

## CHAPTER-VI

### EXECUTIVE SUMMARY

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**Trend of revenue**      The variation between budget estimates and actual receipts ranged from 3.16 to 33.56 *per cent*.

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**Revenue Impact of Audit Reports**      Out of accepted audit observations of ₹ 549.79 crore, the Department recovered ₹ 13.61 crore during the period of five years which was very low (2.48 *per cent* of accepted money value).

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**Results of audits**      Test check of records of offices of the District Geologists and Director of Petroleum in the State during the year 2011-12 revealed short realisation of tax and other irregularities involving ₹ 81.73 crore in 96 cases.

During the course of the year, the Department accepted underassessment and other irregularities of ₹ 1.68 crore in 35 cases. An amount of ₹ 1.25 crore was realised in 32 cases during the year 2011-12.

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**What we have highlighted in this Chapter**      Non/short levy of royalty and interest of ₹ 97.54 lakh was noticed in 46 cases in five Geologists during the period 2008-09 to 2010-11.

Short levy of dead rent and interest of ₹ 1.28 crore was noticed in 187 cases in seven Geologist offices.

In six district Geologist offices, surface rent was levied at incorrect rates resulting in short levy of ₹ 1.80 crore.

Levy of licence fees at lesser rates resulted in short levy of license fee of ₹ 15.24 lakh.

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- Recommendations**
- Government may speed up allocation of quarry leases by auction system to enhance transparency and ensure equal opportunity to all stake holders in order to increase the revenue from mining activities.
  - Government may ensure that the Mining/Quarry leases are renewed in time and in case of non-renewals the mine/quarry may be taken back by Government immediately to reallocate the same to avoid loss of revenue.
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## CHAPTER-VI NON-TAX RECEIPTS

### INDUSTRIES AND MINES DEPARTMENT

#### 6.1 Administration of mining activities

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).

#### 6.2 Trend of revenue

Actual receipts from Geology and Mining during the last five years 2007-08 to 2011-12 along with the total tax/non-tax receipts during the same period is exhibited in the following table:

(₹ in crore)						
Year	Budget estimates	Actual receipts	Variation excess (+)/shortfall (-)	Percentage of variation	Total tax/non-tax receipts of the State	Percentage of actual receipts vis-a-vis total tax/non-tax receipts
2007-08	2,150.00	2,082.14	(-) 67.86	3.16	26,494.88	7.86
2008-09	2,347.80	1,559.82	(-) 787.98	33.56	28,656.35	5.44
2009-10	1,679.00	2,138.97	(+)459.97	27.40	32,191.94	6.64
2010-11	1,919.31	2,019.31	(+)100.00	5.21	41,253.65	4.89
2011-12	2,020.00	1,819.64	(-) 200.36	9.92	49,528.81	3.67

The variation between budget estimates and actual receipts ranged from 3.16 to 33.56 *per cent*. Further, the actual receipts show a declining trend since 2009-10. The reason for the variations though called for in July 2010 were not furnished (September 2012).

### 6.3 Impact of Audit Reports - Revenue impact

The position of paragraphs included in the Audit Reports of the last five years, those accepted by the Department and the amount recovered is mentioned in the following table:

(₹ in crore)

Year of AR	Number of paragraphs included	Money value of the paragraphs	Money value of accepted paragraphs	Amount recovered during the year 2011-12	Cumulative position of recovery of accepted cases
2006-07	1	3.34	2.18	1.77	2.73
2007-08	1	1.41	1.29	0.45	0.80
2008-09	1	627.63	524.81	-	0.00
2009-10	7	19.15	18.45	1.67	7.02
2010-11	9	36.01	3.06	3.06	3.06
<b>Total</b>	<b>19</b>	<b>687.54</b>	<b>549.79</b>	<b>6.95</b>	<b>13.61</b>

Out of accepted audit observations of ₹ 549.79 crore, the Department recovered ₹ 13.61 crore during the period of five years which was very low (2.48 per cent of accepted money value).

