

CHAPTER VI
NON-TAX RECEIPTS

6.1 Results of Audit

Test check of records of departmental offices conducted during the period April 2002 to March 2003 revealed non/short levy of royalty, dead rent and seigniorage fee etc., amounting to Rs.250.23 crore in 98 cases which broadly fall under the following categories.

(In crore of rupees)

Sl. No.	Categories	No. of Cases	Amount
1	Non/short levy of royalty, dead rent and seigniorage fee	58	117.93
2	Other cases	40	132.30
	Total	98	250.23

During the year 2002-2003, the concerned Department accepted under assessments of Rs.2.07 crore in 21 cases out of which Rs.1.79 crore involved in 4 cases were pointed out during the year and the rest in earlier years. An amount of Rs.8.49 lakh has been collected (June 2003).

A few illustrative cases involving a financial effect of Rs.163.05 crore are mentioned below.

MINES AND MINERALS

6.2 Short collection of royalty

Under the provisions of Mines and Minerals (Regulation and Development) Act, 1957, royalty on limestone is leviable on the quantity mined and removed.

The raw limestone consumed for production of cement by the licencees undergoes various processes. After initially being crushed, the limestone is fed into kilns for clinkerisation, the resultant clinker then being ground to get cement by addition of gypsum and fly ash.

Test check of records of the offices of the Assistant Director of Geology and Mining in six³³ districts, revealed that there was no mechanism to ensure the correctness of actual quantity of mineral mined and removed. Hence, mere declarations of licencees regarding quantity of mineral mined, furnished by 12 cement units, based on the transport permits issued to them by the Department were relied upon, and royalty was levied accordingly for the period from 1996-97 to 2001-02.

Based on the records made available, such as approved derivative formula as accepted by the licencees, clinker production statements etc., raw limestone put into use for production of clinker was computed, adopting the minimum limestone component at every stage as basis. After considering all aspects including outside purchase of limestone, it was found that, the licencees (12 cement units) had consumed 3.80 crore Metric tons of clinker for manufacture of cement during the period 1996-97 to 2001-02 for which 9.08 crore Metric tons of limestone would be required. As against this, the manufacturers had paid royalty on 5.58 crore Metric tons of limestone only, including limestone purchased by them. This had resulted in short accounting of 3.50 crore Metric tons of limestone and consequent short levy of royalty amounting to Rs.113.97 crore during 1996-97 to 2001-02. The Department, failed to ensure the correctness of quantity of limestone that was consumed before assessment of royalty payable and instead adopted the quantity as declared.

On this being pointed out, the Assistant Director of Geology and Mining, Perambalur intimated in January 2003 that demand in respect of five cement units for Rs.43.54 crore had been raised. Report on recovery and reply in respect of other cases had not been received (September 2003).

The case was reported to the Government in May 2003 and followed up with reminder in August 2003; their reply has not been received (October 2003).

³³ Coimbatore, Dindigul, Perambalur, Salem, Tirunelveli and Virudhunagar.

6.3 Non-realisation of lease amount

According to Rule 8-E of Tamil Nadu Minor Minerals Concession Rules, 1959, introduced in September 1998, all lessees of granite quarries, granted leases under erstwhile Rule 39, and where the leases were still in force, were to pay one time lease amount fixed by District Collector, besides seigniorage fee or dead rent. In the event of lease amount not being paid within the stipulated time of 60 days, the lease would be deemed to have been cancelled. Any person in possession of lease hold area, thereafter shall be deemed to be in unlawful possession of the said land. The District Collector shall, after giving notice, charge from the person double the rate of lease and evict the lessee from lease hold area.

During audit of the office of Assistant Director of Geology and Mining, Dharmapuri, it was noticed, that M/s.Tamil Nadu Minerals Limited (TAMIN – a public sector undertaking) was granted leases for five granite quarries for a period of 20 years from 1996 to 2016 under erstwhile Rule 39. However, the Department raised the demand for lease amount of Rs.21.47 crore only in April 2001, which had not been paid upto June 2003. The Department had neither taken steps to collect the same nor cancelled the leases for non-payment nor raised demand for double the rate of lease amounts and taken action to evict the lessee. This resulted in non-realisation of the lease amount of Rs.42.94 crore.

