Mineral Royalties

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Nagpur

GOVERNMENT OF INDIA
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INDIAN BUREAU OF MINES

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Preface

The first edition of 'Mineral Royalties' was published in 1998 and second revised edition was published in 2006. This updated 3rd edition of 'Mineral Royalties' is intended to provide the reader with a broad perception of various legal, technical and fiscal issues concerning with mineral royalties.

The National Mineral Policy, 2008 stipulates that in order to protect the legitimate fiscal interests of mineral rich states, the revenues from minerals will be rationalised to ensure that the mineral bearing states get a fair share of the value of the minerals extracted from their grounds.

In this direction, the Ministry of Mines set up a Study Group to consider the revision of rates of royalty and dead rent for minerals (other than minor minerals, coal & lignite and sand for stowing) on 24.8.2006. Based on the recommendations of this Study Group, the revised rates of royalty and dead rent have been notified on 13.8.2009. Subsequently, with a view to streamline the methodology of calculation of royalty, especially in case of market oriented ad valorem royalty, the Ministry of Mines has amended Rule 64D of Mineral Concession Rules, 1960. In tune with the above notifications, the guidelines have been issued by IBM for the procedure for computation of sale prices for calculation of the royalty for such minerals which do not have any gradewise bench mark price discovery mechanism, eg. iron ore, bauxite (non-metallic), chromite, manganese ore, etc.

Royalty is vital concern not only to the State Government, but also to the Mining Industry. This publication also covers the historical developments in the rates of royalty and mineralwise royalty collected by States in a tabular form.

Royalty regime in important countries of the world has been discussed to have a comparative picture with that of India.

This publication is brought out with a view to provide an overview of the royalty regime in the mineral sector. It deals with the concept of royalty, historical background of royalty in India, the types of royalty in India and other countries, the present Indian scenario, royalty and dead rent for minor minerals as well as royalty and fixed rent for offshore area minerals.

(C.S. Gundewar)
Controller General
Indian Bureau of Mines

Nagpur
Dated: 7th January, 2011

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Chapter 1

INTRODUCTION

The history of mineral development in India is as old as its civilisation. The mining operations were so significant that definite laws existed to regulate the mining operations and the accrual of revenue to the state therefrom. According to the ancient law, even though the King represented the State, the mineral wealth did not vest in the King, but the King was entitled to realise revenue from his subjects. Over the years the concept underwent drastic changes. Kautilya maintained that mining and commerce in minerals were the monopoly of the State. Mining operations could not be carried out by others without licence from the Government. The underlying principle continues even today with minor variations. Thus, it could be seen that in Kautilya's time, the policy with regard to determination of royalty on minerals was based on charging a fixed percentage of the output, which is analogous to a fixed percentage of the value of minerals. The other method was to charge a fixed rent. The latter concept has no relationship with the quantum of production. This is analogous to the concept of rent in the existing mining law of India. In the pre-independence era, the main divisions into which royalty system were classified were; a fixed sum per tonne or other unit of particular mineral or metal, raised or sold from the mine; a percentage or a sliding scale based on the value of a particular mineral or metal and a tax on profits earned in respect of a particular mineral or metal, or by a particular mining undertaking.

In the post-independence era the Mines & Minerals (R & D) Act, 1948 was passed with a view to regulating mines and oil fields and mineral development on the lines contemplated in the Industrial Policy Resolution. The Constitution made the Union Government exclusively responsible for the development of oil fields and mineral oil resources, whereas earlier, this function was to be performed in conjunction with the provincials Governments who had residuary authority in this matter. It was thus considered necessary to amend the Mines & Minerals (Regulation & Development) Act, 1948 which was applicable to both Mines and Oil fields and new enactment, viz Mines & Minerals (Regulation & Development) Act, 1957, was accordingly passed in June, 1958. The recognition of the large number of mineral being produced in India by this time was reflected in the longest list of minerals for which royalty was specified.

