

**Chapter - VI**  
**Mining Receipts**

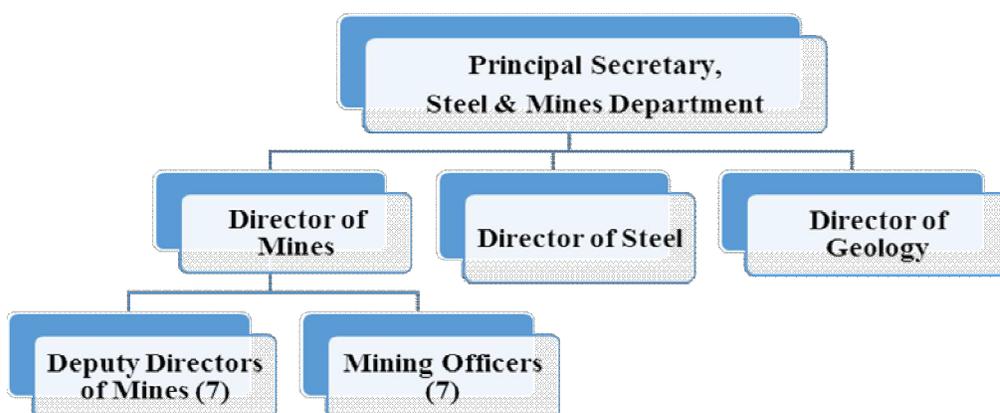


## CHAPTER VI

### MINING RECEIPTS

#### 6.1 Non-tax revenue Administration

Assessment and collection of mining receipts are regulated by the Mines and Minerals (Development and Regulation) (MMDR) Act, 1957, the Mineral Concession (MC) Rules, 1960, Mineral Conservation and Development (MCD) Rules, 1988 and Odisha Minerals (Prevention of Theft, Smuggling and Illegal Mining and Regulation of Possession, Storage, Trading and Transportation) Rules, 2007 framed thereunder. The organisational setup for administration of mining receipts is as under:



#### 6.2 Internal Audit

During the year 2018-19, Internal Audit Wing of the Department had audited 13 out of 16 units that were planned for audit. Further, 287 paragraphs of Internal Audit Reports having money value of ₹729.18 crore were pending for disposal as on 31 March 2019.

#### 6.3 Results of Audit

Audit was conducted in 12 out of 31 units (38.71 per cent) in Steel and Mines Department during 2018-19. Revenue collected in the test checked 12 units was ₹9,748.34 crore, which was 93.03 per cent of revenue receipts worth ₹10,479.18 crore collected in 31 units. Test check of assessment and other records showed non/ short receipt of Government revenue under Government account and other irregularities involving ₹371.59 crore in 618 cases which fall under the categories as indicated in Table 6.1.

**Table 6.1: Categories of audit observations on revenue receipts**

Sl. No.	Categories	No. of cases	Amount (₹ in crore)
1	Non/ short receipts of Government revenue	207	370.58
2	Other irregularities	411	1.01
<b>Total</b>		<b>618</b>	<b>371.59</b>

During the year 2018-19, the Department accepted under assessment and other deficiencies worth ₹355.99 crore in 210 cases pointed out by Audit. An amount of ₹1.39 crore pertaining to 36 cases was also realised during the year which was pointed out in earlier years.

There is one broad category of audit observation on non/ short receipt of Government revenue which is of a nature that may reflect similar errors/ omissions in other units under the department but not covered in the test audit. Department may, therefore, like to internally examine all the other units with a view to ensure that Mining receipts are realised as per provisions of the Act and rules.

#### 6.4 Audit observations

Audit conducted scrutiny of records maintained in the offices of the Director of Mines, Odisha, Deputy Directors of Mines (DDMs) and Mining Officers. Audit noticed short levy of royalty as discussed in the succeeding paragraph. This case is illustrative and is based on test checks carried out by Audit.

