

# Chapter VII

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## **Other Tax and Non-Tax Receipts**

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## 7.1 Tax Administration

The nature of revenue realised from other departments are detailed in **Table 7.1**. The administration and levy of these taxes/fee are governed by respective Acts/ Rules.<sup>1</sup>

**Table 7.1**

Department	Nature of Revenue
Mines & Geology	Dead rent/Royalties/ Seigniorage fee on Minor and Major Mining leases
Energy Department	Electricity duty from the consumers
Endowment Department	Endowment Administrative Fund and Audit Fee collected from all assessable Temples
Registration Department	Profession Tax from Chit fund Companies

## 7.2 Results of Audit

Test check of records of 24 offices of Mines and Geology Department and 15 offices of Endowments Department during the year 2018-19 revealed under assessment of tax and other irregularities involving ₹ 11.50 crore in 16 cases, as detailed in **Table 7.2**.

**Table 7.2: Results of Audit**

Department	No. of audit observations	(₹ in crore)
		Amount
<b>Industries and Commerce Department (Mines and Geology)</b>		
Non-collection of Arrears of contributions to District Mineral Foundation (DMF) Trust	9	1.36
Non-collection of contribution to State Mineral Exploration Trust (SMET)	1	0.04
Non forfeiture of Security Deposit in respect of Determined Leases	2	0.01
Other irregularities	4	10.09
<b>Total</b>	<b>16</b>	<b>11.50</b>

## 7.3 Functioning of Directorate of Mines and Geology

### 7.3.1 Introduction

Central and State Governments are jointly responsible for the development of mining sector and mineral exploitation in India. The Mines and Minerals (Development and Regulation) Act, 1957 (MMDR Act, 1957) lays out the basic legal framework for regulation of mines and development of minerals in the country. The Minerals Concession Rules, 1960 (MCR, 1960) regulate the sector.

<sup>1</sup> Mines and Minerals Department: The Mines and Mineral Concession Rules 1966, The Minor Minerals Development and Regulation Act, 1957; Energy Department: The Telangana Electricity Duty Act, 1939 and Rules made there under; Endowment Department: The Telangana Charitable and Hindu Religious Institutions Endowment Act, 1966 & Amendment Act, 1987; Registration Department: The Telangana Tax on Profession, Trades, Callings and Employment Act, 1987.

The MMDR Act, 1957 categorises minerals into major, minor and other minerals<sup>2</sup>. Further, as per the MMDR Act, 1957, there are three types of mining concessions *i.e.* Reconnaissance Permit<sup>3</sup>, Prospecting Licence<sup>4</sup> and Mining Lease<sup>5</sup>.

The Minor Mineral Concession Rules, 1966 framed by Government of Andhra Pradesh which govern quarrying of minor minerals were adopted<sup>6</sup> by Telangana State after formation of the State, and are henceforth referred to as The Telangana State Minor Mineral Concession Rules, 1966 (TSMMC Rules, 1966). Quarrying of minor minerals in the State is governed by TSMMC Rules 1966, which prohibit any person from carrying out such operations except under a lease or a permit granted under the Rules. There are 3,412<sup>7</sup> mining leases in the State.

### 7.3.2 Audit Approach

Compliance audit of Mines and Geology Department was carried out during August- October 2019 with the objective of verifying compliance of the Department with the MMDR Act, 1957, TSMMC Rules, 1966, Telangana State Mineral Dealer Rules, 2000 (TSMDR, 2000), Telangana Revenue Recovery Act, 1864 (TRR Act,1864), Departmental Manual 1983 and Orders/Circulars, with regard to approval of Mineral Concession Applications (MCAs), Mineral Revenue Assessments (MRAs), granting Mineral Dealer Registrations (MDRs) and collection of applicable revenue. Audit covered the period April 2016 to March 2019 and involved an examination of the relevant records in the Office of the Director of Mines and Geology (DMG), Hyderabad, all three Regional offices located at Nizamabad, Warangal and Hyderabad, and 16<sup>8</sup> out of 32 District level Offices.