Royalty in law means payment made to the owner of certain types of rights by those who are permitted by the owners to exercise such rights. Levy of Royalty on minerals is an universal concept based on the premise that mineral resources are "wasting assets". A royalty levied on mineral production has been widely advocated for a number of reasons. The rationale for royalty is that it is a payment to mineral rights holder from mineral producer in consideration for the extraction of valuable and non-renewable natural resource. Royalty forms a vital part of a fiscal regime of mining and when properly designed, it is an important means of revenue realisation for the Government. The Supreme Court, in India Cement Ltd. v. State of Tamil Nadu and others (AIR 1990 SC 85) had opined that royalty is a tax and its payment is for the user of land. The judgement had relied on a concept that royalty in as much as some intrinsic economic value was attributed to the extracted mineral created due to interaction among land, capital and labour each of which possesses some definite intrinsic economic value. In this sense royalty was viewed as a kind of tax linked either directly or indirectly to the intrinsic economic value of a mineral realised through sale by the lessee. However, in the case of State of West Bengal v. Kesoram Ltd and others, SC, CA. No. 1532-1533 of 1993, Judgement dated 15th January, 2004 the Supreme Court had pronounced that Royalty is not a tax. The royalty is levied with reference to the quantity of the minerals produced in the rent of the land on which the mine is situated or the price of the privilege of winning the minerals from the land parted by the government in favour of the lessee.

There are various types of royalties, such as, unit based royalty, ad valorem based royalty, and royalty as a share of profit. Today country's royalty structure has been rationalised to make it more market oriented. From 13th August 2009, only 9 minerals are charged royalty on 'units of production' basis. Royalty on all the remaining minerals is on ad valorem basis. From the foregoing, it can be summed up that royalty constitutes an important aspect of mining industry and is of great importance to the State Governments and mining industry alike. An attempt has been made to bring all the facets of royalty in sharp focus in this publication. The publication is presented in nine Chapters other than Introduction.

Chapter 2 deals with the concept of royalty wherein meaning of royalty, its mode of payment, judicial pronouncement for basis of charging royalty and definition of royalty as per different dictionaries have been given.

Chapter 3 of this publication namely "Royalty in Ancient and Modern India" speaks about historical background of royalty, royalty policy in Pre and Post Independence and till present status. A comparative statement of rates of royalty on minerals (Other than fuel and minor minerals) in India from 1949 till 2009 is also given.

A comprehensive study of the existing rates of royalty across the world is described in **Chapter 4** entitled as "Royalty Regime – A Global view". Royalty rates and its method of computation in important 31 mineral producing countries are also given.

Chapter 5 deals with "Royalty regime in India" including Hoda Committee recommendations on royalty, term of references of Study Group constituted for revision of rate of royalty, methodology adopted and royalty collection during 2002-03 to 2009-10 for important mineral producing states.

Chapter 6 deals with "Royalty on Coal" with prevailing rates of royalty on coal and lignite.

Chapter **7** deals with Royalty for minor minerals with royalty accrual for minor minerals during 2007-08 to 2009-10.

The **Chapter 8** namely "Administration of Royalty" deals with calculation, collection and execution of royalty.

The "Dead Rent" on major and minor minerals is described in **Chapter 9** with current rate of Dead Rent.

The **Chapter 10** deals with royalty and fixed rent for offshore minerals as per Offshore Area Minerals (Development and Regulation) Act, 2002.

'Mineral Royalties' is brought out with a view to providing an updated overview of the royalty regime in the mineral sector. It is hoped that this publication will be of immense benefit to the readers.

Chapter 2

CONCEPT OF ROYALTY AND ITS DEFINITION

Concept

Minerals are the basic building blocks of civilised life and are essential segment of economies of a country. These are exploited or mined by the human being for development purposes.

A lessee is a person who is granted mineral concessions. The lessee is required to pay a certain amount in respect of the mineral extracted in proportion to the quantity extracted. Such payment is called royalty. Royalty is calculated on the quantity of minerals extracted or removed. The owner of the land is called lessor. The lessor has a right to receive a royalty based on the production of minerals. The lessor i.e. State Governments are collected royalty irrespective of whether mineral is marketed or not marketed. When a mineral has been mined it acquires a definite market value depending on grade, market conditions and so on.

The royalties in respect of mining leases is specified in Section 9 of the MMDR Act, 1957. Royalty is a variable return and it varies with the quantity of minerals extracted or removed. Royalty in strict sense and in common parlance may not be a tax. In case of ad valorem rates, the royalty is payable as per the mandate of Rule 64 D of MCR, 1960 and guidelines prescribed thereunder. In Hingir Rampur Coal Co. Ltd. v. State of Orissa (1961 (2) 3 CR 537) Justice Wanchoo stated that right to receive royalty is a mineral right.