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

*Mines and Minerals (Development and Regulation) Act, 1957, Mining Concession Rules, 1960, Mineral Conservation and Development Rules, 1988, Orissa Minerals (Prevention of Theft, Smuggling and Illegal Mining and Regulation of Possession, Storage, Trading and Transportation) Rules, 2007 read with the notifications and instructions of the State/ Central Government issued from time to time provide for assessment, levy and realisation of royalty at the prescribed rates.*

*Cases of short levy of royalty and other charges are discussed in the following paragraph.*

##### 6.5.1 Royalty and contribution towards National Mineral Exploration Trust, District Mineral Foundation Fund on sized coal short realised

**Non-inclusion of sizing charges in the Run-of-Mine (ROM<sup>76</sup>) price of coal during assessment of royalty resulted in short levy of ₹124.26 crore. Moreover, contribution towards District Mineral Foundation (DMF) fund and National Mineral Exploration Trust (NMET) fund of ₹37.28 crore and ₹2.49 crore respectively were short realised.**

Section 9 of the Mines and Minerals (Development and Regulation) Act 1957 (MMDR), provides that the holder of a mining lease shall pay royalty in respect of any mineral removed or consumed by him from the leased area at the rate specified for that mineral in the Second Schedule. Under Rule 64B(1) of the Mineral Concession Rules 1960, in case processing of ROM mineral is carried out within the leased area, royalty shall be chargeable on the processed mineral. As per Ministry of Coal notification<sup>77</sup> (May 2012), royalty on coal is

<sup>76</sup> Run-of-Mine coal is the coal obtained directly from the mines in its natural and unprocessed state

<sup>77</sup> Ministry of Coal Notification No. 349(E) dated 10 May 2012

leviable at the rate of 14 *per cent ad valorem* on price of coal as reflected in the invoice excluding taxes, levies and other charges. Further, sizing charges<sup>78</sup> for coal, when the top size is limited to 100 mm was ₹79 per tonne (up to 31 August 2017) and thereafter ₹87 per tonne as notified by the Coal India Limited.

Further, under amended (2015) provisions of MMDR Act, the holder of a mining lease, shall pay to the NMET, a sum equivalent to two *per cent* of the royalty paid and to the DMF, a sum equivalent to 30 *per cent* of the royalty paid under intimation to the concerned Circle Mining Office. The DMF was constituted by the State Government in 2015, under 'The Odisha District Mineral Foundation Rules, 2015'.

During test check (April 2018 to March 2019) of records like assessment files and monthly returns on production and dispatch in the offices of DDM Rourkela, DDM Sambalpur and DDM Talcher, it was observed that the DDMs assessed royalty on coal dispatched at the prescribed rate of 14 *per cent* of the price of ROM coal. Sizing charges, however, were not included in the price of the coal though the same were collected by the lessees from customers and reflected in the sale invoices. It was noticed that the lessee, Mahanadi Coalfields Ltd. had processed and dispatched 1,059.59 lakh MT of sized coal of less than 100 mm size from 15 coal mines during the year 2017-18 and paid royalty at the rate applicable to ROM coal. Thus, non-inclusion of sizing charges in the price of the coal in assessment resulted in short levy of royalty worth ₹124.26 crore<sup>79</sup>. This also resulted in short realisation of contribution to DMF fund of ₹37.28 crore (30 *per cent* of ₹124.26 crore) and contribution to NMET of ₹2.49 crore (two *per cent* of ₹124.26 crore).

Government, in its reply (February 2020), stated that demands had been raised by all the three DDMs. However, in six cases pertaining to DDM Talcher and Rourkela, the lessees have filed appeals before Revisionary Authority against the demand notice.

<sup>78</sup> Charge applicable on processed coal wherein the top size of the coal is limited either through manual or mechanical means

<sup>79</sup> 428.52 lakh MT x ₹11.06 = ₹47.40 lakh plus 631.07 lakh MT x ₹12.18 = ₹76.86 lakh totalling to ₹124.26 crore