The revenue earned by the Mines and Geology Department (Department) during the period 2016-19 is as follows:

**Table 7.3**

(₹ in crore)				
Sl. No.	Particulars	2016-17	2017-18	2018-19
1	Royalty for Major Minerals	1,756.68	2,047.51	2,483.07
2	Royalty/Seigniorage fee for Minor minerals	793.03	801.47	1,339.11
3	Sale of sand	414.65	717.27	799.37
4	Other Receipts	184.04	26.27	25.39
	<b>Total</b>	<b>3,148.40</b>	<b>3,592.52</b>	<b>4,646.94</b>

*Note: Figures include Cess and Telangana State Mineral Development Corporation's Sand sale proceeds*

*Source: Finance Accounts of Government of Telangana for relevant years*

<sup>2</sup> Major minerals: Coal, garnet, graphite, iron ore, limestone, manganese ore, stowing sand.

Minor minerals: Amethyst, barytes, dolomite, feldspar, fireclay, laterite, mica, quartz, silica sand, shale.

Other Minerals: Black granite, colour granite, gravel/earth, fullers earth, limestone slabs, lime kankar, mosaic chips, marble, road metal, ordinary sand etc.

<sup>3</sup> Allowing undertaking of reconnaissance operations for preliminary prospecting of a mineral through regional, aerial, geophysical or geochemical surveys and geological mapping.

<sup>4</sup> Allowing prospecting operations for the purpose of exploring, locating or proving mineral deposits.

<sup>5</sup> Allowing undertaking of mining operations for the purpose of winning/excavating minerals.

<sup>6</sup> G.O.Ms.No.55 Industries and Commerce (Mines I) Department dated 26 August 2015

<sup>7</sup> Minor mineral leases – 3,293; Major mineral leases –119.

<sup>8</sup> Bhadradi Kothagudem, Jangaon, Jogulamba Gadwal, Karimnagar, Khammam, Mahabubnagar, Mancherial, Nagarkurnool, Nalgonda, Nizamabad, Peddapalli, Rajanna Sircilla, Rangareddy, Vikarabad, Warangal (Urban) and Wanaparthy.

## Audit Findings

### 7.3.3 Procedural Delays

#### 7.3.3.1 Mineral Concession Applications (MCAs)

As per Rule 63-A of MCR 1960, the State Government (Department of Mines and Geology) should dispose of the MCAs for Reconnaissance Permit, Prospecting Licence and Mining Lease within six, nine and twelve months respectively, from the dates of receipt of applications. Further, No Objection Certificate (NOC) is also to be obtained<sup>9</sup> within thirty days from the date on which Assistant Director (AD)/ Deputy Director (DD) forwards the application to the Tahsildar<sup>10</sup>/ Revenue Divisional Officer<sup>11</sup>/ Joint Collector (Revenue).<sup>12</sup> Where no action is taken within 30 days by the Revenue authorities, the approval is deemed to have been issued.

Audit noticed that in 15 out of 16 test checked AD offices, there were 2,754 MCAs pending at various levels (as of March 2019) for more than the prescribed time period, as detailed in *Appendix-7.1* (2,216 applications for want of NOC from Revenue authorities and where the Department had not invoked the deemed approval provisions and 538 applications with the Department (263 applications at AD level and 275 applications at DD/DMG level)).

The DMG replied (December 2019) that disposal of MCAs was linked to receipt of NOC from the Revenue Department. It was further stated that the Department could not consider deemed approval of NOC, as it was difficult to locate the area applied for quarry lease without obtaining NOC from the Revenue department. The pendency of 263 MCAs at AD level and 275 applications at DD/DMG level was stated to be on account of time required for critical examination of MCA with reference to the fulfilment of the requirements as per rules before granting in-principle approval.