**We recommend the Department to consider taking steps for effecting recovery at least in those cases that have been accepted by the Department.**

### 6.4 Results of audit

Test check of records of offices of the District Geologists and Director of Petroleum in the State during the year 2011-12 revealed short realisation of tax and other irregularities involving ₹ 81.73 crore in 96 cases, which fall under the following categories:

(₹ in crore)

Sl. No.	Category	No. of cases	Amount
1.	Non/short levy of dead rent/surface rent	20	2.70
2.	Non/short levy of royalty/ interest/penalty	18	6.39
3.	Other irregularities	45	65.24
4.	Non-levy of interest on belated payment of royalty/dead rent	7	0.93
5.	Loss of SD and RF/royalty/non-recovery of royalty, dead rent and surface rent	3	0.15
6.	Other irregularities	3	6.32
	<b>Total</b>	<b>96</b>	<b>81.73</b>

During the course of the year, the Department accepted underassessment and other irregularities of ₹ 1.68 crore in 35 cases. An amount of ₹ 1.25 crore was realised in 32 cases during the year 2011-12.

A few illustrative audit observations involving ₹ 10.61 crore are mentioned in the succeeding paragraphs.

## 6.5 Non/short levy of royalty and interest

Section 9 of The Mines and Minerals (Development and Regulations) Act, 1957 and Rule 21 of the Gujarat Minor Mineral Rules, 1966 provide that a lessee is liable to pay royalty in respect of any mineral removed or consumed from the leased area at the prescribed rates in respect of each lease for major/minor mineral. The royalty is payable in advance and default in payment attracts simple interest at the rate prescribed.

The royalty was payable quarterly in advance based on the estimated quantity of minerals to be removed during the quarter by the lessee. During test check of Demand and Collection Register of five<sup>115</sup> Geologists for the period 2008-09 to 2010-11, we noticed irregularities in 46 cases involving royalty and interest of

₹ 97.54 lakh as detailed in the following paragraphs:

**6.5.1** 15 lease holders had removed major minerals (two cases of fire clay) and minor minerals (13 leases of black trap, quartzite, etc) from the leased area. As per the returns submitted by the leases royalty amounting to ₹ 124.80 lakh was leviable. However we noticed that the lessees had paid advance royalty of ₹ 91.90 lakh only. The short payment of royalty of ₹ 33.38 lakh (including interest of ₹ 0.48 lakh) was not demanded by the Department.

**6.5.2** In eight cases, lease holders removed minor minerals (i.e. black trap, quartzite, and building stone) from the leased area without payment of royalty. It was not demanded by the Department though the returns filed by the lessees were available with the Department. These clearly indicated that the lessees had extracted the material without the payment of royalty amounting to ₹ 14.38 lakh including interest of ₹ 1.46 lakh. This resulted in non-realisation of revenue to that extent.

After the above cases were pointed by us, the Department accepted the audit observations in 22 cases involving ₹ 44.20 lakh out which recovery ₹ 40.77 lakh was made in 19 cases.

For base metals like laterite dispatched for extraction of alumina and aluminium, the rates of royalty would continue to be linked to the international benchmark metal prices. However, in case of laterite dispatched for non metallurgical uses, royalty would be levied on *ad valorem* basis as per the national benchmark price published by Indian Bureau of Mines (IBM) i.e. during a month in any mine in that State.

**6.5.3** During test check of Demand and Collection Register of Geologist, Bhuj for the period 2003-04 to 2008-09, we noticed that in two cases, leases for laterite and pozzolanic clay were granted to a company. The company did not pay royalty of

₹ 41.30 lakh as discussed in the following paragraphs:

<sup>115</sup> Bhuj, Jamnagar, Palanpur, Surendranagar and Vadodara

- In one lease of laterite, royalty amounting to ₹ 109.40 lakh was levied instead of ₹ 111.46 lakh. The short realisation of royalty of ₹ 2.06 lakh leviable was due to application of lesser sale price than that published by Indian Bureau of Mines (IBM).
- In the case of pozzolanic clay, royalty amounting to ₹ 39.24 lakh was leviable at the rates published by Indian Bureau of Mines (IBM) from time to time. However, neither the company paid the royalty nor was it demanded by the Department though returns were submitted by the lessee. This resulted non-realisation royalty of ₹ 39.24 lakh.

