

**CHAPTER-VI**  
**MINING RECEIPTS**

## CHAPTER–VI: MINING RECEIPTS

### 6.1 Tax administration

The levy and collection of royalty in the State is governed by the Mines and Minerals (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. 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 circles<sup>1</sup>, each under the charge of a DDM. The circles are further divided into 24 district mining offices<sup>2</sup>, 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). DMOs and MIs are authorised to inspect the lease hold areas and review production and dispatch of minerals.

### 6.2 Results of audit

Test check during 2014-15 of the records of 18 units with revenue collection of ` 2,775.32 crore, out of 50 units relating to the Mines and Geology Department revealed non/short levy of royalty, dead rent, penalty and other irregularities involving ` 407.42 crore in 298 cases as mentioned in the **Table – 6.2**.

**Table – 6.2**

Sl. No.	Categories	(` in crore)	
		No. of cases	Amount
1	Non/short levy of royalty	38	361.19
2	Short levy of royalty due to downgrading of coal	5	27.75
3	Non-institution of certificate proceedings	1	0.96
4	Other cases	254	17.52
<b>Total</b>		<b>298</b>	<b>407.42</b>

During the course of the year, the Department accepted under-assessments and other deficiencies amounting to ` 2.20 crore in 68 cases pointed out by us during 2014-15. The Department recovered ` 13 lakh in seven cases.

In this chapter a few illustrative cases having recoverable financial implication of ` 367.20 crore have been discussed.

<sup>1</sup> Chaibasa, Daltonganj, Dhanbad, Dumka, Hazaribag and Ranchi.

<sup>2</sup> Bokaro, Chatra, Chaibasa, Daltonganj, Deoghar, Dhanbad, Dumka, Garhwa, Giridih, Godda, Gumla, Hazaribag, Jamshedpur, Jamtara, Khunti, Koderma, Latehar, Lohardaga, Pakur, Ramgarh, Ranchi, Sahebganj, Saraikela-Kharsawan and Simdega.

### 6.3 Non-observance of the provisions of Acts/Rules

*The Mines and Minerals (Development and Regulation) (MMDR) Act, 1957 and the Minerals Concession (MC) Rules, 1960 provide for payment of royalty on the minerals removed and consumed from the leased area at the rates prescribed, within the due dates.*

*The Mines and Geology Department did not observe the provisions of the Acts/Rules with regard to application of correct rate of royalty, scrutiny and verification of monthly returns etc. in the cases mentioned in paragraphs 6.4 to 6.10 which resulted in non/short levy/realisation of ₹ 367.20 crore.*

### 6.4 Short levy of royalty due to application of incorrect rate

**Non-observance of the provisions of the Act/Rules and notifications issued by the Ministry of Coal, Government of India with regard to application of correct rate of royalty resulted in short levy of royalty of ₹ 338.59 crore.**

**6.4.1** We test checked (between October 2014 and January 2015) the monthly returns of 139 leases of coal in four Mining Offices<sup>3</sup> and noticed that 23 lessees had dispatched 136.66 lakh MT of coal during the period between 2009-10 and 2013-14. On these dispatches royalty of ₹ 308.79 crore was levied instead of ₹ 644.94 crore that was to be levied on the basis of basic pit head price of Run of Mines (ROM) coal notified by the Coal India Limited (CIL) as required under the notifications issued by the Ministry of Coal, Government of India and on the basis of sale price of tailings coal. The respective DMOs/AMOs failed to compute royalty on the basis of above provisions. This resulted in short levy of royalty amounting to ₹ 336.15 crore due to application of incorrect rate as mentioned in the **Table – 6.4.1**.

