

CHAPTER-VII: NON-TAX RECEIPTS

A. Mines and Geology Department

7.1 Tax administration

The levy and collection of royalty in the State is governed by the Mines and Mineral (Development and Regulation) Act, 1957, the Mineral Concession Rules, 1960 and the Jharkhand Minor Mineral Concession Rules, 2004. At the Government level, the Secretary, Mines and Geology Department and at the department level, the Director of Mines is responsible for administration of the Acts and Rules in the Mines Department. The Director of Mines is assisted by an Additional Director of Mines (ADM) and Deputy Director of Mines (DDM) at the headquarters level. The State is divided into six circles⁸⁷, each under the charge of a DDM. The circles are further divided into 24 district mining offices⁸⁸, each under the charge of a District Mining Officer (DMO)/Assistant Mining Officer (AMO). The DMOs/AMOs are responsible for levy and collection of royalty and other mining dues. They are assisted by Mining Inspectors (MIs) who are authorised to inspect the lease hold areas for production and dispatch of minerals.

7.2 Trend of receipts

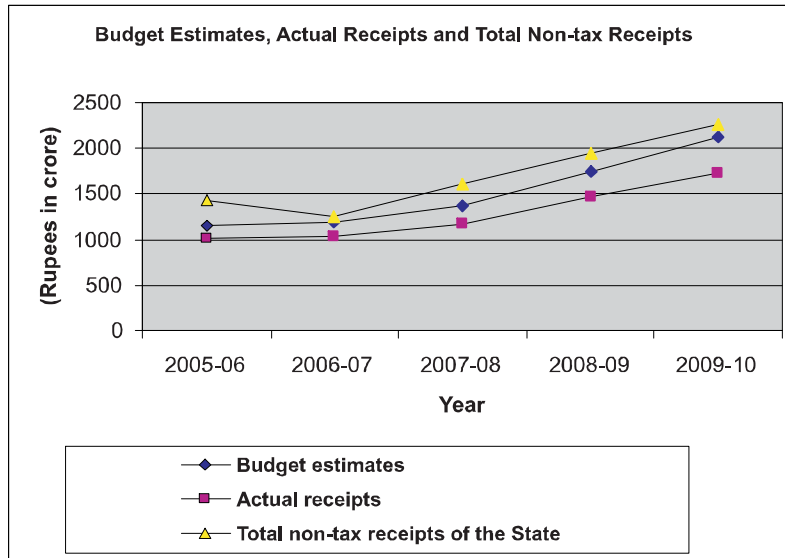
Actual receipts from 'Mineral Concession, Fees and Royalties' against budget estimates (BEs) during the period 2005-06 to 2009-10 along with the total non-tax receipts during the same period is exhibited in the following table and graph:

(Rupees in crore)

Year	Budget estimates	Actual receipts	Variation excess (+)/shortfall (-)	Percentage of variation	Total non-tax receipts of the State	Percentage of actual receipts vis-à-vis total non-tax receipts
2005-06	1,151.40	1,013.15	(-) 138.25	(-) 12	1,426.53	71.02
2006-07	1,200.00	1,022.15	(-) 177.85	(-) 15	1,250.40	81.75
2007-08	1,362.00	1,177.77	(-) 184.23	(-) 14	1,601.40	73.55
2008-09	1,740.00	1,477.94	(-) 262.06	(-) 15	1,951.74	75.72
2009-10	2,126.47	1,733.15	(-) 393.32	(-) 18.5	2,254.15	76.89

⁸⁷ Chaibasa, Daltonganj, Dhanbad, Dumka, Hazaribag and Ranchi.

⁸⁸ Bokaro, Chatra, Chaibasa, Daltonganj, Deoghar, Dhanbad, Dumka, Garhwa, Giridih, Godda, Gumla, Hazaribag, Jamshepur, Jamtara, Khunti, Koderma, Latehar, Lohardaga, Pakur, Ramgarh, Ranchi, Sahebganj, Saraikele and Simdega.



The reasons for variation between the BEs and the actual receipts though called for (October 2010) were not furnished (March 2011).

As would be evident from the above there were wide variations between the BEs and the actual receipts which indicates that the BEs, which are an important part of the financial planning of the Government, were not framed on a realistic basis.

We recommend that the Government may issue suitable instructions to the Department for preparing the BEs on a realistic and scientific basis to ensure that these are close to the actual receipts.

