

# **CHAPTER-VI**

## **MINING RECEIPTS**

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### 6.1 Tax Administration

The Principal Secretary to the Government of Meghalaya, Mining & Geology Department is in overall charge of the Department at the Government level. The Director of Mineral Resources (DMR) is the administrative head of the Department. At the district level, the Divisional Mining Officers (DMOs) have been entrusted with the collection of royalty and cess on minerals and issuing of permits. The collection of tax is governed by the Mines & Minerals (Development & Regulation) Act, 1957, the Mineral Concession Rules, 1960 and the Meghalaya Minerals Cess Act, 1988.

### 6.2 Internal audit

The Mining & Geology Department has no separate Internal Audit Wing (IAW). Despite the same being pointed out in the Performance Audits carried out from time to time, no action has been taken by the Department to create an IAW to monitor the working of the Department. In the absence of a separate IAW, the Department solely relies upon the audit carried out by the Accountant General.

**Recommendation:** *The Department may urgently look into the possibility of creating an Internal Audit Wing to effectively monitor the functioning of the Department.*

### 6.3 Results of Audit

Test check of the records of three units relating to Mining & Geology Department during 2014-15 revealed under-assessment of tax and other irregularities involving ₹ 302.62 crore in 14 cases which fall under the following categories:

**Table 6.1**

			<i>(₹ in crore)</i>
Sl. No.	Category	Number of cases	Amount
1.	Non/Short realisation of revenue	12	286.16
2.	Other irregularities	02	16.46
<b>Total</b>		<b>14</b>	<b>302.62</b>

During the course of the year, the Department accepted under-assessments and other deficiencies amounting to ₹ 159.61 crore in six cases. No recovery was intimated in any of the cases during the year 2014-15.

A few illustrative cases having financial impact of ₹ 63.47 crore in terms of short/non-realisation of revenue are discussed in the paragraphs 6.4 to 6.7.

**6.4 Failure to realise royalty on coal**

**Inaction of the Department resulted in royalty not realised amounting to ₹ 62.14 crore on 9.21 lakh MT of coal procured by eight cement manufacturing units.**

**[DMO, Jowai; March 2015]**

Section 9 (2) of the Mines and Minerals (Development and Regulation) Act, 1957 lays down that every licensee or permit holder or lessee shall pay the prescribed royalty in respect of mineral removed or consumed by him. In Meghalaya, royalty on coal is ₹ 675 per MT<sup>1</sup>. Failure to pay royalty is penalised at 25 per cent of the rate of royalty<sup>2</sup>.

Eight<sup>3</sup> cement manufacturing units under the jurisdiction of the Divisional Mining Officer (DMO), Jowai procured 9.21 lakh MT of coal within the State between April 2013 and May 2014 on which royalty of ₹ 62.14 crore was payable. The cement units failed to pay any royalty to the Government in line with payments made by them in the earlier years. The Department also failed to ensure payment of royalty on the quantity of coal procured, thereby resulting in royalty not being realised to that extent. Besides, for failure to pay royalty, penalty amounting to ₹ 15.54 crore was also leviable. The Government was thus deprived of revenue to the tune of ₹ 77.68 crore.

The case was reported to the Mining & Geology (M&G) Department, Government of Meghalaya in April 2015; their reply has not been received (November 2015).

**6.5 Short realisation of revenue due to under reporting of excess load by a checkgate**

**There was a short-realisation of royalty amounting to ₹ 0.42 crore by a checkgate due to under reporting of 7142 MT of excess load of coal on which penalty of ₹ 0.11 crore was also leviable.**

**[DMR, Meghalaya; December 2014]**

In Meghalaya, coal can be transported outside the State only on the strength of Mineral Transport Challans (MTC) which are issued by the Director of Mineral Resources (DMR), Meghalaya on advance payment of royalty at ₹ 675 per MT<sup>4</sup>. Each MTC authorises movement of 9 MT of coal per truck. For carriage of coal in excess of 9 MT, the DMR check gates located throughout the State levy royalty on the quantity of excess

<sup>1</sup> Vide a notification dated 22 June 2012.

<sup>2</sup> In the same notification dated 22 June 2012 vide which revised the rate of royalty on coal.

<sup>3</sup> (1) M/s Cement Manufacturing Co. Ltd. (2) M/s Meghalaya Power Ltd. (3) M/s Star Cement Meghalaya Ltd. (4) M/s Meghalaya Cement Ltd. (5) M/s Adhunik Cement Ltd. (6) M/s Hills Cement Co. Ltd. (7) M/s Green Valley Industries Ltd. (8) M/s JUD Cements Ltd.