**Table – 6.4.1**

						( ₹ in lakh)
Sl. No.	Name of the office No. of leases	Name of the mineral Period	Quantity dispatched (In lakh MT)	Royalty leviable Royalty levied	Short levied	Remarks
1	Bokaro 2	Coal 2013-14	2.04	516.72 384.47	132.25	Royalty was not calculated on the basis of basic pit head price of ROM coal as notified by the CIL between January 2012 and May 2013.
2	Dhanbad 18	Coal 2013-14	13.87	4,007.64 3,239.79	767.85	
3	Hazaribag 2	Coal 2013-14	4.01	739.34 548.14	191.20	
4	Ramgarh 1	Coal 2009-10 to 2013-14	116.74	59,230.52 26,706.93	32,523.59	Royalty was neither levied on the basis of price of Steel Grade-I coal notified by the CIL between December 2007 and May 2013 nor on Sale price of Tailings coal.
<b>Total</b>	<b>23</b>		<b>136.66</b>	<b>64,494.22 30,879.33</b>	<b>33,614.89</b>	

After we pointed out the cases between October 2014 and January 2015, the DMOs stated that action would be taken after verification of the matter. Further reply has not been received (October 2015).

<sup>3</sup> Bokaro, Dhanbad, Hazaribag and Ramgarh.

**6.4.2** We test checked (March 2015) the monthly returns of 10 leases of iron ore in District Mining Office, Chaibasa and noticed that a lessee had dispatched 14.29 lakh MT of iron ore during 2013-14, on which royalty of ₹ 42.34 crore was levied instead of ₹ 44.07 crore leviable on the basis of grade wise monthly average All India sale price of iron ore, published by the Indian Bureau of Mines (IBM) to be referred when average price for a particular grade of mineral for the State is not published under the provisions of Rule 64D (i) of the MC Rules, 1960. The DMO did not enforce provisions of the Rules for application of correct rates. This resulted in short levy of royalty of ₹ 1.73 crore.

After we pointed out the case (March 2015), the DMO stated that action would be taken after verification of the matter. Further reply has not been received (October 2015).

**6.4.3** We test checked (March 2015) the monthly returns of 41 leases of bauxite in District Mining Offices, Gumla and Lohardaga and noticed that 10 lessees had dispatched 10.60 lakh MT of bauxite during 2013-14, on which royalty of ₹ 11.29 crore was levied instead of ₹ 12 crore leviable on the basis of London Metal Exchange price, as prescribed under provisions of second schedule of the MMDR Act, 1957 and Rule 64D (iv) of the MC Rules, 1960. The DMOs did not enforce provisions of the Rules for application of correct rates. This resulted in short levy of royalty of ₹ 70.56 lakh mentioned in the **Table – 6.4.3**.

Table – 6.4.3

(₹ in lakh)

Sl. No.	Name of the office No. of leases	Name of the mineral Period	Quantity dispatched (In lakh MT)	Royalty leviable Royalty levied	Short levied	Remarks
1	Gumla 2	Bauxite 2013-14	0.42	45.99 45.30	0.69	Royalty was not calculated on the basis of alumina content as per mining plan on the mineral dispatched to alumina and aluminium metal extraction industry.
2	Lohardaga 8	Bauxite 2013-14	10.18	1,153.84 1,083.97	69.87	
<b>Total</b>	<b>10</b>		<b>10.60</b>	<b>1,199.83 1,129.27</b>	<b>70.56</b>	

After we pointed out the cases (March 2015), the DMOs stated that action would be taken after verification of the matter. Further reply has not been received (October 2015).

We reported the matter to the Government in June 2015; their reply has not been received (October 2015).

Similar issue featured in Paragraph No. 7.7 of Audit Report (Revenue Sector) for the year ended 31 March 2013, where the Government informed that demand had been raised for ₹ 32.08 crore, out of which ₹ 4.23 crore had been recovered. However, the nature of lapses/irregularities are still persisting which shows ineffectiveness of the internal control system of the Department to prevent recurring leakage of revenue.

## 6.5 Short levy of royalty due to downgrading of coal

**Non-verification of grades of coal shown in the monthly returns with the grades declared under the provisions of Colliery Control Rules, 2004 resulted in short levy of royalty of ` 27.60 crore.**

We test checked (between November 2014 and March 2015) the monthly returns submitted by 115 collieries with Demand, Collection and Balance (DCB) Register in four District Mining Offices<sup>4</sup> (DMO) and noticed that in 2013-14 four collieries<sup>5</sup> had downgraded the coal of 50.55 lakh MT in their monthly returns as declared under the provisions of Rule 4 (2) of the Colliery Control Rules, 2004. The DMOs were negligent not to verify the grades with those declared by the collieries and levied the royalty on the grades shown in the monthly returns. This resulted in short levy of royalty of ` 27.60 crore as mentioned in the **Table – 6.5**.

