

CHAPTER - VIII
MINING RECEIPTS

8.1 Results of Audit

Test-check of records relating to assessment and collection of mining revenue during the year 2003-2004 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.58.49 crore in 1,015 cases which can broadly be categorised as under:

(Rupees in crore)

S. No.		Number of cases	Amount
1.	Non/short-realisation of mineral area development cess and revenue against Revenue Recovery Certificates	507	1.79
2.	Non-assessment of royalty and dead rent	65	2.20
3.	Short-levy of interest on belated payments of royalty	67	9.51
4.	Non-levy of royalty and penalty on minor minerals and non-recovery of contract amount, stamp duty and registration fee	59	26.12
5.	Others	317	18.87
	Total	1,015	58.49

During the year 2003-2004, the Department accepted under-assessment etc. of Rs.58.49 crore involved in 1,015 cases.

A few illustrative cases involving Rs.19.76 crore are discussed in the following paragraphs:

8.2 Evasion of royalty due to suppression of coal stocks

The Mineral Concession Rules, 1960 provide that a lessee shall keep accurate accounts showing the quantity and other particulars of all minerals obtained and dispatched from the mine.

Test-check of records of Mining Office, Shahdol revealed that three lessees had furnished monthly royalty return during April 2001 to March 2003. A perusal of the returns revealed that the lessees had suppressed stock of 6.03 lakh tons of coal by incorrectly depicting the Opening Balance and Closing Balance of the coal extracted resulting in suppression of stock by 6.03 lakh tons of coal involving evasion of royalty of Rs.6.36 crore as detailed below:-

(Rupees in crore)

Sl. No.	Name of Unit Period	Closing stock should be (in lakh tons)	Closing stock shown in the return (in lakh tons)	Difference in stock (in lakh tons)	Royalty element involved
1.	Jamuna U.G. Kotma (2001-2002)	25.75	22.86	2.89 ¹	2.75
2.	Jamuna U.G. & Kotma West (3487.84 Acre) (2002-2003)	4.77	2.97	1.80 ²	2.07
3.	Bhadra (3467.84) (2002-2003)	1.77	0.43	1.34	1.54
	Grand Total	32.29	26.26	6.03	6.36

Thus, non-verification of the monthly returns has resulted in short realisation of Government revenue to that extent.

After this was pointed out, the Department stated that action would be taken after verification of facts.

8.3 Short-realisation of royalty

The Mineral Concession Rules, 1960 provide that the holder of a mining lease shall 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 at the rate for the time being specified in respect of that mineral, failing which, the Government may determine the lease and forfeit the whole or a part of security deposit.

Test check of returns of five mining offices³ revealed that lessees were liable to pay royalty and dead rent of Rs.29.10 crore during the period July 2000 to March 2003. Against this, the lessees had paid Rs. 27.27 crore resulting in short-realisation of royalty of Rs.1.83 crore. The amount was neither demanded by the Mining Officer nor was it paid by the lessee.

¹ Rates of royalty for Sl. No. 1 Rs. 95 per tonne

² Rates of royalty for Sl. No. 2,3 Rs.115 per tonne

³ Bhopal, Katni, Rewa, Shivpuri and Sidhi

This was pointed out in August to September 2003; the Department stated that action would be taken after verification of the cases.

8.4 Loss of revenue due to non-registration/non-renewal of lease deeds

Under the Registration Act, 1908 deeds conveying lease hold rights for period beyond one year are required to be registered compulsorily. Under the provisions of the Indian Stamps Act, 1899 in case of lease of a mine in which royalty or share of produce is received as rent or part of a rent, stamp duty and registration fees are leviable on average annual royalty. Under the Mineral Concession Rules, 1960 application for renewal of mining lease shall be disposed off within 12 months from the date of receipt by the Government.

During the course of audit it was noticed that two lessees of lime stone units applied for renewal of the lease deeds on 31 March 2004 in five cases. However, in none of the cases of lime stone units, the leases were renewed though the lessees continued to extract minerals. Non-renewal of the leases resulted in a loss of revenue of Rs.7.72 crore in the shape of registration fee and stamp duty as detailed below:-

(Rupees in Crore)

Sl. No.	Name of Unit	No. of cases	Lease period	Date of application for renewal	Average royalty amount	Stamp duty	Registration Fees	Total realisable revenue
1.	Katni	1	10.6.91 to 9.6.01 (10 years)	2.6.2000	2.56	0.19	0.14	0.33
		1.	15.5.92 to 14.5.02 (10 years)	15.5.2001	2.57	0.19	0.14	0.33
2.	Satna	1	24.2.81 to 22.12.01 (20 years)	15.2.2000	5.70	0.43	0.32	0.75
		1	22.6.79 to 21.6.99 (20 years)	4.6.1998	17.83	1.34	1.00	2.34
		1	17.10.76 to 16.10.96 (20 years)	3.6.1996	30.23	2.27	1.70	3.97
	Total	5				4.42	3.30	7.72

After this was pointed out in audit, the Mining Officers stated that the renewal of leases were pending at Government level.

