

***CHAPTER-VII***

***OTHER TAX AND  
NON-TAX RECEIPTS***

## CHAPTER VII OTHER TAX AND NON-TAX RECEIPTS

### 7.1 Results of audit

Test check of the records of 20 offices of Deputy Directors/Assistant Directors of Mines and Geology conducted during the year 2014-15 revealed preliminary audit findings of under assessments of tax and other irregularities involving ₹ 38.90 crore in 25 cases which fall under the following categories:

(₹ in crore)			
Sl. No.	Nature of irregularity	No. of cases	Amount
1.	Short levy of royalty	8	0.95
2.	Non/Short recovery of seigniorage fee	5	4.32
3.	Short levy/collection of penalty	2	0.37
4.	Short levy of dead rent	2	0.09
5.	Non-forfeiture of security deposit	3	0.17
6.	Other irregularities	5	33.00
<b>Total</b>		<b>25</b>	<b>38.90</b>

During the year 2014-15, the Department accepted under-assessments and other deficiencies of ₹ five crore in nine cases, of which an amount of ₹ 4.42 lakh was realised in one case. A few illustrative cases involving ₹ 5.56 crore are mentioned in the succeeding paragraphs.

### 7.2 Non-levy and collection of seigniorage fee

As per Rule 10 of Telangana Minor Mineral Concession Rules, 1966 (TMMC Rules)<sup>188</sup>, seigniorage fee<sup>189</sup> shall be charged on all minor minerals despatched or consumed from the land at the rates specified in the Schedules to the Rules. Government revised the rates of seigniorage fee on minor minerals through an order<sup>190</sup>.

As per Rule 26(3)(ii) of TMMC Rules if no documentary proof is produced in token of having paid the mineral revenue due to Government by any person who has used or consumed or is in possession of any material including the processed mineral, he shall be liable to pay five times normal seigniorage fee as penalty, in addition to the normal seigniorage fee.

<sup>188</sup> “Andhra Pradesh” was substituted by “Telangana” throughout the AP Minor Mineral Concession Rules 1966 vide G.O.Ms No. 55 dated 26 August 2015 issued by Department of Industries and Commerce (Mines-I), Government of Telangana.

<sup>189</sup> ‘Seigniorage fee’ is fee charged on minor minerals.

<sup>190</sup> G.O.Ms.No.198, Industries and Commerce (M-I) Department, dated 13 August 2009.

During the test check of records of offices of two Assistant Directors of Mines and Geology<sup>191</sup> (ADsMG), Audit noticed (between September and October 2014) that in one case, while finalising the Mineral Revenue Assessment (MRA) Department did not levy the seigniorage fee against certain quantity of black granite permitted to be dispatched. In another case, though the Department noticed through a survey that the lessee extracted stone and metal in excess of the quantity permitted, the Department did not levy seigniorage fee and penalty on quantity of the mineral extracted illegally. This resulted in non-levy of seigniorage fee of ₹ 72.21 lakh in both the cases and penalty amounting to ₹ 3.57 crore in one case.

After Audit pointed out the cases, ADMG, Nalgonda replied (September 2014) that the MRA would be revised. ADMG, Rangareddy replied (October 2014) that necessary measures as per rules would be initiated to recover the mineral revenue dues from defaulters.

The matter was referred to the Department between March and July 2015. Replies have not been received (January 2016).

### **7.3 Short levy of royalty**

As per Section 9 of Mines and Minerals (Development and Regulation) Act, 1957 (MMDR Act), the holder of the mining lease shall pay royalty in respect of any mineral extracted or consumed by him or his agent, manager, employee, contractor, or sub lessee from the leased area at the rates prescribed in the Second Schedule to the Act. As per circular instructions<sup>192</sup> of Director of Mines and Geology, dated 08 July 2003, the State Government shall compute the royalty by adding 20 *per cent* to the benchmark value published by Indian Bureau of Mines (IBM) every month. This value shall be reckoned to be the sale price for the purpose of computation of royalty.