**Table – 6.5**

( ` in lakh)						
Sl. No.	Name of the office No. of leases	Period	Quantity dispatched (In lakh MT)	Declared grade Downgraded grade	Royalty leviable Royalty levied	Short levied
1	Dhanbad 1	2013-14	1.77	ST-II(DF) W-II	1,012.78 637.95	374.83
2	Pakur 1	2013-14	48.64	G-8 G-9, G-10, G-11 & G-12	8,419.65 6,053.93	2,365.72
3	Ramgarh 1	2013-14	0.10	G-3 G-5	53.83 38.75	15.08
4	Ranchi 1	2013-14	0.04	G-4 G-5	21.64 17.36	4.28
<b>Total</b>	<b>4</b>		<b>50.55</b>		<b>9,507.90</b> <b>6,747.99</b>	<b>2,759.91</b>

After we pointed out the cases between November 2014 and March 2015, the DMOs stated that action would be taken after verification. Further reply has not been received (October 2015).

We reported the matter to the Government in June 2015; their reply has not been received (October 2015).

## 6.6 Short levy of royalty

**Non-levy of royalty on the mineral removed from lease hold area as per the provisions of MMDR Act, 1957 and MC Rules, 1960 resulted in short levy of royalty of ` 38.34 lakh.**

We test checked (February 2015) the lease records of three lessees of major minerals in District Mining Office, Jamshedpur and noticed that between 2012-13 and 2013-14 a lessee had removed 8.28 lakh MT of copper ore from leased area. However, DMO levied royalty of ` 13.23 crore on 7.67 lakh MT of processed copper dispatched from the concentrator plant located outside the leased area instead of 8.28 lakh MT of copper ore removed from lease hold area as provided in Section 9 of the MMDR Act, 1957. In case of copper ore, the royalty was leviable on the basis of London Metal Exchange price as

<sup>4</sup> Dhanbad, Pakur, Ramgarh and Ranchi.

<sup>5</sup> Bhowra(S) 3 PIT OCP, Panem Coal Mines, Sirka and Churi.

prescribed under second schedule of the Act and Rule 64D of the MC Rules. Thus, royalty of ` 13.62 crore was leviable on 8.28 lakh MT of copper ore resulting in short levy of royalty of ` 38.34 lakh.

After we pointed out the case in February 2015, the Assistant Mining Officer stated that matter would be examined. Further reply has not been received (October 2015).

The matter was reported to the Government in June 2015; their reply has not been received (October 2015).

### **6.7 Non/Short levy of dead rent**

**Non-levy of dead rent on non-operational lease holders as per the provisions of MMDR Act, 1957 resulted in non/short levy of dead rent of ` 20.05 lakh.**

We test checked (between August 2014 and March 2015) the monthly returns of 91 lessees with Demand, Collection and Balance (DCB) Register in four Mining Offices<sup>6</sup> and noticed that in case of 38 leases, covering an area of 1,750.069 hectares, the lessees did not extract minerals during 2012-13 and 2013-14 and were liable to pay dead rent under the provisions of Section 9A of the MMDR Act, 1957. The DMOs were negligent and did not exercise periodical checks of DCB Register, consequently a partial demand of dead rent of ` 2.61 lakh could be raised in six cases only instead of ` 22.66 lakh leviable under the above provisions of the Act. This resulted in non/short levy of dead rent of ` 20.05 lakh.

After we pointed out the cases (between August 2014 and March 2015), the DMOs stated that action would be taken after verification. Further reply has not been received (October 2015).

We reported the matter to the Government in June 2015; their reply has not been received (October 2015).