After the above cases were pointed by us, the Department recovered the entire amount of ₹ 41.30 lakh

### **Brick manufacturing**

Industries and Mines Department vide their Notification dated 16 June 1999 fixed lump sum rates of royalty for manufacturing of bricks. The rates were revised vide Notification dated 13 January 2010.

**6.5.4** During test check of returns and DCR of Geologist, Godhra for the period 2010-11 in October 2011, we noticed that the District Geologist did not levy royalty of ₹ 8.26 lakh payable by 19 brick

manufactures. Besides adoption of incorrect rates in the remaining two cases resulted in short levy of royalty of ₹ 0.22 lakh. This resulted in non-realisation of revenue of ₹ 8.48 lakh.

The matter was reported to the Department and to the Government in June 2012; their reply had not been received (September 2012).

## 6.6 Non/short levy of dead rent and interest

Under 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 dead rent or difference between dead rent payable and royalty actually paid. 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 Demand and Collection Register of office of seven District Geologists<sup>116</sup> for the period 2008-09 to 2010-11, we noticed short levy of dead rent in 187 cases involving ₹ 128.02 lakh. These are mentioned in following paragraphs:

**6.6.1** In 96 cases, the lease holders did not extract any minerals from

the leased area. They were liable to pay dead rent of ₹ 64.36 lakh. However, no demand for the same was raised by the Department. This resulted in non-levy of dead rent of ₹ 67.70 lakh including interest of ₹ 3.33 lakh as on 31 March 2011.

**6.6.2** In 91 cases, the lessees paid royalty of ₹ 40.06 lakh on the mineral excavated. The dead rent of the area worked out to ₹ 100.38 lakh. However, the Departmental officials did not recover differential amount between dead rent and royalty. This resulted in short levy of dead rent of ₹ 60.32 lakh.

After this was pointed out by us between April 2010 and February 2012, the Department accepted (July 2012) our observations involving ₹ 57.20 lakh in 87 cases and recovered ₹ 24.66 lakh in 59 cases. Reply in the remaining cases and position of recovery in accepted cases have not been received (September 2012).

The matter was reported to the Government in June 2012; their reply had not been received (September 2012).

## 6.7 Non/short levy of surface rent

Rule 27 of the Mineral Concession Rule, 1960 and Rule 22 of Gujarat Minor Mineral Rules, 1966 provide that the lessee shall also pay surface rent at the rate prescribed by the Government from time to time to Government for the surface area leased to him. The rate of surface rent shall not exceed the rate of non-agricultural assessment prescribed by the Government.

**6.7.1** During test check of the Demand and Collection Register of three District Geologists<sup>117</sup> for the period 2009-10 and 2010-11, we noticed that in 41 cases of leases of major

<sup>116</sup> Bharuch, Bhuj, Himatnagar, Amnagar, Nadiad, Palanpur and Surat  
<sup>117</sup> Amnagar, Nadiad and Surat

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 104 lakh sq. mt. This resulted in non-levy of surface rent of ₹ 15.74 lakh including interest of ₹ 0.26 lakh.

After this was pointed out by us between April to October 2011, the Department accepted (July 2012) our observations involving ₹ 4.44 lakh in nine cases and recovered the amount. Replies in the remaining cases have not been received (September 2012).

The matter was reported to the Government in June 2012; their reply had not been received (September 2012).

**6.7.2** During test check of the records of the six<sup>118</sup> district Geologist Offices, we noticed that surface rent was being levied at the rate of ₹ 100 per hectare<sup>119</sup> as against the correct rate of the NAA as prescribed by the Revenue Department from time to time which was ₹ 1,000 per sq hectare. Thus, incorrect application of rate of surface rent in 3270 quarry/mining leases during 2009-10 to 2011-12 resulted in short levy surface rent of ₹ 1.80 crore.

This was brought to the notice of the Department in July 2012. The Department while accepting the audit observations stated (September 2012) that the recovery would be made under intimation to audit.

The matter was reported to the Government in June 2012; their reply had not been received (September 2012).