Royalty in law means payment made to the owner of certain types of rights by those who are permitted by the owners to exercise such rights. The rights concerned for example are literary, copyright, patent, etc. and include rights in mineral deposits. The term originated from the fact that for centuries gold and silver mines in Great Britain were the property of the Crown. Such “royal” metals could be mined only if a payment (“royalty”) were made to the Crown. Mineral deposits have nothing in common with the fruits of intellectual and artistic endeavours except that they are often exploited by persons other than the owners upon payment of royalties.

Levy of Royalty on minerals is a universal concept based on the premise that mineral resources are “wasting assets”, “one-crop-product” or “once only endowment”. A royalty levied on mineral production has been widely advocated for a number of reasons. The rationale for royalty is that it is a payment to mineral-rights holder from mineral producer in consideration for the extraction of valuable and non-renewable natural resources. Mineral resources form the basic building blocks of civilised life and are essential segment of economics of a country. Royalty forms a vital part of a fiscal regime of mining and when properly designed, it is an important means of revenue realisation for the Government. Royalties have the advantage over other tax instruments in yielding an early minimum and relatively assured flow of revenue to Governments and it is more straight forward and simpler than tax administration. Sometimes, royalties are the major or the only source of revenue to Government from a producing mine, particularly during the early years of its productive life, and when the company has accumulated high capacity allowances for income tax purposes, or during times when mineral production is comparatively low. Royalties are sometimes used to direct some of the mineral proceeds to state/provincial level of Government (as in India) or local land owner (as in Papua New Guinea).

The drawback of imposing royalties is that they are generally insensitive to mine profitability and are regressive in nature in the sense that marginally economic projects may be affected by them more heavily, than more profitable mines. This regressive feature of royalties arose from the fact that royalty may tend to form a high proportion of the net cash flow for a marginally economic mine than a more profitable one.

The meaning of the word royalty has also been considered in some judicial decisions. Many of these judicial decisions have been summed up in the judgement delivered by the Supreme Court in the case of the India Cement Ltd., etc. v. State of Tamil Nadu, etc. (AIR 1990 SC 85). The case was primarily on the legality of the cess on royalty. However, the meaning and concept of royalty has also been discussed in the judgement in an incidental manner. Although royalty has not been explicitly defined, the Supreme Court held that royalty is separate and distinct from land revenue and that it is not related to land as a unit. On the other hand, royalty is payable on a proportion of the minerals extracted and it has relationship to mining as also to the mineral won from the mine under a contract by which royalty is payable on the quantity of the mineral extracted. The Supreme Court held that royalty is a tax and its payment is for the user of land.

In the aforesaid judgement, the Supreme Court held that royalty is charged on the basis of per unit mineral extracted, and the minerals could only be extracted, if there are three things i.e. (i) land from which mineral could be extracted, (ii) capital for providing machinery, equipment and other requirements, and (iii) labour. In other words, the unit of charge of royalty is land + labour + capital.

This judgement has given a new concept to royalty in as much as some intrinsic economic value has been attributed to the extracted mineral which is created due to interaction amongst land, capital and labour, each of which possesses some definite intrinsic economic value. Conceptually intrinsic economic value also incorporates the factor of consumer surplus and as such, this value is in practice determined by the market forces which in their turn determine the sale price realised. In this sense, royalty can be viewed as a kind of tax linked either directly or indirectly to the intrinsic economic value of a mineral realised through sale by the lessee.

In a nut shell, it can be stated that royalty is a charge by the owner of a mineral in consideration of the exploitation of mineral resources by the lessee. But, from time to time the legal concept of royalty was revised and extended. The said fact is observed from the following cases, like M/s Tata Iron & Steel Co. Ltd. v. State of

Orissa, the State of Bihar and others (AIR 1991 SC 1676), wherein the Apex Court had held that Tax on royalties cannot be a tax on minerals. The imposition of cess cannot be justified. The cess is only a tax and cannot be properly described as a fee. Further, in the case of State of Orissa and others v. M/s Steel Authority of India Ltd. (AIR 1998 SC 3052), the Apex Court opined that Section 9 (1) of the MMDR Act, 1957 also contemplates the levy of royalty on the mineral consumed by the holder of a mining lease in the leased area, hence processing of mineral amounts to consumption and therefore, the entire mineral is eligible to levy of royalty. Also in the case National Mineral Development Corporation Ltd. v. State of M.P. and another (AIR 1999 MP 112), the High Court held that slime which is alleged to be a mineral and is noting but a part of fine and it has a ferrous content, it is mined ore and it is eligible to royalty under Section 9 (1) of the above said Act.

