

CHAPTER VIII: GEOLOGY AND MINING

8.1 Tax administration

Chhattisgarh State is the second largest mineral producing State having 13 *per cent* share in all India production. The State is endowed with rich deposits of minerals such as iron ore, coal, diamond, limestone, bauxite, gold, dolomite, tin ore, fireclay etc. Royalty and rent are the major sources of revenue from mineral wealth. Mining activities mainly include processing of applications for tax, assessment, realisation of revenue, prevention of illegal mining and other activities leading to leakage of revenue. There is also a flying squad which works under the control of the Director.

Assessment of royalty and collection thereon is governed under the Act, Rules and Circulars mentioned below:

- Mines and Minerals (Regulation and Development) Act, 1957 (MMRD Act);
- Mineral concession Rules, 1960 (MCR);
- Mineral Conservation and Development Rules, 1988 (MCD Rules);
- Madhya Pradesh Minor Mineral Rules, 1996(MPMMR); and
- Orders, circulars and instructions issued from time to time.

The Geology and Mining Department is headed by Principal Secretary. He is assisted by Director, Deputy Directors, Assistant Mining Officer, District Mining Officer and Mining Inspector.

8.2 Analysis of budget preparation

Budget is prepared as per Chhattisgarh budgetary manual. The budget procedures provide that the estimates of receipts should show the amount expected to be realised within the year. In estimating the revenue, the calculation should be based upon the actual demand including any arrears due for the past years and probability of their realisation during the year. The controlling officer is required to examine the budget proposals received from the concerned field officers and submit it to the Finance Department.

In the Department, the controlling officer calls for the receipts of the year from all the concerned field offices and consolidates it. After scrutiny, the budget proposal is submitted to the Finance Department. After discussion between the officers from the Department and Finance Department, budget is approved by the Finance Department.

8.3 Trend of receipts

Actual receipts from Geology and Mining Department during the years 2005-06 to 2009-10 along with the total tax receipts is exhibited in the following table :

(₹ in crore)

Year	Budget estimates	Actual receipts	Variation excess (+)/ shortfall (-)	Percentage of variation	Total non-tax receipts of the state	Percentage of the actual receipts vis-à-vis total tax
2005-06	700.00	721.12	(+) 21.12	(+) 3.02	1229.53	58.65
2006-07	824.62	813.42	(-) 11.20	(-) 1.36	1451.34	56.05
2007-08	983.52	1031.55	(+) 48.03	(+) 4.88	2020.45	51.05
2008-09	1185.50	1243.24	(+) 57.74	(+) 4.87	2202.21	56.45
2009-10	1685.40	1660.87	(-) 24.53	(-) 1.46	3043.00	54.58

The contribution of mining receipt (royalty, rent, interest) to the total non-tax revenue of the state during the last five years as revealed from the above table was between 51.05 and 58.65 *per cent*. The actual receipts during above period exceeded the budget estimates except 2006-07 and 2009-10 where the actual receipts were less by 1.36 and 1.46 *per cent* respectively than the budget estimates. The department did not inform the reasons for variations.

8.4 Arrears of revenue

The arrears of revenue as on 31 March 2010 was ₹ 2.09 crore of which ₹ 1.61 crore were outstanding for more than five years. The following table depicts the position of arrears of revenue during the period 2005-06 to 2009-10:

(₹ in crore)

Year	Opening balance of arrears	Demand raised during the year	Amount collected during the year	Closing balance of arrears
2005-06	2.12	0.00	0.32	1.80
2006-07	1.80	0.12	0.09	1.83
2007-08	1.83	0.01	0.08	1.76
2008-09	1.76	0.14	0.21	1.69
2009-10	1.69	0.5	0.10	2.09

The foregoing table indicates that there was marginal recovery of arrears of revenue. The Government needs to take appropriate measures to recover the arrears.

