

## CHAPTER V

### OTHER TAX AND NON-TAX RECEIPTS

#### 5.1 Results of audit

In 2015-16, test check of departmental offices revealed under-assessment of licence fee / privilege fee, dead rent, seigniorage fee, royalty and other observations amounting to ₹ 13.71 crore in 92 cases, which fall under the categories given in Table 5.1.

Table 5.1

			(₹ in lakh)
Sl.No.	Categories	Number of cases	Amount
<b>State Excise</b>			
1	Non / short collection of licence fee / privilege fee	15	94.28
2	Non / short collection of penalty / interest	1	3.49
3	Others	30	48.24
<b>Total</b>		46	146.01
<b>Mines and Minerals</b>			
1	Non / short levy of dead rent, seigniorage fee, royalty	20	735.41
2	Non-collection of brink mineral annual fee	4	3.87
3	Non-collection of interest / penalty	5	29.21
4	Others	17	456.90
<b>Total</b>		46	1,225.39
<b>Grand Total</b>		<b>92</b>	<b>1,371.40</b>

During the course of the year, the Departments accepted under-assessment and other deficiencies in 75 cases and recovered ₹ 2.97 crore, out of which ₹ 29.52 lakh involved in three cases were pointed out during the year and the rest in earlier years.

Few illustrative cases involving ₹ 9.02 crore are discussed in the following paragraphs.

## STATE EXCISE

### 5.2 Short collection of annual privilege fee

As per clause II in sub-rule (b) of Rule 17 of the Tamil Nadu Liquor (Licence and Permit) Rules, 1981, FL2 licence for possession of liquor by a non-proprietary club for supply to members, shall be issued by the Commissioner of Prohibition and Excise Department, on payment of an annual privilege fee, licence fee and application fee. The licence is valid for the financial year beginning from 1 April or the date of issue of the licence and ending with the 31 March, immediately following. Annual privilege fee for FL2 licence is ₹ 10 lakh for Chennai City and ₹ 6 lakh for other areas with effect from 1 April 2012. The Chennai city was expanded as per the orders of Government issued in July 2011<sup>50</sup>.

During test check (March 2016) of records in the office of the Commissioner of Prohibition and Excise, Chennai, we noticed that during issue / renewal of five FL2 licences pertaining to the years 2014-15 and 2015-16, annual privilege fee of ₹ 30 lakh was collected, instead of ₹ 50 lakh, which was required to be collected. This resulted in short realisation of revenue of ₹ 20 lakh.

Government did not accept the audit observation and stated (November 2016) that the Government Order of the Municipal Administration and Water Supply Department was meant to delineate the wards for election of councilors and did not delineate the revenue district. The licensees, though situated within the City of Chennai, belong to the Revenue Districts of Tiruvallur and Kancheepuram, for whom the District Collectors of the revenue districts are the licensing authority.

The reply was not acceptable as the levy of privilege fee of ₹ 10 lakh is with reference to the Chennai City and not with reference to the revenue district. The licensees are situated within the Chennai City. Hence, privilege fee of ₹ 10 lakh was required to be collected.

## MINES AND MINERALS

### 5.3 Short collection of royalty

As per Section 9 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 at the rate for the time being specified in the Second Schedule in respect of the mineral. As per the Second Schedule to the Act, the rate of royalty in respect of the mineral 'Garnet' is three *per cent* of sale price on *ad valorem* basis and for the minerals 'Ilmenite' and

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<sup>50</sup> G.O (Ms) No. 97 Municipal Administration and Water Supply (Election) Department dated 19 July 2011

‘Rutile’, the rate of royalty is two *per cent* of the sale price on *ad valorem* basis. The rate of royalty for graphite is 12 *per cent* of the sale price on *ad valorem* basis upto 31 August 2014. Rule 64-D of the Mineral Concession Rules, 1960 (MC Rules) relating to payment of royalty on *ad valorem* basis provides that the State-wise sale prices for different minerals as published by Indian Bureau of Mines (IBM) shall be the sale price for computation of royalty<sup>51</sup> in respect of any mineral produced any time during a month in any mine in the State. The Rule further provides that if for a particular mineral, the information for a State for a particular month is not published by IBM, the latest information available for that mineral in the State shall be referred, failing which the latest All India information for the mineral shall be referred.

**5.3.1** During test check (February 2016) of records in the Office of the Assistant Director of Geology and Mining (ADGM), Tuticorin, we noticed that two lessees were permitted to transport raw sand to their factory for processing of the same into the minerals, Garnet, Ilmenite and Rutile after collection of advance royalty. During the years 2011-12 to 2013-14, the lessees paid advance royalty of ₹ 2.03 crore and removed 4.60 lakh tonnes of raw sand. After processing, the lessees cleared 56,000 tonnes of Garnet, 1,68,000 tonnes of Ilmenite and 6,000 tonnes of Rutile. However, the royalty payable on the basis of *ad valorem* rate on the quantity of minerals cleared as stipulated in Rule 64-D of the MC Rules was not worked out and collected from the lessees after adjusting the royalty paid in advance. This resulted in short collection of royalty of ₹ 3.97 crore.

After we pointed this out (February 2016), the Department stated (June 2016) that action had been initiated by ADGM, Tuticorin to collect royalty arrears of ₹ 3.97 crore. Further report regarding collection particulars was awaited (February 2017).

The matter was referred to Government in May 2016. Reply of the Government was awaited (February 2017).