## **6.8 NAA and Conversion tax not realised**

Section 66 of the Bombay Land Revenue Code, 1879 provides that land cannot be used for non-agricultural purposes without the permission of the Collector. NAA, conversion tax and penalty for unauthorised use, if any, of the land are leviable.

During test check of records of District Geologist, Bharuch, for the period 2010-11, we noticed that in five cases, registration/permissions were granted for possession/storage of minerals including processed minerals for commercial/industrial purpose. Since the storing of mineral is a non-agricultural purpose, necessary permission from the District Collector was required to be obtained. However, in the above cases, the necessary permission for non-agricultural use was not obtained from the Collector. The District Geologist did not inform the concerned revenue authorities to initiate action to recover the NAA for non-agricultural use of land along with conversion tax and penalty. Thus, due to lack of co-ordination between the District Geologist and concerned district revenue authorities, there was a non-realisation of revenue to the tune of ₹ 6.14 lakh in the form of conversion tax, NAA and penalty.

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<sup>118</sup> Dahanu, Kutch-Bhuj, Rajkot, Sabarkantha, Surendranagar and Vadodara  
<sup>119</sup> 1 Hectare =10,000 sq.mtr

This was brought to the notice of the Department in February 2012 and to the Government in June 2012. Their reply had not been received (September 2012).

## 6.9 Non-levy/recovery of penalty

Rule 34 of the erstwhile Gujarat Minor Minerals Rules, 1966 read with Rule 61 of the Gujarat Minor Mineral Concession Rules, 2010, provides for grant of quarry permit (Q). As per condition 14 of Form M (for quarry permits), prescribed under Rule 62(1) of the Gujarat Mineral Concession Rules, 2010 as soon as the removal of the material granted under the permit is over, the permit holder shall furnish to the competent officer a complete statement showing the quantities removed, details of transport and parties to whom this material had been sold, and prices obtained there for. Further, as per condition 12, if any excess quantity over that permitted is found to be removed, the material shall be confiscated and the permit holder shall be liable for punishment under the provisions of the Indian Penal Code and the Gujarat Minor Mineral Concession Rules, 2008.

During cross check of the Q data, provided by the Commissioner of Geology and Mining (CGM), with the Q files maintained at the offices of the two<sup>120</sup> Geologists/ Assistant Geologists, we noticed that one quarry permit holder, namely M/s Larsen and Toubro Ltd, (Q holder) was engaged in illegal / excessive excavation of ordinary earth and soft murrum from the area granted under Q or the area other than area granted under Q on 10 occasions on different survey numbers (Sabarkantha: 1, Rajkot: 9) between

December 2010 and March 2012. These are discussed in the following paragraphs:

**6.9.1** At Sabarkantha the Mamlatdar, Modasa in his report dated 18 December 2010 submitted to CGM stated that the Q holder was granted a quarry permit on 13 May 2010, for a period of 90 days, for excavation of 30,000 MT of ordinary earth at village Tintoi, against which he excavated 2,14,320 MT of the mineral i.e. an excess of 1,84,320 MT. However, no penal action was found on record to have been taken by the Geologist.

**6.9.2** At Rajkot, the Q holder was granted nine quarry permits for excavation of 4,60,000 MT of ordinary earth at different villages under two talukas (Maliya miyana and Tankara) on 27 January 2011, for a period of 90 days. However as per the quarterly returns submitted to CGM, Q holder had excavated 4,99,077 MT of the mineral i.e. excess of 39,077 MT. However, action was not initiated against the Q holder for breach of condition of the permit and recovery of the amount of penalty.

<sup>120</sup> Rajkot and Sabarkantha

**6.9.3** Further, in the said two district Geologist offices, we noticed that the Q holder had either not submitted the accounts or the accounts submitted were incomplete in respect of 20 Qs (Rajkot: 3, Surendranagar: 17), even after expiry of the period of the quarry permit. Out of the said 20 Qs, measurement was not done by the Department in case of nine Qs (Surendranagar:6, Rajkot:3) even after lapse of one year of the expiry of the Q. Further, in 11 cases where the measurement was done, the Department did not finalise the calculations to see deviations, if any.