8.5 Non/short-recovery of royalty on the minerals used for construction work

The Mines and Mineral (Regulation and Development) Act, 1957 provides for payment of royalty in advance at the time of removal of minerals from the lease area.

Test-check of the records of eight mining offices⁴ revealed that 15,14,915.78 MT of minerals i.e. sand, boulder, gitti and morrum during the year 2001-02 and 2003-04 were utilised for construction of roads and other works by the contractors of the PWD in eight districts. However, the royalty was neither paid by the contractors nor was recovered by the PWD to whom the Collector had directed for recovery. This resulted in short-realisation of royalty Rs.2.43 crore.

After this was pointed out in audit (August 2003 & April 2004), the Department stated that the action for recovery would be taken.

8.6 Non-realisation of dead rent

Madhya Pradesh Minor Mineral Rules, 1996 provide that a lessee shall pay for every year except for the first year of lease yearly dead rent at the rates specified from time to time.

Test-check of records in March 2004 revealed that a quarry lease of granite of 40 hectare in forest area was sanctioned in favour of Madhya Pradesh State Mining Corporation for a period of 10 years. However, it was transferred to a private firm from July 1998 on the same terms and conditions. The possession of land was not given till March 2004 due to non-completion of joint demarcation of land by the Mining and Forest departments. This resulted in a loss of Rs.23.15 lakh payable by way of dead rent payable to the Government.

After this was pointed out in audit (March 2004), the Mining Officer stated that the Division Forest Officer was asked from time to time for joint demarcation but the area was not demarcated. Therefore, the lessee could not get the possession of leased area.

In an another case, the lessee was given surface right after three years from the date of sanction of lease and Mining Officer was directed to collect the dead rent from July 2001 i.e. the date of grant of surface right. The reasons for delay in grant of the possession was not available in the Mining Office. Thus, lack of co-ordination between the Mining Department/Forest Department/Revenue Department deprived Government of revenue of Rs.18.63 lakh by way of dead rent.

8.7 Non-realisation of revenue due to delay in re-grant of lease area

Under the Minor Mineral Rules, 1996, the land which was previously held or is being held under a mining/quarry lease or prospecting license should be made available for re-grant on expiry of the lease or surrender after issuing a notification in Gazette and making an entry to this effect in the prescribed register.

⁴ *Betul, Damoh, Indore, Raisen, Rewa, Shahdol, Shivpuri and Sidhi*

Test-check of records of Bhind district revealed that notification for re-grant of lease after termination of lease by the previous lessee (lease terminated in March 2001) was not issued. The revenue forgone by way of dead rent as a result of this omission amounted to Rs.42.46 lakh. Besides, an amount of Rs.2.58 lakh outstanding against earlier lessee was also not recovered.

After this was pointed out in audit (December 2003), the Mining Officer stated that action to re-allot the lease is being taken and demand notice to recover the outstanding amount of Rs.2.58 lakh from the lessee had been issued (December 2003).

8.8 Non-submission of return

Under M.P. Minor Minerals Rules, 1996, every quarry lease holder shall submit the monthly, half yearly, yearly returns on due dates as prescribed in the agreement. If these returns are not received by the prescribed date, the sanctioning authority may impose the penalty on the lessee not exceeding an amount equivalent to twice the amount of annual dead rent.

Test-check of the records of five mining offices⁵ revealed that 28 lessees did not submit the returns for the year 2002-2003, as such the assessment of royalty could not be completed. The Mining officer did not take any action to impose the penalty. This resulted in non-realisation of revenue of Rs.55.55 lakh.

After this was pointed out in audit between July 2003 and April 2004, the Mining Officers stated that the lessees had been asked to submit the returns. The reply is not tenable as the Department failed to take action as required under the rules as no system to monitor the receipts of returns by the prescribed date had been devised/formulated.

⁵ *Bhind, Chhindwara, Gwalior, Katni and Raisen*

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