#### 7.3.3.2 Mineral Revenue Assessments (MRAs)

As per Rule 10(4)(b) of TSMMC Rules 1966, every lessee who has been granted lease for specified minor minerals under the provisions of the Rules, shall submit detailed accounts to the ADs concerned before 10<sup>th</sup> April every year for the purpose of making annual assessment of mineral revenue. Accordingly, MRAs are prepared by the ADs concerned for the period April to March every year. MRAs up to ₹50 lakh are to be approved by the DDs (Hyderabad, Nizamabad and Warangal) and MRAs above ₹50 lakh are to be approved by the DMG.

<sup>9</sup> GO Ms. No. 4 Revenue (Assign.1) Department dated 19 January 2015.

<sup>10</sup> Upto 15 Hectares.

<sup>11</sup> From 15 - 30 Hectares.

<sup>12</sup> Above 30 Hectares.

During scrutiny of records in all the three DD offices, audit observed the following.

**Table 7.4**

Name of the office	No. of MRAs to be received	No. of MRAs received	No. of MRAs approved	No. of MRAs to be approved
<b>DD, Hyderabad</b>	4,942	2,066	19	4,923
<b>DD, Warangal</b>	6,692	2,922	2,922	3,770
<b>DD, Nizamabad</b>	1,635	610	592	1,043
<b>Total</b>	<b>13,269</b>	<b>5,598</b>	<b>3,533</b>	<b>9,736</b>

*Source: Information furnished by the Deputy Directors' offices*

Out of 13,269 MRAs required to be received in all the three DD offices during the period 2016-19, only 5,598 were received and of these, the DDs approved 3,533 MRAs (DD, Nizamabad - 592 (97 per cent), DD, Warangal - 2,922 (100 per cent) and DD, Hyderabad- 19 (one percent)). The delay in approval ranged between 5 months (MRAs in respect of 2018-19) to 29 months (MRAs in respect of 2016-17) as of September 2019. This was due to non-receipt of MRAs from ADs.

DD, Warangal replied that the delay in approval of MRAs was due to non-receipt of 3,770 MRAs from the ADs. Specific reply was not furnished by DDs, Nizamabad (1,043 MRAs) and Hyderabad (4,923 MRAs) for delay in approval of MRAs.

Due to delay in approval of MRAs, Audit could not ascertain the exact revenue realisable. DD-wise details of MRAs are given in **Appendix-7.2**.

The DMG replied (December 2019) that audit observations have been noted and suitable instructions would be issued to all the DDs (particularly the DD, Hyderabad) to avoid any delay in this regard.

### **7.3.3.3 Preparation of Demand, Collection and Balance Registers**

As per Paragraph 16.10 of the Departmental Manual, after Mineral Revenue Assessments (MRAs) have been finalised and after entries have been posted in the Demand, Collection and Balance (DCB) Register, statement of lease-wise DCB for the previous financial year are to be sent by respective ADs to DMG by 30 June of subsequent year for compilation of consolidated DCB and for submitting the same to the Government.

Audit observed that DCB Registers were not submitted by the ADs within the scheduled due date of 30 June in 14 test checked offices for the period 2016-19. The delay in submission of DCB Registers ranged between 26 and 630 days as detailed in **Appendix-7.3**.

The DMG replied (December 2019) that delay in submission of DCB was due to lack of manpower in the district offices in respect of both technical and ministerial staff, for preparation of tentative mineral revenue assessments and posting in the DCB Registers. However, it was assured that the ADs would be issued instructions for submission of DCB Registers within the due date *i.e.*, 30 June.

In South India, Telangana is the only State with vast deposits of coal, which is being mined by M/s Singareni Collieries Company Limited (M/s SCCL), a State Public Sector unit. DD, Warangal is entrusted with the work of preparation of MRAs and DCB Register for the mining leases held by M/s SCCL.

However, DCB Registers in respect of coal mining leases held by M/s SCCL for the period from 2011-12 to 2018-19 were not prepared. Even the details such as (i) number of leases held by M/s SCCL, (ii) extent of leased area, (iii) location of the leased area, (iv) period of lease and (v) number of working and non-working leases *etc*, were not maintained by the Department. Further, with regard to the coal mined by M/s SCCL, lease-wise mineral production, dispatch permits issued by the Department, payment particulars *etc*, submitted by M/s SCCL to the Department were also not maintained. Therefore, audit could not verify the actual demand, collection and balance of mineral revenue from M/s SCCL.