In case of lessees such as cement companies which extract limestone mineral for captive consumption, the limestone clinker factor<sup>193</sup> is also to be adopted in addition to other items like permitted quantity, dispatched quantity etc., for arriving at the quantity to be adopted in MRAs.

During the test check of records of offices of four ADsMG<sup>194</sup>, Audit noticed (September 2014) that royalty was levied and collected at rates lesser than the prescribed on quantities extracted during the period from 2011-12 to 2013-14. In ADMG, Miryalaguda, the Department did not work out the quantity of limestone extracted during 2013-14 by three cement companies based on limestone clinker factor. This resulted in short levy of royalty amounting to ₹ 95.25 lakh.

After Audit pointed out the cases, in three cases, ADsMG, Nalgonda, Mahabubnagar and Warangal replied (September 2014) that revision would be

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<sup>191</sup> Nalgonda and Rangareddy.

<sup>192</sup> Circular Memo No.33932/MRI/98 dated 08 July 2003.

<sup>193</sup> Quantity of limestone required for production of one metric tonne of clinker (a substance used in the manufacture of cement).

<sup>194</sup> Kothagudem, Mahabubnagar, Nalgonda and Warangal.

done in case of short levy. In three cases, ADMG, Kothagudem replied (September 2014) that difference of royalty would be collected after finalisation of assessment for the subsequent year. In the remaining cases, it was replied that the matter would be examined.

The matter was referred to the Department between March and June 2015. Replies have not been received (January 2016).

#### **7.4 Short levy of penalty on minor minerals consumed without permit**

As per Rule 10 of TMMC Rules, the seigniorage fee or dead rent whichever is higher, shall be charged on all minor minerals despatched or consumed from the land at the rates specified in the Schedules to the Rules. As per Rule 26 (3) (ii) read with Government order<sup>195</sup>, if no documentary proof is produced in token of having paid the mineral revenue due to Government by any person who has used or consumed or is in possession of any material including the processed mineral, he shall be liable to pay five times the normal seigniorage fee as penalty (prior to 1 October 2010 it was one time normal seigniorage fee), in addition to the normal seigniorage fee.

During the test check of records of offices of two ADsMG (Vigilance)<sup>196</sup>, Audit noticed (between May and September 2014) that in four cases, the Department levied penalty, for consuming minor minerals without permit, at pre-revised rate i.e. equal to one time normal seigniorage fee instead of five times the normal seigniorage fee. This resulted in short levy of penalty of ₹ 22.89 lakh.

After Audit pointed out the cases, ADMG, Suryapet replied (May 2014) that detailed reply would be submitted after verification. ADMG, Sangareddy replied (September 2014) that the matter would be examined.

The matter was referred to the Department between September 2014 and March 2015. Replies have not been received (January 2016).

#### **7.5 Short levy of dead rent**

As per Section 9A of MMDR Act, 1957 read with the proviso thereunder, the holder of a mining lease shall be liable to pay royalty/dead rent whichever is higher in respect of any area covered under a mining lease at such rates as specified in the Third Schedule. As per notification<sup>197</sup> dated 13 August 2009, dead rent is to be paid at ₹ 1,000 per hectare per annum in case of lease granted for medium value minerals i.e., manganese ore, etc, in the third and fourth year of lease by the lessee and ₹ 2,000 per hectare per annum from the fifth year.

<sup>195</sup> G.O.Ms.No.102, Industries & Commerce (Mines I) Department, dated 28 September 2010.

<sup>196</sup> Sangareddy and Suryapet.

<sup>197</sup> GSR 575(E) dated 13 August 2009.

During test check of records of ADMG, Mancherial, Audit noticed (December 2014) on scrutiny of MRAs for the period from 2009-10 to 2012-13 that in eight cases, dead rent on manganese ore was levied at lower rates than stipulated. This resulted in short levy of dead rent amounting to ₹ 8.32 lakh.

After Audit pointed out the cases, ADMG, Mancherial replied (December 2014) that the matter would be examined.

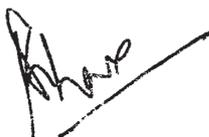
The matter was referred to the Department in March 2015. Reply has not been received (January 2016).



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