<sup>4</sup> With effect from 22 June 2012.

load transported in addition to penalty at 25 *per cent* of the royalty. For detection of excess load, the Government of Meghalaya has established weighbridges<sup>5</sup> at all checkgates. Based on the weighment slips issued by the weighbridges, the check gates realise additional royalty.

In Meghalaya, the weighbridges are under the control of the Transport Department and are required to submit monthly information to the Commissioner of Transport (CT), Meghalaya. From examination of the monthly returns in CT, Meghalaya it was seen that between April 2013 and March 2014, 33,885 trucks carrying 60,067 MT of coal in excess of the permissible limit passed through the Check gate/Weighbridge. Cross-check of this information with the records of the DMR revealed that during the same period, the DMR checkgate at Umling recorded 52,925 MT of excess load of coal and accordingly realised royalty and penalty on the excess load which was 7,142 MT lesser than the actual excess load. As the recording of excess load at the DMR checkgate was based on the weighment slips issued by the Weighbridge, the under reporting of excess load of coal as compared to the monthly returns of the CT was inexplicable and evasion of revenue cannot be ruled out. This resulted in short realisation of revenue of ₹ 0.42 crore on which penalty amounting to ₹ 0.11 crore was also leviable. The under reporting of excess load could have been detected through a suitable system of reconciliation of data between the Government departments which was also not done.

The case was reported to the Mining & Geology (M&G) Department, Government of Meghalaya in February 2015; their reply has not been received (November 2015).

#### **6.6 Short-realisation of cess on limestone**

#### **Under reporting of 1.77 lakh MT of limestone exported to Bangladesh resulted in short-realisation of cess of ₹ 0.35 crore.**

##### **[DMR, Meghalaya; December 2014]**

As per Section 4(1)(c) of the Meghalaya Minerals Cess Act, 1988 cess on limestone is leviable at ₹ 20 per MT<sup>6</sup>.

It was observed (February 2015) from the records of the DMR pertaining to export of minerals to Bangladesh that between January 2013 and December 2013, the Dawki Land Custom Station (LCS) recorded export of 6 lakh MT<sup>7</sup> of limestone against which, cess amounting to ₹ 1.20 crore was realisable. Cross-check with the monthly returns furnished by the DMR check gate at Dawki revealed that during the same period, the DMR

<sup>5</sup> All weighbridges are under the control of the Transport Department.

<sup>6</sup> With effect from 6 January 2009.

<sup>7</sup> Number of trucks are not available on records.

checkgate recorded export of 4.23 lakh MT of limestone to Bangladesh and accordingly realised ₹ 0.85 crore as cess.

Though the DMR checkgate and the LCS are situated at the same location, there was no system in place to cross verify and reconcile the figures/data of DMR with the records of LCS. Consequently, there was under reporting of export of 1.77 lakh MT limestone to Bangladesh, which resulted in short-realisation of cess amounting to ₹ 0.35 crore.

The case was reported to the M&G Department, Government of Meghalaya in February 2015; their reply has not been received (November 2015).

#### **6.7 Interest not levied**

#### **Interest amounting to ₹ 0.45 crore was not realised from two lessees for belated payment of dues.**

##### **[DMO, Jowai; March 2015]**

Rule 64 A of Mineral Concession Rules, 1960 provides that if the dues payable by a lessee are not paid within the time specified, simple interest at the rate of 24 *per cent* per annum may be charged on the amount remaining unpaid from the sixtieth day of the expiry of the date fixed for payment of such dues. For the purpose of calculation of interest, the M&G Department, GOM has fixed the due dates as follows:

<b>Half yearly ending</b>	<b>Due date</b>
<b>30 June</b>	31 July
<b>31 December</b>	31 January

From the records pertaining to payment of royalty by the lessees under DMO Jowai it was observed (March 2015) that two lessees<sup>8</sup> utilised 15.44 lakh MT of limestone between January 2013 and June 2014 against which, they were liable to pay royalty of ₹ 7.33 crore between July 2013 and July 2014. Though the lessees paid the amount belatedly (after the expiry of the sixtieth day from the due date) on various dates between November 2013 and January 2015, interest amounting ₹ 0.45 crore for belated payment was not levied by the Divisional Mining Officer (DMO). These amounts should be recovered in future payments.

The case was reported to the M&G Department, Government of Meghalaya in April 2015; their reply has not been received (November 2015).

<sup>8</sup> M/s Adhunik Cement Ltd and M/s Cement Manufacturing Co. Ltd.