While stating that the preparation and finalisation of year-wise MRAs was under process, the DMG stated that, M/s SCCL was not maintaining the relevant records despite the Department's repeated instructions to maintain lease-wise records, payment details towards royalty, DMF Trust and National Mineral Exploration Trust.

The DMG further added (December 2019) that the Department has been pursuing with M/s SCCL for filing of mining lease-wise monthly returns to the Department and assured that the matter would be taken up again with M/s SCCL for maintenance of lease-wise records and submission of monthly and periodical returns.

The Department's lack of control over mining activity of M/s SCCL needs to be addressed immediately, as non-preparation of DCBs since 2011-12 to 2018-19 reveals persistent non-compliance leading to delay in finalisation of MRAs and realisation of revenue.

#### 7.3.3.4 Variation in balances in DCB Registers

In the five test checked AD offices<sup>13</sup>, closing balances (*Appendix -7.4*) of the previous years were not tallying with the opening balances of subsequent years. Such discrepancies are indicative that the DCB Registers do not reflect a true and fair picture of the balances. Illustrative list of a few cases is given below.

**Table 7.5**

(₹ in crore)

Stone and Metal Mineral in District	Closing balance 2016-17	Opening balance 2017-18	Variation (in %)	Closing balance 2017-18	Opening balance 2018-19	Variation (in %)
<b>Bhadradri Kothagudem</b>	9,95,227	5,93,206	41	10,87,709	8,56,719	21
<b>Khammam</b>	13,87,328	13,27,172	4	10,25,371	30,64,388	199

*Source: Information furnished by the Department*

The DMG replied (December 2019) that lapses pointed out by Audit would be rectified.

#### 7.3.3.5 Grant of Mineral Dealer Registrations

As per Rule 5(2) of TS Mineral Dealers Rules 2000, the DDs concerned shall grant licence to a dealer in Form 'D' within 30 days from the date of receipt of application.

<sup>13</sup> Bhadradri Kothagudem, Khammam, Mahabubnagar, Rangareddy and Warangal (Urban).

In case of refusal or rejection of the application, the reasons shall be recorded in writing and communicated to the applicant within 30 days from the date of receipt of application. Scrutiny of records pertaining to Mineral Dealer Registration (MDR) applications during 2016-19 in the three DD offices revealed the following:

**Table 7.6**

Sl. No.	Name of the office	No. of MDR applications received	No. of MDR applications disposed	No. of MDR applications pending
1	DD, Hyderabad	94	78	16
2	DD, Nizamabad	55	36	19
3	DD, Warangal	*	*	19

\* Details were not produced to Audit and unavailable in Mineral Dealer License Register

Source: Information furnished by the Department

DDs, Hyderabad and Nizamabad stated (September 2019) that non-disposal of MDRs was due to delay in submission of inspection reports by ADs. Reasons for the pendency and improper maintenance of registers were not furnished by DD, Warangal.

The DMG replied (December 2019) that the delay in disposal of MDR applications was due to obtaining field report before grant of dealer licences by the DDs from the ADs of the district concerned, verification of place applied for storage/ stocking/ processing/ beneficiation of mineral(s) along with stock, if any, availability of documentary evidence of having paid seigniorage fee therein, etc. The DMG assured that suitable instructions in this regard would be issued by the Directorate to the DDs to expedite the disposal of MDR applications.

Non- disposal of MDR applications within the prescribed time limit results in undue hardship to the prospective mineral dealers.

### **7.3.4 Non-Realisation/Pending realisation of Revenue**

#### **7.3.4.1 Collection of Mineral Revenue**

As per Sections 9 and 9A of MMDR Act, 1957 read with Rule 10 of TSMMD Rules 1966, the holder of a mining lease /quarry lease, shall pay royalty<sup>14</sup>/seigniorage fee<sup>15</sup>/dead rent<sup>16</sup> in respect of any major/minor mineral removed or consumed by him or by his agent from the leased area at the rates specified therein.