7.3 Arrears of revenue

The Department intimated that arrears as on 31 March 2010 amounting to ₹ 285.58 crore were outstanding, of which ₹ 182.65 crore were certified for recovery as arrears of land revenue. Recovery of ₹ 66.61 crore and ₹ 0.34 crore were stayed by various courts and by the Government respectively. Recovery of ₹ 2.58 crore was held up due to rectification/revision of applications while recovery of ₹ 3.12 crore was held up due to lessees becoming insolvent. An amount of ₹ 0.07 crore was likely to be written off. Specific action taken in respect of a sum of ₹ 30.21 crore has not been intimated.

Thus, it would be seen from the above that 64 *per cent* of the total amount was pending settlement due to non-settlement of certified cases and 23 *per cent* was pending settlement due to non-finalisation of the court cases. Action is required to be taken to recover the amount of ₹ 30.21 crore, which is 11 *per cent* of the total amount, under the provisions of the Bihar and Orissa Public Demands Recovery Act, 1914.

We recommend that the Government may consider issuing directions to the Department for speedy settlement of the arrear cases by constant monitoring of court/certified cases and recovering the arrears as arrears of land revenue by invoking the provisions of the Bihar and Orissa Public Demands Recovery Act, 1914.

7.4 Results of audit

During the year 2009-10 we test checked the records of 11 units relating to 'Mineral Concession, Fees and Royalties', 23 units of 'Forest Receipts' and two units of irrigation receipts and found under assessment and loss of rent, royalty, fee etc. and other irregularities involving ₹ 151.35 crore in 1,224 cases which fall under the following categories:

(Rupees in crore)			
Sl. No.	Categories	No. of cases	Amount
1.	Non-levy or short levy of royalty	28	33.43
2.	Short levy of royalty due to down grading of coal	2	0.03
3.	Non-levy of penalty for consumption of illegal minerals by works contractors	27	0.38
4.	Non-levy of interest	2	0.28
5.	Non-levy of penalty/fee	9	3.57
6.	Non-initiation of certificate proceedings	2	1.20
7.	Other cases	179	87.76
Total		249	126.65
FOREST RECEIPTS			
1.	Loss of revenue due to departmental lapses	180	1.83
2.	Loss of revenue due to delay in initiation of certificate cases	80	0.21
3.	Loss of revenue due to non registration of saw mills	4	0.04
4.	Non-disposal of forest produce	464	0.67
5.	Non-eviction of encroached forest land	125	0.71
6.	Other cases	74	20.50
Total		927	23.96
WATER RATES			
1.	Other cases	48	0.74
Total		48	0.74
Grand total		1,224	151.35

During the course of the year, the Department accepted underassessments and other deficiencies amounting to ₹ 14.67 crore in 652 cases pointed out by us during 2009-10 and in earlier years.

A few illustrative cases involving ₹ 11.26 crore are mentioned in the following paragraphs:

7.5 Audit observations

Our scrutiny of records in the offices of the Mines and Geology department relating to revenue received from royalty indicated several cases of non-observation of the provisions of the Acts/Rules resulting in non/short levy of royalty/penalty and other cases as mentioned in the succeeding paragraphs in the chapter. These cases are illustrative and are based on the test check carried out in audit. Such omissions are pointed out by us each year, but not only do the irregularities persist; these remain undetected till an audit is conducted. There is need for the Department to improve the internal control system indicating strengthening internal audit so that such omissions can be avoided, detected and corrected.

7.6 Non-observance of the provisions of Acts / Rules

The Mines and Mineral (Development and Regulation) Act, 1957, the Mineral Concession Rules, 1960 and the Jharkhand Minor Mineral Concession Rules, 2004 provide for:

- (i) payment of royalty on the minerals removed and consumed from the lease area at the rates prescribed, and within the due dates; and*
- (ii) payment of price of minerals in addition to royalty for the minerals extracted without valid lease/permit, treating the mining as illegal.*

The Mines and Geology department did not observe some of the provisions of the Acts/Rules in the cases mentioned in paragraphs 7.6.1 to 7.6.3 for levy and collection of royalty.

7.6.1 Non-levy of interest for delayed payment of royalty

Under the provisions of Rule 64 A of the Mineral Concession Rules, 1960, the State Government may levy simple interest of 24 per cent per annum on royalty not paid within 60 days of expiry of the date of payment fixed for payment of such royalty.

We noticed in January 2010 in the District Mining Office, Pakur that a lessee paid royalty for the minerals produced/extracted during 2008-09 with an average of delay of 10 days after expiry of the due dates for payment. However, no interest

was charged by the Department for such belated payment. This resulted in non-levy of interest of ₹ 27.15 lakh.

After we pointed out this in January 2010, the Department intimated (August 2010) that demand as pointed out by audit was raised in May 2010 and certificate proceedings have been initiated against the lessee for recovering the amount.

