

CHAPTER-VI
MINING RECEIPTS



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6.1 Tax Administration

The Principal Secretary to the Government of Meghalaya, M&G Department is in overall charge of the Department at the Government level. The Director of Mineral Resources (DMR) is the administrative head of the Department. At the district level, the Divisional Mining Officers (DMOs) have been entrusted with the collection of royalty and cess on minerals and issuing of permits. The collection of tax is governed by the Mines & Minerals (Development & Regulation) Act, 1957, the Mineral Concession Rules, 1960 and the Meghalaya Minerals Cess Act, 1988.

6.2 Internal audit

The M&G Department has no separate Internal Audit Wing (IAW). Despite the same being pointed out by audits earlier, no action has been taken by the Department to create an IAW to monitor the working of the Department.

Recommendation: *The Department may look into the possibility of creating an Internal Audit Wing to effectively monitor the functioning of the Department.*

6.3 Results of Audit

Test check of the records of three units relating to M&G Department during 2015-16 revealed under-assessment of tax and other irregularities involving ₹ 271.78 crore in 19 cases which fall under the following categories:

Table 6.1

(₹ in crore)			
Sl. No.	Category	Number of cases	Amount
1.	Non/Short realisation of revenue	17	270.86
2.	Loss of revenue	01	0.91
3.	Other irregularities	01	0.01
Total		19	271.78

During the course of the year, the Department accepted under-assessments and other deficiencies amounting to ₹ 159.62 crore in seven cases. No recovery was intimated in any of the cases during the year 2015-16.

A few illustrative cases having financial impact of ₹ 19.76 crore in terms of short/non-realisation of revenue are discussed in the paragraphs 6.4 to 6.7.

6.4 Outstanding royalty on the assessed coal not realised

The Department failed to realise royalty amounting to ₹ 16.47 crore on 2.44 lakh MT of declared/assessed coal.

[DMO, Jowai; November 2015]

Section 9(2) of the Mines and Minerals (Development and Regulation) (MMDR) Act, 1957 lays down that every licensee or permit holder or lessee shall pay the prescribed royalty in respect of mineral removed or consumed by him. In Meghalaya, coal mining was banned by the NGT from April 2014¹. The NGT, however, constituted a committee to oversee the transportation of the already extracted coal. The committee accordingly framed the guidelines in September 2014 for transportation of the extracted coal. The guidelines *inter alia* provided that royalty was payable on the quantity of extracted coal declared (by the mine owners) or assessed (by the NGT committee), whichever was higher. The M&G Department, Government of Meghalaya in November 2014 directed that payment of royalty on the declared/assessed coal should be made by the mine owners within 45 days from the date of issue of permits by the DMR. In Meghalaya, royalty on coal is ₹ 675 per MT². Failure to pay royalty entails penalty at 25 per cent of the royalty amount³.

It was observed during audit of the records of 111 mine owners of East Jaintia Hills and nine mine owners of West Jaintia Hills under the jurisdiction of the DMO, Jowai (November 2015) that 4.16 lakh MT of extracted coal was declared/assessed as on November 2014 on which royalty of ₹ 28.08 crore was payable. However, the mine owners paid royalty amounting to ₹ 11.61 crore on only 1.72 lakh MT on instalment basis between November 2014 and February 2015, thereby resulting in not paying of royalty amounting to ₹ 16.47 crore on the balance 2.44 lakh MT of coal.

Despite the information relating to entire extracted quantity of coal being available in the case records, no action was taken by the DMO to direct the mine owners to deposit the balance amount or take action against the mine owners for non-payment of royalty on the balance quantity of coal. Thus, inaction of the DMO in realising the outstanding royalty from the defaulting mine owners led to non-realisation of royalty amounting to ₹ 16.47 crore (**Annexure XIX**) on which penalty of ₹ 4.12 crore was also leviable.

The case was reported to the M&G Department, Government of Meghalaya in January 2016; their reply had not been received (December 2016).

¹ Based on a petition filed by the Dimasa Students Union, Assam that unregulated coal mining in Meghalaya was polluting the downstream rivers in Assam.

² Vide a notification dated 22 June 2012.

³ Vide the same notification dated 22 June 2012.

6.5 Short realisation of cess on limestone

Under reporting of 8.62 lakh MT of limestone exported to Bangladesh resulted in short realisation of cess of ₹ 1.72 crore.

[DMO, Jowai; November 2015]

Section 6(2) of the Meghalaya Mineral Cess Act, 1988 provides that no person shall remove or transport or attempt to remove or transport limestone from any mine or quarry in the State unless the tax due under the Act has been paid. In Meghalaya, cess on limestone is leviable at ₹ 20 per MT⁴.