On this being pointed out, the Department stated in May 2003 that clarifications were sought for from Government in November 1998, regarding fixation of lease amount. The reply is not tenable as the Government had clarified in July 2000, and the Department had accordingly raised the demand in April 2001, but no action was taken to recover the amount due and to evict the lessees.

The matter was reported to the Government in June 2003 and followed up with reminder in August 2003; their reply had not been received (October 2003).

6.4 Non-levy of lease amount

According to Rule 39 (as existed upto July 1996) of Tamil Nadu Minor Minerals Concession Rules, 1959, Government in public interest may grant quarrying licence to quarry any mineral on terms and conditions different from those laid down in the Rules. As per Rule 8-E (introduced with effect from 17 September 1998) of the Rules *ibid*, all leases granted under erstwhile Rule 39, shall pay one time lease amount, besides seigniorage fee or dead rent. The lease amount shall be paid within sixty days from the date of receipt of demand notice, failing which the lease is deemed to have been cancelled.

In Villupuram District, it was noticed that a lease was granted in December 1995 to M/s Tamil Nadu Minerals Ltd., for quarrying black granite for 20 years from July 1996 to July 2016 over an extent of 20.28 hectares of government land. However, neither the lease amount was fixed nor the lease cancelled, which resulted in non-levy of lease amount of Rs.1.74 crore.

On this being pointed out, the Department directed in April 2003 the Assistant Director of Geology and Mining, Villupuram to raise the demand. Further reply was awaited (October 2003).

The case was reported to Government in May 2003 and followed up with reminder in August 2003; their reply was not received (October 2003).

6.5 Short levy of seigniorage fee

As per the provisions of Rule 8(10)(b) of Tamil Nadu Minor Mineral Concession Rules, 1959, seigniorage fee is leviable on the quantity of minerals removed at the prescribed rates. The seigniorage fee leviable for size reduced (broken or crushed) stones, including metal jelly ballast, milestone and hand chakkais is Rs.7 per 10 cubic feet.

In Kancheepuram and Tirunelveli districts, it was noticed, that in respect of 98 lessees during the period 1998-99 to 2001-02, for removal of 196.88 lakh cubic feet of minor minerals viz., sand, stone, earth, jelly, chakkais, etc, as against correct seigniorage fee of Rs.1.02 crore leviable, the Department levied Rs.90.38 lakh only, due to application of incorrect rates. This resulted in short-levy of seigniorage fee of Rs.11.90 lakh.

On this being pointed out, the Department accepted the audit observation between November 2000 and April 2003 and issued demand notices. An amount of Rs.1.51 lakh had been collected (April 2003). Report on recovery of balance amount was not received (October 2003).

The matter was reported to the Government in January/February 2003 and followed up with reminder in August 2003; reply has not been received (October 2003).

6.6 Non-realisation of lease rent

Under the Tamil Nadu Minor Mineral Concession Rules, 1959, the lease period for quarrying sand shall be three years from the date of commencement of lease and a lessee shall, before the commencement of each year of lease, pay the lease rent for that year without fail.

In three³⁴ districts, it was noticed that in respect of 13 lessees, lease rent for the years 1996-97 and 1997-98 was not demanded. This resulted in non-realisation of lease rent of Rs.13.10 lakh.

On this being pointed out, the Department stated, between September 1998 and September 2002, that demand notices were issued in respect of Dharmapuri and Madurai District. An amount of Rs.1.51 lakh (Dharmapuri) had been collected. Further report was not received (October 2003).

The matter was reported to the Government in March/April 2003 and followed up with reminder in August 2003; reply has not been received (October 2003).