8.5 Impact of audit

8.5.1 : Position of IRs : During the last five years, audit through its Audit Reports had pointed out non/short levy of royalty, dead rent, non/short realisation of royalty, dead rent, loss of revenue due to non-levy of interest, penalty etc. with revenue implication of ₹ 708.61 crore in 2140 cases. Of these, the Department/ Government had accepted audit observations in 1537 cases involving ₹ 361.06

crore and had since recovered ₹ 0.96 crore. The details are shown in the following table:

(₹ in crore)

Year of Audit Report	No. of units audited	Amount objected		Amount accepted		Amount recovered	
		Cases	Amount	Cases	Amount	Cases	Amount
2004-05	5	231	23.63	229	22.72	3	0.07
2005-06	10	484	261.80	349	59.27	3	0.04
2006-07	11	21	335.00	16	221.00	4	0.42
2007-08	13	640	68.09	470	56.62	5	0.29
2008-09	12	764	20.09	473	1.45	1	0.14
Total		2140	708.61	1537	361.06	16	0.96

8.5.2 : Position of Audit Reports : In the Audit Report 2004-05 to 2008-09 cases of non/short levy and realisation of royalty dead rent, interest, under assessment of stamp duty and registration fees were indicated involving ₹ 652.99 crore. The Department accepted observation of ₹ 391.02 crore of which ₹ 5.74 crore were recovered till March 2010 as shown in the following table:

(₹ in crore)

Sl. No	Year of the Audit Report	Total money value objected	Amount accepted	Recovery made up to March 2010
1.	2004-05	5.87	-	0.81
2.	2005-06	228.61	1.49	1.42
3.	2006-07	1.49	1.38	0.04
4.	2007-08	12.59	12.20	3.34
5.	2008-09	404.43	375.95	0.13
	Total	652.99	391.02	5.74

The Department should take initiative for recovery as pointed out in Audit Report.

8.6 Internal Audit

Internal Audit Wing (IAW) is attached to the office of the Director having two Deputy Directors (Mining) who are auditing eight units each during the year and prepare report of each unit for compliance. The IAW instructs the mining authorities to take necessary steps to detect the cases of evasion of tax, royalty etc. The Government may ensure that IAW conducts the number of inspections required for this and ensure time bound action by the mining authorities on the observations of the IAW so as to safeguard revenue and also to avoid recurrence of mistakes in future.

8.7 Results of audit

Test check of the records of seven units relating to Geology and Mining department revealed underassessment of stamp duty and registration fees from mining lease holders, short/non-levy and realisation of royalty, dead rent, interest,

other miscellaneous receipts etc. amounting to ₹ 4.64 crore in 396 cases which fall under the following categories:

(₹ in crore)			
Sl. No.	Categories	No. of cases	Amount
1.	Underassessment of royalty and interest	4	1.29
2.	Short levy/recovery of stamp duty and registration fees	11	0.73
3.	Non/short levy of dead rent and interest	62	0.17
4.	Other irregularities	319	2.45
Total		396	4.64

During the course of the year, the Department accepted under assessment of ₹ 2.33 crore in 335 cases. The Department recovered ₹ 4.83 crore in 45 cases pointed out by audit in earlier years.

After issue of draft paragraphs, the Department recovered amount of ₹ 1.28 lakh in full in one case.

A few illustrative cases involving ₹ 1.50 crore are mentioned in the following paragraphs.

8.8 Audit observations

Scrutiny of the records of mining department indicated several cases of non-observance of provisions of Act/Rules, non/short levy of tax and other cases as mentioned in the succeeding paragraphs of this chapter. These cases are illustrative and are based on test check carried out by us. Such omissions on the part of assessing authorities are pointed out in audit each year but not only do the irregularities persist but these remain undetected till an audit is conducted. There is a need for the Government to improve the internal control system including the internal audit.