Definition

The term royalty has been defined in various dictionaries, case law and other sources, which are as follows –

1. Venkataramaiya's Law Lexicon and Legal Maxims (Vol. 3, P. 2128)

'Royalty' on mines and minerals cannot be a fee but a levy of the nature of a tax. Royalty on minerals should be taken as an imposition of a tax or impost and would come under the definition given in Art. 366, C1.(28) of the Constitution – Laddu Mal v. The State of Bihar, AIR 1963 Pat. 491 at P. 494.

The word royalty has been explained as 'payment to a patentee by agreement on every article' made according to his patent or to an author by a publisher on every copy of his book sold or to the owner of minerals for the right of working the same on every ton or other weight raised. "Royalty" has been defined as "a pro rata payment" to a grantor or lessor, on the working of the property leased, or otherwise on the profits of the grant or lease. The word is especially used in Government parlance as a demand for appropriation of minerals, timber or other property belonging to the Government. The important features of royalty have to be noticed; they are, that the payment made for the privilege of removing the articles is in proportion to the quantity removed, and the basis of the payment is an agreement – Surajuddin v. State, 1960, Jab. L.J. 93 at P. 95-96; AIR 1960 MP 129.

A payment to the owner of minerals for the right of working the same and that the charging was based on produce. It was also held that this charge has nothing to do with the question whether the purchaser may be taking out the mineral or selling it whether at the place where the mine is situated or at some other place hundreds of miles away. In other words, "royalty" is a payment made to an owner for the right to exploit his property. It is, therefore, indisputable that it would be open to the State as being the owner of the minerals to charge a royalty whether directly by itself or through a contractor. It further seems that a royalty may be charged as "so much per weight" or on the value of the produce – Sethi Marble and Stone Industries, Chittorgarh v. State of Rajasthan, 1957 RJ. W. 666 at P. 668; ILR (1958) 8 Raj. 311 ; AIR 1958 Raj. 140, page 142.

Definition given in Wharton's Law Lexicon quoted in Bherulal v. State of Rajasthan, (AIR 1956 Raj. 161) P. 162 is as below.

2. Wharton's Law Lexicon (14 Ed, P. 833)

Royalty, payment to a patentee by agreement on every article made according to his patent; or to an author by publisher on every copy of his book sold; or to the owner of minerals for the right of working the same on every ton or other weight raised.

3. Jowitt's Dictionary of English Law (Vol. 2, P. 1595)

Royalty, a payment reserved by the grantor of a patent, lease of a mine or similar right, and payable proportionately to the use made of the right by the grantee, but may be a payment in kind, that is, of part of the produce of the exercise of the right.

Rent, when a mine, quarry, brick, works, or similar property is leased, the lessor usually reserves not only a fixed yearly rent but also royalty or galeage rent, consisting of royalties varying with the quantity of minerals, bricks, etc. produced during each year. In this case the fixed rent is called a dead rent. A footage rent is payable for every acre and refers to a foot thick of minerals, and so in proportion for a greater or less thickness. A spoil bank rent is a sum payable according to the quantity of rubbish from a mine deposited on land belonging to the lessee (Vol. 5, P. 1544).

4. Strond's Judicial Dictionary (Vol. 4, P. 2414)

In its secondary sense, the word 'royalties' signifies, in mining leases, that part of the reddendum which is variable, and depends upon the quantity of mineral gotten.

5. Bleek's Law Dictionary (5th Edition)

Compensation for the use of property, usually copyrighted material or natural resources, expressed as a percentage of receipts from using the property or as an account per unit produced. A payment which is made to an author or composer by an assignee, licensee or copyright holder in respect of each copy of his work which is sold, or to an inventor in respect of each article sold under the patent. Royalty is share of product or profit reserved by owner for permitting another to use the property. In its broadest aspects, it is share of profit reserved by owner for permitting another the use of property. Alamo Nat Bank of Sen Antonio v. Hurd Tex. Civ. App., 485 SW. 2d. 335, 338.