The matter was reported to the Government in July 2012; their reply had not been received (September 2012).

### 6.10 Delay in disposal of applications/auction of blocks

As per Gujarat Minor Mineral Concession Rules, 2010, the application for the grant of a quarry lease can be made to the competent authority. Further, Gujarat State Mineral Policy, 2003 provides for time limit of six months for disposal of applications for quarry leases.

**6.10.1** In five<sup>121</sup> District Geologist/Assistant Geologist offices, we found that 2,420 quarry lease applications for various<sup>122</sup> minerals, received between March 2009 and September 2011 were pending for disposal as on 31 March 2012. The Department did not dispose such application within

the prescribed time limit of six months. The above applications involved 8,266.19 hectares of land with annual dead rent of ₹ 37.42 crore as detailed below:

(₹ in crore)			
District	No. of applications pending	Area (in hectares)	Dead rent per annum
Vadodara	35	214.37	0.72
Junagadh	763	1,333.66	6.48
Sabarkantha	196	723.03	1.69
Surendranagar	474	1,450.90	5.82
Kutch-Bhuj	952	4,544.23	22.71
<b>Total</b>	<b>2420</b>	<b>8,266.19</b>	<b>37.42</b>

Due to delay on the part of the Department to dispose-off the application, the quarries remained idle, this resulted in foregoing of revenue in the form of dead rent.

The matter was reported to the Department and to the Government in July 2012; their reply had not been received (September 2012).

<sup>121</sup> Kutch-Bhuj, Junagadh, Sabarkantha, Surendranagar and Vadodara

<sup>122</sup> Blacktrap, Building lime stone, Murrum, Ordinary clay, Ordinary sand, Quartzite, Sand stone, Gravel, Bentonite and Granite

As per Rule 44 of the Gujarat Minor Minerals Rules, 1966 read with Rule 69 of the Gujarat Minor Mineral Concession Rules, 2010, *inter alia*, stipulate that it shall be lawful for a Competent Officer to sell by public auction or otherwise dispose of the right to remove any minor mineral or of collection of royalty thereon in such cases or class of cases and on such terms and conditions as the State Government may by a general or special order direct.

**6.10.2** During test check of the records of the six<sup>123</sup> district Geologist offices we noticed that the Department had not exercised the option of allocation of quarry leases by auction of the minor minerals before 2010-11. The Department allotted the mines on priority basis<sup>124</sup> as per Rule 8 of the Gujarat Minor Minerals Concession Rules. Further, the

Government (Industries and Mines Department) issued instructions on 15 May 2010 to the Commissioner of Geology and Mining (CGM) for identifying two to three prime locations involving 50 blocks<sup>125</sup> of sand in each district and approve the proposal for its disposal through auction at the earliest. We noticed delay in grant of approval for auction of 64 blocks of sand as discussed in the following paragraphs:

- Five blocks admeasuring 6,21,464 sq. mt. at Vadodara district involving minimum bid price of ₹ 3.85 crore were pending (October 2012) for auction since March 2011 due to non-receipt of approval from the CGM.
- In Junagadh district, though approval was received from the CGM for three blocks admeasuring 3,40,000 sq. mt. having minimum bid price of ₹ 1.69 crore and 14 applications were received for grant of the same, Department failed to auction the same.
- Similarly, the Assistant Geologist, Surendranagar's proposals for auction of 56 blocks admeasuring 17,45,400 sq. mt. involving minimum bid price of ₹ 7.25 crore in June 2012 was pending (October 2012) for approval of the CGM.
- In the case of Rajkot district, though blocks for 'sand' were to be notified in two to three prime locations, the Assistant Geologist did not finalise any block to be granted through auction.

**Government may speed up allocation of quarry leases by auction system to enhance transparency and ensure equal opportunity to all stake holders in order to increase the revenue from mining activities.**

<sup>123</sup> Junagadh, Kutch-Bhuj, Rajkot, Sabarkantha, Surendranagar and Vadodara

<sup>124</sup> The Rule provides for Priority to be given to various applicants on the basis of various criteria viz type of entity, financial/technical resources etc. Since, in majority of the survey numbers (other than Blocks) single application was received, the Department was not required to consider Rule 8. In case there was more than one application, Department followed the Rule.