It was observed from the records pertaining to export of minerals to Bangladesh that between April 2014 and March 2015, the Dawki Land Custom Station (LCS), Government of India recorded export of 10.74 lakh MT of limestone. However, cross-verification with the records of DMO, Jowai revealed that during the same period, 2.12 lakh MT of limestone was exported to Bangladesh through the Mining check gate located at Dawki.

Though the DMR check gate and the LCS are situated at the same location, audit observed that there was no system in place in the Mining & Geology Department to cross verify and reconcile the figures/data of the Mining checkgate with the records of the LCS. Absence of a suitable mechanism to monitor the activities of the Mining checkgate therefore resulted in under reporting of export of 8.62 lakh MT of limestone to Bangladesh by the Mining checkgate, resulting in short realisation of cess amounting to ₹ 1.72 crore⁵.

The Department may examine the reasons leading to aforesaid lapse and also evolve a system of periodic exchange of information with the LCS so as to monitor the activities of the checkgate.

The case was reported to the M&G Department, Government of Meghalaya in January 2016; their reply had not been received (December 2016).

6.6 Evasion of cess on limestone

There was evasion of cess on 4.59 lakh MT of limestone utilised by a cement company amounting to ₹ 0.92 crore.

[DMO, Jowai; November 2015]

Section 9 (2) of the MMDR Act, 1957 lays down that every licensee or permit holder or lessee shall pay the prescribed royalty in respect of minerals removed or consumed by him. The Mining & Geology Department collects royalty on limestone only from the mining lease areas and the Forest Department collects royalty on limestone from the non-mining lease areas. However, the Mining & Geology Department collects

⁴ With effect from 6 January 2009.

⁵ 862352 MT x ₹ 20 = ₹ 17247040

cess on limestone removed or extracted from all regions including non-mining lease areas. In Meghalaya, cess on limestone is leviable at ₹ 20 per MT⁶.

It was observed from the monthly reports submitted to the DMO, Jowai pertaining to receipts and utilisation of limestone by the cement companies that between June 2014 and May 2015, a cement company⁷ failed to submit information pertaining to the quantity of limestone utilised and pay any royalty or cess thereon. However cross-check, by audit, with the records of the Divisional Forest Officer, Jaintia Hills, Territorial Division, Jowai revealed that during the same period the cement company utilised 4.59 lakh MT of limestone on which cess⁸ amounting to ₹ 0.92 crore was realisable. Thus, due to absence of a proper system of periodic exchange of information between Government departments, the cement company concealed information pertaining to utilisation of 4.59 lakh MT of limestone resulting in evasion of cess of ₹ 0.92 crore⁹.

The case was reported to the M&G Department, Government of Meghalaya in January 2016; their reply had not been received (December 2016).

6.7 Interest not realised

Interest amounting to ₹ 0.65 crore was not realised from five lessees for dues not paid or paid belatedly.

[DMO, Jowai; November 2015]

Rule 64 A of the Mineral Concession Rules, 1960 provides that if the dues payable by a lessee are not paid within the time specified, simple interest at the rate of 24 per cent per annum may be charged on the amount remaining unpaid from the sixtieth day of the expiry of the date fixed for payment of such dues. For the purpose of calculation of interest, the M&G Department, Government of Meghalaya fixed the due dates as follows:

Half yearly ending	Due Date
30 June	31 July
31 December	31 January

From the records pertaining to payment of royalty by the lessees under DMO, Jowai, it was observed that five lessees¹⁰ utilised 16.58 lakh MT of limestone between July 2014 and December 2014 against which they were liable to pay royalty of ₹ 3.17 crore by January 2015. Out of the five lessees, one lessee¹¹ paid the royalty amounting to ₹ 0.27 crore belatedly (after the expiry of the sixtieth day from the due date) in July

⁶ With effect from 6 January 2009.

⁷ M/s Amrit Cement Ltd.

⁸ The Forest Department had directed the cement company to pay royalty. Hence the Mining Department was to realise only cess on the limestone utilised.

⁹ 459039 MT x ₹ 20 = ₹ 9180780

(i) Adhunik Cement, (ii) Cement Manufacturing Company Ltd., (iii) JUD Cement, (iv) Hills Cement and (v) Meghalaya Minerals and Mines Ltd.

¹¹ Adhunik Cement (*Belated payment of royalty*)

2015 while the other four lessees failed to pay the royalty amounting to ₹ 3.05 crore on the limestone utilised.

Despite the lessees failing to pay the royalty by the due date, no action was taken by the DMO to levy interest amounting to ₹ 0.65 crore (**Annexure XX**) for non/belated payment of royalty¹².

The case was reported to the M&G Department, Government of Meghalaya in January 2016; their reply had not been received (December 2016).

¹² The DMO issued demand notices to the four lessees for non-payment of royalty. Hence the royalty aspect has not been brought out in the para.