In mining and oil operations, share of the product or profit paid to the owner of the property. Marias River Syndicate v. Big West Oil Co. 98 Monl. 254, 38 P. 2nd 599, 601.

6. Bouvier's Law Dictionary

Royalty, a payment reserved by the grantor of a patent, mining lease, etc., and payable proportionately to the use made of such right.

7. Words and Phrases (Vol. 4)

The word royalty, as used in a gas lease, generally refers to "a share of the product or profit reserved by the owner for permitting another to use the property" (Indian Natural Gas & Oil Co. v. Stewart, 90 NE 384, 386, 45, Ind. App. 554).

The word royalty as employed in a coal mining lease means the share of the profit reserved by the owner for permitting the removal of the coal and in the nature of rent. Kissick v. Bolton, 12 N.W. 95, 96, 134 10 WA, 650.

8. Prem's Judicial Dictionary (Vol. IV, 1964, P. 1457)

Royalty are periodical payments to be made by the lessee under his covenants in consideration of the various benefits which he is granted by the lessor (Gopaldas Bulakidas v. I.T. Commr 1951 Nag. 410, 1943 PC 153).

9. Ballentine's Law Dictionary (Third Ed. P. 1126)

The consideration payable by the lessee to the lessor under oil or gas lease, 24Am. Jl. St. Gas & O, 65. The right to share in production of oil or gas. Anno : 4 ALR 2d 497. Compensation for the privilege of drilling and producing gas and oil, consisting of a share of the product or of money representing such share. Alexander v. King (CA 10 Okla) 46F 2nd 235, 74 ALR 174, certden 283 US 845, 75L Ed. 1455, 51 S Ct. 492. A fractional interest in the production of oil or gas created by the owner of the grant, either by reservation when an oil and gas lease is entered into, or by direct grant to a third person. La Laguna Ranch Co. v. Dodge, 18 Cal 2nd 132, 114 P 2nd 351, 135 ALR 546. A payment made by the lessee under a mining lease to the lessor based on the output of the mine. 36 Am Jlst Min and M, 48.

10. Mozlev and Whitelev's Law Dictionary (9th Edition, P. 305)

A pro rata payment to a grantor or lessor, on the working of the property leased, or otherwise on the profits of the grant or lease. The word is especially used with reference to mines, patents and copyrights.

11. The Oxford Companion to Law (P. 1092)

(Also) a periodical payment to the owner of minerals by a party authorised to extract and remove the minerals.

12. A Dictionary of Mining, Mineral & Related Terms (USBM, P. 946-947)

Royalty (a) As used in oil and gas lease, a share of the product or profit reserved by the owner for permitting another to use the property − Ricketts, II. (b) A lease by which the owner or lessor grants to the lessee the privilege of mining and operating the land in consideration of the payment of a certain stipulated royalty on the mineral produced, creates the relation of landlord and tenant and when that relation is created whatever is paid for the occupation and use of the premises, whether it be on money or kind, is equally in substance rent, and under such circumstances the royalties received are rentals. Ricketts, II. (d) Usually refers to the 1/8 free interest in oil and gas production held or conveys by the land owner-Wheeler. (e) Ownership of mineral rights under restricted terms-Wheeler. (f) Eng. The mineral estate or area of a colliery, or a portion of such property. A field of mining operations-Fay. (g) A seigniorage on gold and silver coined at the mint-Webster 3d. (h) A percentage paid to the British Crown, of gold or silver taken from mines, or a tax erected in lieu thereof-Webster 3d. (i) The amount paid by the lessee, or operator, to the owner of the land, mineral rights or mine equipment, based on a certain amount per ton or a percent of total mineral production-Fay. (k) The take or area embraced by a colliery lease from the land owner-Nelson (l) In Great Britain, a sum of money paid by the mineowner to the landlord for the purchase of a specified quantity of mineral or coal, which is extracted from the earth and removed once and for all. The right to work coal is usually conceded in return for an annual rent and a royalty which is covered by, or merged in, the rent as far as the rent extends. The minimum rent may be fixed at 1000 pounds per annum, and the royalty rent averages about 6 pence per tone of coal − Nelson.

13. New Webster's Dictionary (P. 838)

Royalty: A compensation or portion of proceeds paid to the owner of right, as an oil right or a patent, for the use of it; a royal right, as over minerals; granted by a sovereign to a person or corporation; the payment made for such a right.