Audit observed that an amount of ₹1,675.81 crore was collected towards mineral revenue during 2016-19. An amount of ₹120.53 crore was yet to be collected from the lease holders in the State as of March 2019 as detailed below.

<sup>14</sup> Revised vide GSR No.630 (E) dated 01 September 2014 published by Government of India.

<sup>15</sup> Charges payable to the State Government for the quantity of minerals extracted from a mine/quarry for minor minerals at specified rates by the State Government from time to time; Enhanced vide G.O.Ms.No.67, Industries and Commerce (M.I) Department dated 26 September 2015.

<sup>16</sup> A lump sum amount payable to the Government in lieu of royalty or seigniorage fee during the period when no mining activities are being conducted in the mine or quarry; Enhanced vide G.O.Ms.No.7, Industries and Commerce (M.I) Department dated 17 February 2016.



Table 7.7

(₹ in crore)

Year	Demand	Collection	Balance
2016-17	568.53	482.77	85.76
2017-18	706.43	580.60	125.83
2018-19	732.97	612.44	120.53

Note: Demands include closing balance of previous years

Source: Information furnished by the Department

### 7.3.4.2 Mineral Revenue Arrears

- (i) **AD offices:** Arrears towards mineral revenue in respect of 10 test checked offices as of March 2019 was ₹36.09 crore. Details are shown in **Appendix-7.5**.

**M/s SCCL:** M/s SCCL has mining leases in 10 divisions<sup>17</sup> for excavation of coal in the State of Telangana. During scrutiny of DCB statements of M/s SCCL up to 2010-11, it was noticed that there was a total demand of ₹824.34 crore towards mineral revenue, of which, ₹704.45 crore was collected and the balance of ₹119.89 crore (15 per cent) was due as of March 2011. As per Rule 19 of TSMMLC Rules, 1966, simple interest of 24 per cent per annum is chargeable on arrears from the lease holders<sup>18</sup>.

When the reasons for non-collection of MRAs from ADs and M/s SCCL were called for, the DMG replied (December 2019) that mineral revenue dues from lease holders is a continuous process and assured that the matter would be taken up with M/s SCCL and all the ADs for collection of mineral revenue arrears.

**Expired Leases:** Audit observed from the records in the five test checked offices that leases had expired<sup>19</sup> and mineral revenue of ₹14.05 crore was pending collection as of March 2019 as detailed below.

Table 7.8

(₹ in crore)

Sl. No	Name of the Office	Demand	Collection	Balance
1	Warangal (Urban)	2.15	Nil	2.15
2	Mahabubnagar	0.76	Nil	0.76
3	Khammam	6.40	Nil	6.40
4	Bhadradi Kothagudem	0.85	Nil	0.85
5	Nalgonda	3.95	0.06	3.89
	<b>Total</b>	<b>14.11</b>	<b>0.06</b>	<b>14.05</b>

Source: Information furnished by the Department

When non-collection of mineral revenue of ₹14.05 crore in respect of expired leases was brought to the notice of the DMG, he replied (December 2019) that

<sup>17</sup> Kothagudem, Yellandu, Manuguru, Ramagundam-I, Ramagundam-II, Ramagundam-III, Bhupalapally, Bellampally, Mandamarri, and Srirampur.

<sup>18</sup> As per Rule 19 of TSMMLC Rules, 1966, simple interest at the rate of 24 per cent per annum is chargeable on any amount payable from the sixteenth day of expiry of date fixed for payment and until payment of such sum is made.

<sup>19</sup> Expired lease means a lease whose lease period is completed.

non-collection of mineral revenue arrears in respect of expired leases was due to delay in furnishing the details regarding movable and immovable assets of the defaulting lease holders by the Tahsildars concerned to effect recovery of the amounts under the Revenue Recovery Act, 1864.