### **6.8 Non-levy of penalty for illegal mining**

**Non-levy of penalty for extraction of mineral after expiry of lease as prescribed under the JMMC Rules, 2004 led to non-levy of penalty of ` 18.35 lakh.**

We test checked (March 2015) the Renewal Application Register along with lease files of 33 leases of minor minerals in the District Mining Office, Gumla and noticed that a lessee, whose lease period was to be expired in July 2008 had applied for renewal of lease within the prescribed period. As such, the extended validity of this lease extended upto October 2008 as provided in Rule 23(2)(e) of the Jharkhand Minor Mineral Concession (JMMC) Rules, 2004. It was further revealed from the demand file, Raising and Dispatch (R&D) Register and DCB Register that the lessee had extracted and dispatched (between February 2009 and March 2014) 6,510.94 cum of stone boulder after expiry of extended validity (between February 2009 and March 2014),

<sup>6</sup> Gumla, Latehar, Lohardaga and Ranchi.

thus, attracted the provisions of illegal mining under Rule 54(8). As such, the ex-lessee was liable to pay penalty of ` 21.81 lakh including royalty on dispatched quantity. The DMO was negligent not to monitor Renewal Application Register along with lease file, R&D Register and DCB Register and levied royalty of ` 3.46 lakh instead of penalty of ` 21.81 lakh which resulted in non-levy of penalty of ` 18.35 lakh.

After we pointed out the matter in March 2015, the Assistant Mining Officer stated that action would be taken after verification. Further reply has not been received (October 2015).

We reported the matter to the Government in June 2015; their reply has not been received (October 2015).

### 6.9 Short realisation of settlement amount for *Balu Ghats*

**Auction money along with interest of ` 17.72 lakh could not be realised from two settlees of *balu ghats* (sand pier) under Jharkhand Minor Mineral Concession (JMMC) Amendment Rules.**

We test checked (February 2015) the records pertaining to settlement of *balu ghats* in District Mining Office, Godda and noticed that two *balu ghats* were settled (June 2011) in favour of highest bidders at a settlement amount of ` 28.57 lakh and ` 25.32 lakh respectively for the period from June 2011 to March 2014. Further, it was noticed that the settlement holders paid ` 38.29 lakh against total dues of ` 53.89 lakh. The DMO failed to raise demand on residual amount of ` 15.60 lakh as required under the provisions of Rule 12 of the JMMC Amendment Rules, 2010. Besides, as per the terms and conditions of settlement the settlement holders were also liable to pay interest of ` 2.12 lakh at the rate of 24 *per cent* per annum on the balance amount.

After we pointed out the cases in February 2015, the Assistant Mining Officer (AMO) stated that action would be taken as per the provisions of the Rules. Further reply has not been received (October 2015)

We reported the matter to the Department in June 2015; their reply has not been received (October 2015).

### 6.10 Non-levy of penalty for non/delayed submission of monthly returns

**Non-levy of penalty of ` 7.01 lakh for non/delayed submission of monthly returns by the lessees of minor mineral under the provisions of JMMC Rules, 2004.**

We test checked (between September 2014 and March 2015) the monthly returns, R&D Registers and DCB Registers of 155 lessees of minor mineral in four Mining Offices<sup>7</sup> and noticed that 28 lessees had not submitted 198 numbers of monthly returns and submitted 104 monthly returns with delays ranging between 12 days and 53 months for the period 2009-10 to 2013-14. The DMOs failed to levy penalty of ` 7.01 lakh for non/delayed submission of

<sup>7</sup> Chaibasa, Dumka, Pakur and Sahibganj.


returns at the rate of ` 20 per day per return, limited to ` 2,500 for each return under the provisions of Rules 41 (3) and 42(2) of the JMMC Rules, 2004.

After the cases were pointed out (between September 2014 and March 2015), the District Mining Officers/Assistant Mining Officers stated that action would be taken after verification. Further reply has not been received (October 2015).

We reported the matter to the Government in June 2015; their reply has not been received (October 2015).

Similar issue featured in Paragraph No. 7.4.14 of Audit Report (Revenue Sector) for the year ended 31 March 2012. The Government stated that a demand for an amount of ` 2.28 lakh had been raised. However, the nature of lapses/irregularities are still persisting which shows ineffectiveness of the internal control system of the Department to prevent recurring leakage of revenue.

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