<sup>125</sup> Cluster of mining areas under various survey numbers

### 6.11 Loss of revenue due to non-re-allotment of the expired/cancelled/surrendered quarry leases

The Government of Gujarat issued instructions on 24 May 2006 to all the district Geologists/ CGM to send proposals for re-allotment of the lease in all cases of cancellation, expiry and surrender on priority basis so as to prevent loss of revenue due to delay and to see that leases for such areas are re-allotted within 60 days.

We observed that in five<sup>126</sup> District Geologist offices, 726 quarry leases were due for renewal during the period 2009-10 and 2011-12, of which only 92 leases were renewed. Of the remaining 634 leases, 351 leases were pending

for renewal at the CGM level.

Of the remaining 283 leases, non-availability of mineral was noticed in 23 leases, and notification for re-allotment of leases was made in 48 cases, in 212 leases no action for re-allotment was taken by the district offices till March 2012. District wise position is given as under:

(₹ in lakh)			
Sl. No.	Unit	No. of cases	Amount of dead rent
1	Vadodara	102	51.89
2	Junagadh	09	1.53
3	Sabarkantha	34	26.40
4	Surendranagar	08	2.39
5	Kutch-Bhuj	59	51.40
	<b>Total</b>	<b>212</b>	<b>133.61</b>

Thus, inaction on the part of these offices to re-allot the expired leases within the stipulated 60 days, led to forgoing of revenue of ₹ 133.61 lakh per year in the form of dead rent.

After this was pointed out, the Department stated (September 2012) that it was taking all possible steps to re-allot the expired/surrendered/cancelled leases. For this all the district officers had been strictly instructed to take necessary action to re-allot the area.

The matter was reported to the Government in July 2012; their reply had not been received (September 2012).

**Government may ensure that the Mining/Quarry leases are renewed in time and in case of non-renewals the mine/quarry may be taken back by Government immediately to re-allot the same to avoid loss of revenue.**

<sup>126</sup> Junagadh, Kutch-Bhuj, Sabarkantha, Surendranagar and Vadodara

## 6.12 Non-levy of penalty

As per Rule 42 of the Mineral Conservation and Development Rules (MCDR), 1988 every holder of a mining lease shall employ a whole-time or part-time mining engineer or a full time person permitted to be employed in terms of the provisions of the rules *ibid*. During test check of the records of the five<sup>127</sup> Geologists/Assistant Geologists, we noticed that out of 474 working mining leases, in 413 mining leases the lessees had not employed any mining engineer/prescribed person.

Further, Rule 45 of the Rules *ibid* as amended vide G.S.R. 75(E) dated 9 February 2011 provides that the owner of every mine shall cause himself to be registered with the Indian Bureau of Mines (IBM) within one month from the date of commencement of the G.S.R. However in 345 mining leases the lessees had not got themselves registered with the IBM.

This was brought to the notice of the Department and to the Government in July 2012. Their reply has not been received (September 2012). For breach of conditions the Department is empowered to levy the penalty.

## 6.13 Non-cancellation of the lapsed leases

### Major mineral

As per Section 4-A (4) of the Mines & Minerals (Development and Regulation) Act, 1957 where the holder of a mining lease of major minerals fails to undertake mining operations for a period of two years after the date of execution of the lease or having commenced mining operations, has discontinued the same for a period of two years, the lease shall lapse on the expiry of the period of two years from the date of execution of the lease or discontinuance of the mining operations, as the case may be.

