

Royalty

Legal Provisions

Under the provisions of Section 9(3) of the MMDR Act, 1957, the Central Government may, by notification in the Official Gazette, amend the Second Schedule, so as to enhance or reduce the rate at which royalty shall be payable in respect of any minerals with effect from such date as may be specified in the Notification, provided that the Central Government shall not enhance the rate of royalty in respect of any minerals more than once during any period of three years. Similarly under Section 9A(2) of the Act, the Central Government may, by notification in the official Gazette, amend the Third Schedule so as to enhance or reduce the rate at which the dead rent shall be payable in respect of any area covered by mining lease and such enhancement or reduction shall take effect from such date as may be specified in the notification, provided that the Central Government shall not enhance the rate of the dead rent in respect of any such area more than once during any period of three years.

Collection of royalty for Major minerals (excluding Coal & Lignite) for some important mineral producing States

The royalties collected in some important mineral producing States in the last three years in respect of major minerals excluding Coal & Lignite are given in **Table 6.1**.

Table 6.1
Royalty collections for major minerals (excluding coal & lignite) during last four years for important mineral producing States

States	(Rs.in Crore)			
	2005-06	2006-07	2007-08	2008-09
Chhattisgarh	121.62	144.15	148.80	153.89
Jharkhand	51.00	86.29	86.88	63.24
Karnataka	149.86	172.26	135.53	184.80
Tamil Nadu	77.62	85.55	86.82	134.74
Rajasthan	350.06	810.28	761.79	653.13
Andhra Pradesh	170.38	202.95	232.37	242.85
Orissa	247.17	320.66	336.23	431.35
Maharashtra	68.10	57.69	78.97	107.56
Madhya Pradesh	157.75	186.85	208.88	191.44
Goa	18.08	22.46	26.48	28.46

Total	1411.64	2089.14	2102.75	2191.46
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Source : State Governments.

Royalty Rates

As per practice, for revision of royalty rates of minerals (other than minor minerals coal & lignite and sand for stowing) a Study Group is constituted under the Chairpersonship of Additional Secretary, Ministry of Mines, with representatives of major mineral producing States (on rotational basis) Central Ministries/Departments concerned, Indian Bureau of Mines, and the Federation of Indian Mineral Industries as members.

A Study Group for the purpose of revision of royalty rates and dead rent was constituted on 24.8.2006 under the chairmanship of Additional Secretary(Mines) having State Governments of Rajasthan, Karnataka, Chhattisgarh, Orissa and Jharkhand, Ministry of Steel and Department of Atomic Energy, Indian Bureau of Mines and Federation of Indian Mineral Industries as members.

The Study Group submitted its Report to the Central Government on 27.9.2007. Based on the recommendations of the Study Group, in respect of minerals (other than minor mineral, coal, lignite and sand for stowing), the Central Government revised the rates of Royalty and Dead Rent vide Official Gazette notification number GSR 574 (E) dated 13th August, 2009 and GSR 575 (E) dated 13th August, 2009 respectively.

The highlights of the revised rates are as follows:

- (i) Royalty rates for minerals amphibole asbestos, china clay/kaolin (including ball clay, white shale and white clay), graphite, iron ore, quartz, silica sand, moulding sand and quartzite has been shifted from tonnage basis system of royalty to ad valorem basis. The Hoda Committee had recommended that the rates of royalty should move forward decisively on ad valorem basis. The basic principle of fixing ad valorem of royalty ensures that the market forces themselves take care of the increase and decrease of royalty accruals and further intervention from the Government is not required other than in exceptional cases.
- (ii) Royalty rates for 9 minerals, Chrysotile asbestos, dolomite, limestone, lime kankar, lime shell, monazite, ochre, slate and tungsten, would continue to attract royalty on tonnage basis because it was held that shifting over to ad valorem rates for these minerals is not administratively feasible.
- (iii) For base metals (copper, zinc, lead etc.), Gold, Silver, and bauxite and laterite dispatched for extraction of alumina and aluminium, the rates of royalty would continue to be linked to the international benchmark metal prices. This would ensure higher royalty payment for high grade ore. However in case of bauxite and laterite dispatched for non metallurgical uses, royalty would be levied on ad valorem basis as per the average value of minerals published by Indian Bureau of Mines (IBM).

- (iv) There is a substantial increase in the rates of dead rent from the second year of mining lease in order to discourage dormant holdings.
- (v) The rates of royalty for coal and lignite would continue to be levied as per the Official Gazette notification number GSR 522(E) dated 1st August, 2007.
- (vi) The rates of royalty for uranium would continue to be levied as per the Official Gazette notification number GSR 96(E) dated 13th February, 2009.

Section 13 (2) (i) of the MMDR Act, 1957 gives power to the Central Government for “fixing and collection of fees for reconnaissance permits, prospecting licences or mining leases, surface rent, security deposit, fines, other fees or charges and the time within which and the manner in which the dead rent or royalty shall be payable”. In exercise of the powers, the Central Government has framed Rule 64D in the Mineral Concession Rules, 1960, specifying the guidelines for computing of Royalty on minerals on ad valorem basis. In order to streamline and simplify the mechanism for calculation of the average value of mineral for the purposes of the computation of the Royalty on ad valorem basis, the Central Government, vide notification dated 10.12.2009, has amended Rule 64D of Mineral Concession Rules, 1960. Accordingly, the Indian Bureau of Mines shall publish and host on its website:

- (i) in the case of minerals for which bench mark prices are not available, the sale price of minerals calculated from the weighted average price per tonne of Pit Mouth Value (PMV) of the mineral / ore as reported by the top ten non captive producers or actual number of non captive producers, whichever is less, in monthly returns under Mineral Conservation and Development Rules, 1988, excluding minerals produced for captive consumption;
- (ii) in the case of such minerals for which bench mark prices are available for the metal contained in the ore/concentrate, the average monthly price for metal calculated on the basis of the London Metal Exchange prices in case of aluminium, copper, lead, zinc, nickel, silver and tin, and the London Bullion Market Association Price in case of Gold.

The IBM shall also set up a Monitoring Committee to monitor the accuracy of reporting of the grade wise production, pit mouth value (PMV) and sale value of minerals by the lessees in the monthly and annual returns as required under Mineral Conservation and Development Rules, 1988. Amendments are also underway to suitably modify the reporting forms for miners.

Royalty rates for some important industrial use minerals is given at [Annexure 6.1](#).

A comparative statement of old and new rate of royalty is given at [Annexure 6.2](#).