7.6.2 Short levy of royalty

The Mines and Minerals (Development and Regulation) Act, 1957 provides that the holder of a mining lease is required to pay royalty on removal or consumption of the mineral from the leased area at the rates prescribed in the schedule in respect of that mineral.

We noticed in the District Mining Office, Pakur in January 2010, that a lessee dispatched 61.56 lakh MT of different grades of coal during 2008-09 and paid a lump sum amount of royalty at the rate of

₹ 110.37 per MT each month as against grade-wise (C, D, E and F) rate of royalty of ₹ 148, ₹ 128, ₹ 114.50 and ₹ 93 per MT respectively worked out on the basis of the notification issued by Coal India Ltd. The department failed to scrutinise the returns properly and raise the demand accordingly. This resulted in short levy of royalty of ₹ 10.85 crore.

After we pointed out this in January 2010, the Department intimated (August 2010) that demand as pointed out by audit was raised in May 2010 and certificate proceedings have been initiated against the lessee for recovering the amount.

7.6.3 Non-levy of penalty for illegal mining by works contractors

Under the provisions of the Jharkhand Minor Mineral Concession Rules, 2004, civil works contractors are required to purchase minor minerals only from the authorised lessees/ permit holders and authorised dealers. It further provides for submission of affidavits in form 'O' and particulars in form 'P' by the works contractors to the Works department indicating therein details of sources of purchase of minerals, price paid and quantity procured along with the bills. The Works department, in turn, is required to forward the photocopies of form 'O' and 'P' to the Mining department for verification of the details of minerals procured and consumed. In case of non-compliance, penalty not exceeding the amount of royalty is leviable by the collector

We noticed in the District Mining Office, Lohardaga in June 2009, that seven works divisions deposited royalty amounting to ₹ 14.22 lakh for the minerals consumed in the works contracts without forwarding the photocopies of form 'O' and 'P' to the mining office for verification of the details of minerals procured and consumed. The department did not take

any action to levy the penalty amounting to ₹ 14.22 lakh.

After the cases were pointed out in June 2009, the Department intimated (August 2010) that the works divisions have been asked to pay penalty equivalent to the amount of royalty and in case of non-payment of the same, certificate cases would be instituted under the Public Demands Recovery Act.

B. FOREST DEPARTMENT

7.7 Non-disposal of seized forest produce

Under the provisions of the Indian Forest Act, 1927 and instructions issued by the Principal Chief Conservator of Forest, Bihar in May 1959 and July 1996, seized forest produces involved in court cases are required to be disposed of immediately after obtaining permission of the Court to avoid natural decay.

We test checked the records of six forest divisions which revealed that timber valued at ₹ 29.26 lakh (418 cases), as mentioned below were seized by the Department during 2004-09 and the cases were forwarded to the court.

(Rupees in lakh)

Sl. No.	Name of Division	Year	No. of cases	Amount of royalty (as assessed by the division)
1	Dalbhum Forest Division, Jamshedpur	2008-09	18	1.96
2	Hazaribag (East) Forest Division	2004-05	39	3.96
		2005-06	53	3.66
		2006-07	56	2.84
		2007-08	29	1.80
		2008-09	35	2.71
3	Koderma Forest Division	2007-08	33	2.01
		2008-09	84	4.93
4	Ranchi West Division, Lohardaga	2008-09	34	1.62
5	Sahebganj Forest Division	2008-09	12	1.12
6	Saranda Forest Division, Chaibasa	2005-06	10	1.39
		2006-07	10	0.81
		2007-08	2	0.09
		2008-09	3	0.36
Total			418	29.26

The seized forest produce was required to be disposed of after obtaining the court's orders which were not obtained and the forest produce remained undisposed. This resulted in blocking of revenue of ₹ 29.26 lakh. Further, timber lying in the open and exposed to the vagaries of nature was likely to deteriorate in quality and would consequently fetch less value in the market at the time of their sale.

The matter was reported to the Government in June 2010; their reply has not been received (March 2011).

Ranchi
The

(Mridula Sapru)
Principal Accountant General (Audit)
Jharkhand

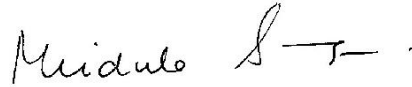
Countersigned

New Delhi
The

(Vinod Rai)
Comptroller and Auditor General of India

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The

(Mridula Sapru)
Principal Accountant General (Audit)
Jharkhand

Countersigned



New Delhi
The

(Vinod Rai)
Comptroller and Auditor General of India