered seven cases of illicit mining between the period November 1997 and September 1999. No action to impose penalty of Rs.116.26 crore was taken.

This was pointed out in audit and the Mining Officer, Chhindwara stated in December 2002 that cases had been submitted to the Collector for further action. The reply is not tenable as the cases were returned by the Collector in July 2002 for want of details like maps, khasra numbers, witnesses and signing the cases by the Mining Officer. No action had been taken by the Mining Officer to resubmit the cases till December 2003.

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

8.4 Short-realisation of royalty based on conversion factor

According to the provision of Mines and Minerals (Regulation and Development) Act, 1957 and Rules made thereunder, a lessee is liable to instal a weighing machine near the pit head of lease area for the purpose of weighing the minerals extracted before their removal from the site. The State Government directed in December 1992 that if the lessee did not install weighing machine in leased area, the royalty on limestone should be charged from the lessee manufacturing cement at the rate of 1.6 ton of lime stone for manufacturing one ton of cement.

Test-check of records of Mining Officer, Rewa revealed that a lessee had manufactured 42.24 metric tons of cement during the year 2001-2002 and paid royalty of Rs.23.23 crore on extraction of limestone of 44.21 lakh metric tons. As per the conversion factor, for producing 42.24 lakh metric tons of cement, 67.59 lakh metric tons of lime stone was required on which the royalty of Rs.27.04 crore was recoverable. This resulted in short-realisation of revenue Rs.3.81 crore.

This was pointed out in audit and the Mining Officer, Rewa stated in January 2003 that information regarding production of cement and clinker was being collected from the lessee to work out the royalty leviable. Further reply was awaited (June 2004).

The matter was reported to the Government in January 2003; their reply had not been received (June 2004).

8.5 Short-realisation of royalty

According to the Mineral Concession Rule, 1960, a lessee is liable to pay royalty on minerals removed/consumed from the lease area during the month by the prescribed date. If a lessee fails to pay the royalty due in time, he shall be liable to pay interest at the rate of 24 percent per annum for the period of default.

Test-check of records of Mining Offices, Sidhi and Bhopal revealed that four lessees had extracted, removed or consumed 2,211.246 metric tons (MT) bauxite, 429.95 MT fire clay and 3,3018.5 cubic meter black stones from the leased area during the period January 1999 to June 2002. Against the royalty of Rs.7.85 lakh payable, the lessees paid royalty of Rs.1.97 lakh only. This resulted in short-realisation of royalty amounting to Rs.5.88 lakh. In addition, interest amounting to Rs.1.12 lakh was also chargeable.

This was pointed out in audit and the Mining Officer, Bhopal stated in November 2002 that action would be taken after scrutiny of the cases, whereas the Mining Officer, Sidhi stated in May 2003 that demand notice for payment of royalty alongwith interest thereon had been issued to the lessee.

The matter was reported to the Government between January and February 2003; their reply had not been received (June 2004).

8.6 Non-levy of interest on belated payments of royalty

According to the Mineral Concession Rules, 1960 if a lessee fails to pay royalty on specified dates, he shall be 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.

Test-check of the records of Mining Officer, Rewa revealed that a lessee holding four mining leases for extraction of lime stone had paid royalty after a delay ranging from 4 days to 92 days during the period January 2001 to March 2002 for which interest amounting to Rs.14.20 lakh was not levied.

This was pointed out in audit and the Mining Officer, Rewa stated in January 2003 that demand notice for interest amount of Rs.14.20 lakh had been issued. Recovery had not been intimated (June 2004).

The matter was reported to the Government in March 2003; their reply was awaited (June 2004).