- (ii) **Detected by Vigilance and Enforcement Department:** With effect from October 2016, new AD offices were created and entrusted with vigilance and enforcement functions, dispensing with separate Vigilance and Enforcement (V&E) staff.

As seen from the DCB statements in all the test checked offices as of March 2019, there were 423 cases pertaining to illegal mining/quarrying involving an amount of ₹224.55 crore as detailed in **Appendix-7.6**. However, no amount was recovered.

- (iii) **Detected by Departmental Authorities:** In 15 offices<sup>20</sup>, 339 cases of illegal mining or quarrying were detected by departmental squads involving mineral revenue of ₹155.01 crore as of 31 March 2019, as detailed in **Appendix-7.7**. However, no amount was recovered.

When reasons for non-collection of Mineral Revenue Arrears detected by departmental authorities and action taken by the DMG were called for, the DMG replied (December 2019) that the Department was initiating a special drive for remittance of evaded seigniorage fee and penalty.

- (iv) **Under Revenue Recovery Act, 1864:** Whenever arrears of revenue become irrecoverable by the Department the provisions of Revenue Recovery Act, 1864 are invoked for recovery of such arrears as if they were arrears of land revenue.

As per GO. Ms. No. 66 Revenue Department (Land Revenue Section) dated 2 June 2005 read with Section 25 of MMDR Act, 1957 and Rule 29 of TSMML Rules, 1966, ADs were empowered under Section 52-B of Revenue Recovery Act, 1864 for recovery of mineral revenue dues from the defaulters.

As per the records of DMG, an amount of ₹94.27 crore was to be recovered under Revenue Recovery Act, 1864 by 17 AD offices as of March 2019. Audit observed in 12 test checked offices that an amount of ₹11.86 crore of mineral revenue arrears in 447 cases pertaining to the period prior to 2016-17 were referred under Revenue Recovery Act, 1864 as detailed in **Appendix-7.8** and no amount was recovered. Although there were arrears referred under Revenue Recovery Act 1864, ADs of Bhadradi Kothagudem and Khammam did not reflect these in DCB Registers. Audit is therefore, unable to vouch for the correctness of the figures in DCB Registers.

The DMG replied (December 2019) that before initiating the recovery process, the ADs will obtain the details of movable and immovable assets of the defaulters from the concerned Tahsildars, and that, owing to the delay by the latter in furnishing these details, there is a delay in effecting recoveries from the defaulters.

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<sup>20</sup> Except AD, Rangareddy.


### 7.3.5 Conclusion

*As brought out above, there was considerable delay in disposal of Mineral Concession Applications and Mineral Dealer Applications. Substantial delays in finalisation of Mineral Revenue Assessments led to inaccuracy in assessment of revenue realisable. Delay in preparation and submission of DCB Statements by ADs hampered the preparation of consolidated DCB Registers at State level, which further led to delayed realisation of mineral revenue. The Department had arrears of mineral revenue in all categories (existing leases, expired leases and cases of illegal quarrying detected by Vigilance and departmental inspections).*

### 7.3.6 Recommendations

- (i) The Department needs to make concerted efforts to tackle the delays in disposal of MCAs and MDRs and arrest the leakage of its legitimate revenue by ensuring that mineral revenue assessments are completed on time and revenue is realised promptly.
- (ii) The Government needs to take expeditious action to revamp the Vigilance & Enforcement system and put in place an appropriate mechanism to monitor its revenue realisation, recover its mineral revenue arrears and curb illegal mining.
- (iii) The Department needs to ensure that DCB Registers are maintained scrupulously and up-to-date with accurate details of leases and correct balances carried forward from year to year. It needs to deal effectively with the issue of non-compliance by M/s SCCL with the prescribed procedures.

Hyderabad  
The

  
(SUDHA RAJAN)  
Accountant General (Audit)  
Telangana

Countersigned

New Delhi  
The

  
(GIRISH CHANDRA MURMU)  
Comptroller and Auditor General of India