**5.3.2** During test check (August 2015) of records in the Office of the ADGM, Sivagangai, we noticed that a lessee company removed 1.18 lakh metric tonnes (MTs) of graphite during the years 2012-13 to 2014-15 (upto August 2014) by paying royalty of ₹ 57.85 lakh calculated at a uniform rate of ₹ 49.20 per MT. The amount of royalty payable on the basis of *ad valorem* rate on the quantity of mineral cleared from the leased rate was ₹ 83.47 lakh. Thus, the failure of the Department to enforce payment of royalty at the rate based on the prices published by IBM resulted in short realisation of royalty of ₹ 25.61 lakh.

After we pointed this out (August 2015), the ADGM, Sivagangai stated (September 2016) that the balance amount of royalty was recovered from the lessee after adjusting the excess amount paid by him during the years 2014-15 and 2015-16. The incorrect procedure adopted by the ADGM in adjusting the demand against the excess amount paid by the lessee, instead of enforcing collection of demand was brought to the notice of the Department in December 2016. Reply was awaited (February 2017).

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<sup>51</sup> Royalty = Sale price of mineral published by IBM X Rate of royalty (in percentage)  
x Total quantity of mineral produced/dispatched.

The matter was referred to the Government in June 2016. Reply of the Government was awaited (February 2017).

#### **5.4 Non-levy of interest**

Rule 7 of the Tamil Nadu Minor Mineral Concession Rules, 1959 (TNMMC Rules) provides that quarrying of minor minerals other than granite may be permitted by the District Collector to applicant for *bonafide* public purpose, provided that the applicant shall remit seigniorage fee and the cost of mineral at one lump sum for the total quantity of minor mineral permitted at the prescribed rates. As per Rule 36B, simple interest at the rate of twenty four *per cent* per annum is chargeable on any rent, royalty, fee or the other sum due to Government under the terms and conditions of any quarrying permit or lease, from the sixtieth day of the expiry of the date fixed for its payment by any authority concerned, until payment of such amount is made.

During test check (September 2015) of records in the Office of the ADGM, Theni, we observed that a private limited company, which was granted leases (February 2011) to quarry stones in Government lands, was allowed (April 2011) to pay seigniorage fee of ₹ 4.45 crore in four instalments. We noticed that the second instalment of ₹ 1.11 crore was remitted by the company only in February 2013, though the same was due to be paid in November 2011. However, the Department failed to invoke the provisions of Rule 36B of the TNMMC Rules and recover interest for such belated payment of seigniorage fee from the lessee. This resulted in non-levy of interest of ₹ 28.91 lakh.

After we pointed this out (October 2015), the ADGM, Theni issued notices to the lessee in March 2016 demanding interest of ₹ 28.91 lakh for belated payment of seigniorage fee. Further report regarding collection particulars was awaited (February 2017).

The matter was referred to the Government in June 2016. Reply of the Government was awaited (February 2017).

#### **5.5 Transfer of excess amount to local bodies towards seigniorage fee**

As per Rule 38-A of TNMMC Rules inserted<sup>52</sup> in the year 2003, the right to use sand in the State shall vest with the State Government. Accordingly, with effect from 2 October 2003, Public Works Department has been entrusted with the operation of sand quarries and the revenue realised from sand quarry operations is credited to Government Account. Based on Government's orders, instructions were issued by the Director of Geology and Mining (May 1990) that seigniorage fee collected in respect of minor minerals are required to be transferred to local bodies and the same continues to be in force. As per Appendix II of the TNMMC Rules, the rate of seigniorage fee in respect of cart load (10 cubic feet) of sand is ₹ 8.50. The rate of seigniorage fee in respect of lorry load (200 cubic feet) of sand is ₹ 170.

During test check (September 2015 and February 2016) of records in the Offices of the ADGM, Theni and Tuticorin, we noticed that seigniorage fee

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<sup>52</sup> G.O.Ms. No.95 Industries dated 1<sup>st</sup> October 2003.

amounting to ₹ 4.30 crore was transferred in excess to local bodies as detailed below.


- In Theni District, 71,325 lorry loads and 10,049 cart loads of sand were lifted during the years 2011-12 and 2012-13. The amount of seigniorage fee required to be transferred to local bodies calculated at the rates of ₹ 170 per lorry load and ₹ 8.50 per cart load works out to ₹ 1.22 crore. However, the entire cost of sand amounting to ₹ 4.32 crore was transferred to local bodies. This resulted in excess transfer of seigniorage fee of ₹ 3.10 crore to local bodies.

- In Tuticorin District, in respect of 74,426 cart loads of sand lifted during 2012-13, seigniorage fee was erroneously calculated as ₹ 1.26 crore applying the rate of ₹ 170 applicable to a lorry load and the same was allocated to local bodies. The correct amount of seigniorage fee at the correct rate of ₹ 8.50 applicable to cart load worked out to ₹ 6.33 lakh. Thus, seigniorage fee of ₹ 1.20 crore was transferred in excess to local bodies.

After we pointed this out (October 2015 and March 2016), the ADGM, Theni and Tuticorin stated (April / May 2016) that out of ₹ 4.30 crore, which was transferred in excess, the local bodies had remitted ₹ 1.92 crore and action would be taken to collect the remaining amount of ₹ 2.38 crore from the local bodies. Further report was awaited (February 2017),

The matter was referred to the Government in May 2016. Reply of the Government was awaited (February 2017).

**Chennai**  
**Dated 15 May 2017**

  
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**Dated 17 May 2017**

  
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