8.9 Non-compliance of the provisions of the Acts/Rules

The Mineral Concession (MC) Rules, 1960 and Madhya Pradesh Minor Mineral (MPMM) Rules, 1996 provide for levy of :

- i) interest on belated payment of royalty;*
- ii) re-allotment of inoperative mines; and*
- iii) levy of penalty and realisation of dead rent.*

8.10 Short realisation of royalty and interest thereon

According to Rule 9(1) of the Mines and Minerals (Development and Regulation) Act 1957, the holder of a mining lease shall pay royalty in respect of any mineral removed or consumed by him from the leased area at the rate specified in Schedule, failing which interest at the rate of 24 *per cent* per annum is leviable on unpaid royalty.

We found in the test check of the records of four¹ Mining Offices (MO) (between April 2008 and August 2008) that in nine cases, the lessee paid royalty of ₹ 4.41 crore against the assessed royalty of ₹ 5.19 crore. The department neither issued demand notice for levy of balance royalty of ₹ 0.78 crore nor levied the interest of ₹ 0.27 crore on the unpaid royalty. This resulted in short realisation of revenue of ₹ 1.05 crore.

After we pointed out the case, the Department replied (October 2010) that an amount of ₹ 77.22 lakh has been recovered and for the balance recovery of ₹ 28.44 lakh demand notice has been issued to the lessees.

¹ Bilaspur, Durg, Janjgir and Raipur.

8.11 Short levy/recovery of stamp duty & registration fee on mining lease deed

As per instructions of Government of Madhya Pradesh as applicable to Chhattisgarh Mining Resources Department, stamp duty leviable on renewal of mining lease is calculated on the basis of mineral to be extracted as shown in the application, average quantity of production in last three years or quantity of production given in the mining plan whichever is higher.

We found in the test check of records of two² District Mining Officers (July and November 2009) that while sanctioning two new mining leases of Dolomite and Iron ore for a period of 30 years and 20 years with effect from (w.e.f.) 16.7.2008 and 30.9.2008 respectively, lease deed was executed/ registered on the basis of average production of first five years shown in the mining plan instead of average of proposed production for the complete lease period as per the instruction *ibid*. This

resulted in short levy/recovery of stamp duty and registration fee of ₹ 39.89 lakh as detailed in the following table:

(₹ in lakhs)

Name of lessee	Name of mineral	Period of lease (yrs)	Average of proposed production		Amount of annual royalty	Stamp duty			Registration fee		
			As per application (MT)	As per mining plan (MT)		Leviable	Levied	Short levy	Leviable	Levied	Short levy
Shri Balaji Trading Company	Dolomite	30	966.67	43428	19.54	6.84	1.75	5.09	5.13	1.31	3.82
M/s Godawari Power & Ispat Ltd.	Iron ore	20 years	----	7.05	190.35	39.97	38.68	1.29	29.98	0.29	29.69
Total						46.81	40.43	6.38	35.11	1.60	33.51

During discussion, Government stated (September 2010) that letter has been issued to the lessee by District Registrar, Janjgir Champa to deposit the differential amount of stamp duty and registration fee amounting ₹ 8.91 lakh and in other case the lessee has deposited the amount of stamp duty and registration fee amounting ₹ 30.98 lakh.

² Janjgir and Kanker.

8.12 Non-realisation of dead rent and interest thereon

According to the Rule 30(1)(a) of the Chhattisgarh Minor Mineral Rules, 1996, lessee shall pay, for every year except for the first year of the lease, yearly dead rent 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 year. If the lessee fails to pay the dead rent due in time, he shall be liable to pay interest at the rate of 24 *per cent* per annum for the period of default.

We found in the test check of the records of the Deputy Director, Mining Branch Collectorate, Raipur (April 2009) that in 24 cases the lessee did not pay dead rent amounting to ₹ 3.52 lakh for the years 2005 to 2009. The Deputy Director had also not raised any demand for rent of ₹ 3.52 lakh and interest of ₹ 0.77 lakh thereon. This resulted in non-realisation of revenue of ₹ 4.29 lakh.

During discussion, the Government stated (September 2010) that out of 24 lease holders, an amount of ₹ 2.41 lakh has been recovered from 14 lease holders and Revenue Recovery Certificates have been issued in respect of the remaining 10 lease holders for recovery of ₹ 1.88 lakh.

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