

## CHAPTER-VII

### EXECUTIVE SUMMARY

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**Results of audit**

Test check of records in the offices of the District Geologists and Director of Petroleum in the State during the year 2012-14 revealed under-assessment and other irregularities involving ₹ 20.77 crore in 56 cases.

During the course of the year, the Department accepted and recovered under-assessment and other irregularities of ₹ 28.63 lakh in six cases

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**What we have highlighted in this Chapter**

Test check of the Demand and Collection Registers of office of five District Geologists for the period 2011-13 revealed short levy of dead rent in 80 cases involving ₹ 52.03 lakh.

In 19 cases of major minerals, though the lessees were liable to pay surface rent annually in respect of land occupied or used, the Department did not levy surface rent on area admeasuring 53.81 lakh sq. mtr. This resulted in non-levy of surface rent of ₹ 5.38 lakh.

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## CHAPTER-VII NON-TAX RECEIPTS

### INDUSTRIES AND MINES DEPARTMENT

#### 7.1 Tax administration

Two Departments of the Government of Gujarat (GoG), viz. the Industries and Mines Department (IMD) and the Energy and Petrochemicals Department (EPD) control the activities of mining in the State. A separate Directorate of Petroleum was formed in 1997. Thereafter, EPD deals with the oil and natural gas and the IMD with the rest of the mineral wealth of the State. The IMD handles the regulation of general mines and minerals, grant of leases of mines/quarries and the levy and collection of royalty and dead rent. It is headed at the Government level by a Principal Secretary and at the Department level, by the Commissioner of Geology and Mining (CGM). The CGM is assisted by the Additional Director (Development), Additional Director (Research), Assistant Director (Appeal and Flying Squad) and 24 District Geologists. The EPD handles the regulation of oil and natural gas. At Government level, the EPD is headed by a Principal Secretary and at the Department level by the Director of Petroleum (DoP).

#### 7.2 Results of audit

Test check of records in the offices of the District Geologists and Director of Petroleum in the State during the year 2012-14 revealed under-assessment and other irregularities involving ₹ 20.77 crore in 56 cases, which fall under the following categories:

Sl. No.	Category	No. of cases	Amount (₹ in crore)
1	Non/short levy of dead rent/surface rent	16	1.06
2	Non/short levy of royalty/interest	8	0.44
3	Other irregularities	28	3.29
4	Non/short levy of surface rent	3	2.76
5	Loss of stamp duty and registration fee/Loss of royalty/Non-recovery of royalty, dead rent and surface rent	1	13.22
	<b>Total</b>	<b>56</b>	<b>20.77</b>

During the course of the year, the Department accepted and recovered under-assessment and other irregularities of ₹ 28.63 lakh in six cases.

A few illustrative audit observations involving ₹ 61.08 lakh are mentioned in the succeeding paragraphs.

### 7.3 Non/short levy of surface rent

Rule 27 of the Mineral Concession Rules, 1960 and Rule 22 of Gujarat Minor Mineral Rules, 1966 provide that the lessee shall also pay surface rent to Government at the rate prescribed by the Government from time to time for the surface area leased to him. The rate of surface rent shall not exceed the rate of non-agriculture assessment prescribed by the Government. As per revised rates effective from 1 August 2007, rates of NAA are ₹ 0.40, ₹ 0.25 and ₹ 0.10 per sq. mtr. per annum for Class A, Class B and Class C of cities/villages respectively.

During test check of the Demand and Collection Registers of two District Geologists for the period 2010-11, we noticed non/ short levy of surface rent in 258 cases involving ₹ 9.05 lakh as detailed as follows:

- During test check of the records of the District Geologist Office, Porbandar, in 19 cases of major minerals situated at Class 'C' village, though the lessees were liable to pay surface rent annually in respect of land occupied or used, the Department did not levy surface rent on area admeasuring 53.81 lakh sq. mtr. This resulted in non-levy of surface rent of ₹ 5.38 lakh.
- During test check of the records of the District Geologist Office, Jamnagar, we noticed in 239 cases of minor minerals situated at Class 'C' village that surface rent was being levied at the rate of ₹ 100 per hectare as against the correct rate of the NAA as prescribed by the Revenue Department from time to time which was ₹ 1,000 per hectare. Thus, incorrect application of rate of surface rent in 239 quarry/mining leases during 2011-12 to 2012-13 resulted in short levy of surface rent of ₹ 3.67 lakh.

We pointed out these cases to the Department in May 2013 and July 2014. The Department accepted and recovered ₹ 4.06 lakh in 76 cases. In remaining cases, replies have not been received (November 2014).

### 7.4 Non/short levy of dead rent

Under Section 9A(I) the Mines and Minerals (Development and Regulations) Act, 1957 if lease holders do not extract any mineral during the year or royalty paid on removal/consumption of minerals extracted is less than dead rent payable, they are liable to pay the difference between dead rent payable and royalty actually paid as dead rent. The Government of Gujarat revised rates of dead rent in respect of minor minerals with effect from 15 January 2010. Default in payment of dead rent attracts simple interest at the rate of 18 per cent per annum.

During test check of the Demand and Collection Registers of office of five District Geologists<sup>1</sup> for the period 2011-12 and 2012-13, we noticed non/ short levy of dead rent in 80 cases involving ₹ 52.03 lakh as follows:

<sup>1</sup> Amreli, Bhuj, Himatnagar, Jamnagar and Surat

- In 60 cases, the lease holders did not extract any minerals from the leased area. They were liable to pay dead rent. However, no demand for the same was raised by the Department. This resulted in non-levy of dead rent of ₹ 46.16 lakh.
- In 20 cases, the lessees paid royalty of ₹ 4.60 lakh on the minerals excavated. The dead rent of the area worked out to ₹ 10.47 lakh. However, the Departmental officials did not recover differential amount between dead rent and royalty. This resulted in short levy of dead rent of ₹ 5.87 lakh.

We pointed out these cases to the Department between May 2013 and June 2014. The Department recovered ₹ 14.47 lakh in 26 cases. In remaining cases, their replies had not been received (November 2014).



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