**6.13.1** During test check of the records of the six<sup>128</sup> Geologists/Assistant Geologists, we noticed that in case of 117 mining leases of major minerals<sup>129</sup> (admeasuring 3991.1364 hectares), the lessees either had not submitted any returns or had shown nil production in their periodical returns for the last two/three years (2009-

12). However, the Department did not take any action for cancellation of the above mining leases. Moreover, dead rent amounting to ₹ 13.48 lakh was pending for recovery as on 31 March 2012 in four<sup>130</sup> districts as shown below:

<sup>127</sup> Junagadh, Kutch-Bhuj, Rajkot, Sabarkantha and Surendranagar

<sup>128</sup> Junagadh, Kutch-Bhuj, Rajkot, Sabarkantha, Surendranagar and Vadodara

<sup>129</sup> Dolomite, lime stone, china clay, soap stone, calcite, pipe clay, fire clay, silica sand, Bauxite, white clay, moulding sand, ball clay, laterite and red ochre.

<sup>130</sup> Junagadh, Sabarkantha, Surendranagar and Vadodara,

(₹ in lakh)

Sl. No.	Unit	No. of leases lapsed	Area in hectare	Amount of dead rent pending recovery
1	Vadodara	20	108.39	2.53
2	Junagadh	27	200.25	4.31
3	Sabarkantha	11	35.00	0.91
4	Surendranagar	31	151.69	5.73
5	Rajkot	3	3.80	Nil
6	Bhuj	25	3,492.00	Nil
	<b>Total</b>	<b>117</b>	<b>3,991.13</b>	<b>13.48</b>

### Minor mineral

**6.13.2** During test check of the records of the six<sup>131</sup> Geologists/ Assistant Geologists, we noticed that in case of 177 minor minerals<sup>132</sup>, mining leases admeasuring 454.605 hectares involving various the lessees either had not submitted any returns or had shown nil production in their periodical returns for the last two/three years (2009-12). However, no action for cancellation of the above quarry leases was initiated by the Department. Moreover, out of the lapsed leases admeasuring 454.605 hectares, the dead rent was collected by the Department in 1.99 hectares only in Rajkot district. Dead rent amounting to ₹ 6.80 crore was pending for recovery as on 31 March 2012 in the remaining five<sup>133</sup> districts as shown below:

(₹ in lakh)

Sl. No.	Unit	No. of leases lapsed	Area (in hectare)	Amount of royalty/ dead rent pending recovery
1	Vadodara	19	45.53	0.50
2	Junagadh	13	8.58	4.82
3	Sabarkantha	27	50.35	19.63
4	Surendranagar	31	76.70	90.80
5	Bhuj	85	271.45	564.71
6	Rajkot	02	1.99	Nil
	<b>Total</b>	<b>177</b>	<b>454.60</b>	<b>680.46</b>

Due to non-cancellation of the above lapsed mining/quarry leases, the scope for undertaking unaccounted mining activities in these mines/quarries cannot be ruled out. This was brought to the notice of the Department in July 2012. The Department accepted the observations and stated (September 2012) that it would take appropriate action for lapsed leases. However the reply was silent about the recovery of dead rent payable by the lessees.

<sup>131</sup> Junagadh, Kutch-Bhuj, Rajkot, Sabarkantha, Surendranagar and Vadodara

<sup>132</sup> Ordinary sand, Gravel, Black trap, Quartzite, Building lime stone, Granite, Sand stone and Bentonite.

<sup>133</sup> Junagadh, Kutch-Bhuj, Sabarkantha, Surendranagar and Vadodara,

The matter was reported to the Government in July 2012; their reply had not been received (September 2012).

**Government should ensure prompt action for termination of leases on expiry of the period as stipulated in the Act/Rules *ibid* and also revamp its monitoring mechanism for recovery of Government revenue (dead rent).**

## ENERGY AND PETROCHEMICALS DEPARTMENT

### 6.14 Non-levy of stamp duty and registration fees due to non-execution of lease deeds after sanction of lease

Rule 5(ii) of the Petroleum and Natural Gas Rules, 1959 empower the State Government to grant a mining lease of petroleum and natural gas of any land within the State with the approval of the Central Government. Section 17(d) of the Registration Act, 1908 requires that deeds conveying leasehold rights for period beyond one year should be registered compulsorily. Section 27 read with Article 30 of Schedule I to the Bombay Stamp Act, 1958 as applicable to Gujarat, provides for levy of stamp duty in case of lease of mines in which royalty or share of produce is received as rent or part of a rent at the prescribed rate on average annual rent. The Superintendent of Stamps, Gujarat State has additionally issued instructions which provide for levy of stamp duty in case of lease of mines on aggregate of annual dead rent, annual royalty payable during the year, surface rent and deposit.