HANDLOOMS, HANDICRAFTS, TEXTILES AND KHADI DEPARTMENT

6.7 Loss due to short collection of levy and non-remittance of levy into Government Account

6.7.1 As per Rule 10 (h) of the Tamil Nadu Silkworm Seed (Production, Supply and Distribution) Rules, 1957, a fee of 10 paise for every kilogram of cocoons transacted in the market shall be recovered from the reeler. Government, without amending the relevant provisions of the Act, approved in May 1990 the proposal of the Director of Sericulture (DOS) to constitute a fund called 'Sericulture Development and Price Stabilisation Fund' with a view to utilising the resources generated for overall improvement of the Sericulture industry and directed that a fee at the rate of 0.75 per cent on the value of cocoon and silk transacted both in the silk exchange and cocoon markets be collected from both the buyer and seller and credited to the fund.

It was, however, noticed that the Assistant Director of Sericulture collected the levy from the buyers at cocoon markets, at the rate of 10 paise per kg, during the period from May 1990 to December 1997 and remitted the same into Government account regularly instead of at the revised rates. This resulted in loss of Rs.2.68 crore.

6.7.2 All moneys received by or on behalf of Government should be credited to government account without delay.

A committee constituted in December 1996 for the purpose of effective utilisation of the 'Sericulture Development and Price Stabilisation Fund' resolved in December 1997 to charge the fee at revised rate (approved by the Government in May 1990) from January 1998, and to keep the amount so collected in savings bank account instead of depositing the same to government account.

³⁴ Dharmapuri, Madurai and Trichy.

It was, however, observed, that the Anna Silk Exchange, Kancheepuram collected Rs.2.15 crore on account of levy from January 1991 to December 1997 and kept the amount in savings account and earned interest of Rs.1.01 crore. The Exchange remitted a sum of Rs.2.28 crore to the Director of Sericulture, Salem, during the period from 10 September 1998 to July 1999 and balance of Rs.0.88 crore was still retained by it which is a serious irregularity.

6.7.3 The Government issued instructions in October 1998 and again in October 1999 to the Director of Sericulture, Salem to remit the collection on account of fund in government account.

Scrutiny of records of Director of Sericulture, Salem revealed, that a sum of Rs.5.26 crore, being collection made by the Assistant Director of Sericulture, from cocoon market during the period from January 1998 to August 2000 and by the Anna Silk Exchange, during January 1991 to August 2000 and sent to the Director, was remitted in government account only in September 2000 which is a serious irregularity.

The matter was referred to Government in June 2003; Government in their reply in November 2003 accepted the facts and stated that disciplinary action had been initiated against the officials for diverting the levy collected.

PUBLIC WORKS DEPARTMENT

6.8 Short collection of lease rent

The Government ordered in November 1987, that the lease rent for government lands/buildings be enhanced once in three years.

The Government leased out a piece of land measuring 20,000 sq.ft situated in Tallakulam, Madurai to M/s. Indian Oil Corporation (IOC) in September 1964 on payment of lease rent. In pursuance of above order, Executive Engineer, Public Works Department (PWD) revised the lease rent from 1989. The next revision of lease rent was due in January 1992 and January 1995.

The Chief Engineer, Public Works Department, Madurai submitted proposal to Government only in May/June 1997 for revising the lease rent to Rs.4.40 lakh per annum from January 1992 and to Rs.9.50 lakh per annum from January 1995; but the proposal had not been approved by the Government, so far.

Rent at revised rates was, however, demanded from IOC by EE, PWD, Periyar Vaigai Basin Division in September 1997. However, IOC appealed in May 1998 to the Government for reconsideration of the revised rent on the plea that it was a public service organisation and that the upward revision would adversely affect the viability of its operation. No decision has been taken by the Government on the appeal of the IOC so far (March 2003).

Government's indecision on the proposal made by CE in May 1997 for revision of lease rent resulted in short collection of lease rent to the tune of Rs.57.84 lakh for the period January 1992 to December 2002. Moreover, further revisions had also become due in January 1998 and January 2001.

The matter was referred to Government in March 2003; reply had not been received (October 2003).

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