During test check of records of the Director of Petroleum (DoP), Gandhinagar, for the period 2010-11, we noticed that the DoP had re-granted mining lease on 11 existing mines with ONGC. One additional new mine was also leased to ONGC for exploitation of oil and natural gas under Rule 5 of PNG Rules, 1959.

As per the order for grant of lease, the

lessee was required to execute lease deed within a period of 30 days from the date of issue of order i.e., during the year 2010-11 itself. However, the exploitation of the existing mines was continued by ONGC without execution of lease deeds. For the new mine also lease deed was not executed. This resulted in non-realisation of stamp duty and registration fees of ₹ 6.11 crore in 11 cases<sup>134</sup>. In one case, non-realisation of stamp duty and registration fees could not be quantified due to non-availability of details of estimated royalty.

After this was pointed out (January 2012), DoP stated (June 2012) that the Department had forwarded (September 2011) the matter to Revenue

<sup>134</sup> For calculating estimated royalty, the royalty actually paid in respect of a particular field in the month of April 2010 was taken as base. In the absence of details regarding the exact utilisation of the area by the lease holder, surface rent payable was calculated on the entire leased area.

Department to ascertain the methodology for calculation of stamp duty and the execution of lease deeds would be initiated after the outcome of their opinion. Further reply was awaited (September 2012).

### 6.15 Non-levy of surface rent on Petroleum

Under Rule 13(2) of Petroleum and Natural Gas (PNG) Rules, 1959, the lessee shall pay surface rent for the surface area, of the land actually used by him for the purpose of the operations conducted under the lease. The surface rent shall be payable at such rate, not exceeding the land revenue and cesses assessed or assessable on the land, as may be specified by the State Government with the approval of the Central Government. The Government of Gujarat in Industries, Mines and Power Department vide resolution dated 22<sup>nd</sup> August 1968 had fixed the rate of surface rent as ₹ 10,000 per sq. km. per annum (₹ 0.01 per sq. mt. per annum).

During test check of the records of the DOP, Gandhinagar for the period 2009-10 and 2010-11, we noticed that in seven cases, surface rent was not paid. This resulted in non-levy of surface rent of ₹ 7.22 lakh.

This was brought to the notice of the Department between November 2010 and January 2012. In three cases, Department accepted (June 2012) the audit contention of ₹ 2.20 lakh and also intimated the recovery of ₹ 0.21 lakh in

one case. In remaining cases,

particulars of recovery and replies have not been received (September 2012).

The matter was reported to the Government in June 2012; their reply had not been received (September 2012).

### 6.16 Short levy of licence fees

As per the provisions of Rule 11 (2) of the Petroleum and Natural Gas Rules, 1959, the licensee shall pay in advance by way of license fee in respect of his licence a sum calculated for each sq. km. or part thereof covered by the license at the prescribed rates. The licence fee structure was revised vide Ministry of Petroleum and Natural Gas notification dated 25 November 2009 as detailed below:

First year licence fees: ₹ 200 per sq. km.  
Second year licence fees: ₹ 400 per sq. km.  
Third year licence fees: ₹ 2,000 per sq. km.  
Fourth year licence fees: ₹ 2,800 per sq. km.  
Each subsequent renewal of licence:  
₹ 4,000 per sq. km.

During test check of records of the DoP, Gandhinagar, for the period 2010-11, we noticed that Petroleum Exploration Licence (PEL) for area admeasuring 448 sq. km. in Bharuch district was granted to Gujarat State Petroleum Corporation (GSPC). During the renewal of licence for the fifth year, licence fees of ₹ 17.92 lakh were required to be levied at the rates ₹ 4,000 per sq. km., but

the lessee paid fee of ₹ 2.68 lakh levied at 2,800 per sq.km. This resulted in short levy of license fee of ₹ 15.24 lakh.

The matter was reported to the Government in June 2012; their reply had not been received (September 2012).



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