14. The New Oxford Illustrated Dictionary (Vol. 2, P.1478) (USU pl); Royal

Prerogative or privilege of licence to work minerals, etc.

15. Webster's Third New International Dictionary (Vol. II, P. 1982)

A percentage paid to the British Crown of gold or silver taken from mines or a tax erected in lieu thereof; a share of the product or profit of property reserved by the owner when the property is sold, leased or used or a payment (as a percentage of the amount of property used) to the owner for permitting another to exploit, use or market such property (as natural resources, patents or copyright) which is often subject to depletion with use.

16. Dictionary of Economics by. M.C. Madian

Compensation for the use of a patent, copyright, or other property, often calculated as a percentage of the sales value of the article or service.

17. The New Penguin Dictionary of Geology (2nd Edition) by PhilipKearey

The percentage of the revenue from mining or quarrying or Hyrdocarbon recovery paid to the owner of the mineral rights.

18. An Introduction to Mineral Economics – by Dr. K.K. Chatterjee

Royalty means dues payable to a land owner for mining rights.

19. The New Encyclopedia Britannica (Vol. 10)

Royalty, in law, the payment made to the owners of certain types of rights by those who are permitted by the owners to exercise the rights. The rights concerned are literary, musical, and artistic copyright; patent rights in inventions and designs; and rights in mineral deposits, including oil and natural gas. The term (i.e. royalty) originated from the fact that in Great Britain for centuries gold and silver mines were the property of the crown such “royal” metals could be mined only if a payment (royalty) were made to the crown.

When owners of rights make arrangement for such exploitation by others, the remuneration that they receive in exchange is often in the term of a royalty, usually based on the actual extent of the exploitation.

Mineral deposits are often exploited by persons other than the owners upon payment of royalties.

Chapter 3

ROYALTY IN ANCIENT AND MODERN INDIA

Historical Background

The history of mineral development in India is as old as its civilisation itself. Mineral and Mining has played an important role in Indian history. The mining operations were so significant that definite laws existed to regulate the mining operations and the accrual of revenue to the state therefrom. According to the ancient law, even though the King represented the State, the mineral wealth did not vest in the King, but the King was entitled to receive desired taxes or revenue for producing/extraction of minerals. This concept, however, underwent a drastic change after Kautilya wrote his Arthashastra which is claimed to pertain to the period BC 321-296 when India was ruled by Chandra Gupta Maurya. According to Kautilya, mining and commerce in minerals were the monopoly of the State. Mines requiring large outlay were leased out for a fixed number of shares of the output or for a fixed rent and stones not requiring much outlay for working were worked directly by agencies or officials of the Government. Mining operations could not be carried out by others without acquiring licence from the States. The underlaying principle continues even today with minor variations. Thus, it could be seen that in Kautilya's time, the policy with regard to determination of taxes or royalty on minerals was based on charging a fixed rate for every tonnes of the mineral output. The other method was to charge a fixed rent. The latter concept has no relationship with the quantum of production. This is analogous to the concept of dead rent in the existing mining law of India. Not much could be known about the mining laws and the policies governing the royalty on minerals in the intervening period until the advent of British period.

However, there was a system in ancient period of giving lagan or malgujari to the Malgujar. Malgujar is an authorized person by the King of the state to collect the malgujari from the occupants/ farmers of the territory of that state. In Devnagari Malgujar is made by two words mal & gujar. The meaning of mal is Materials like food grain, or money which is given in form of Tax to the malgujar. The meaning of gujar is to remain alive or continue the life or continue the system or proper continuation of administration of states by the kings. So far proper administration & protection of the states which is provided by the king to the citizens of the state, the resident of that state had to pay the taxes, malgujari or lagan to the King. During ancient period when mining of the ore is being carried out in any state then a definite amount of tax was necessary to be paid to the King by the exploiter/ extractor of the mineral.

Gold mining is carried out in India at the mines of Kolar Gold Field (Karnataka state), Hutti Gold Mines (Karnataka State) and Yeppamana Mine (Andhra Pradesh). One gold mine in Ramgiri Gold Field where the present Yeppamana Mine is located worked in the past but is now abandoned.

Kolar Gold Field was a major gold producing centre in India and has some of the deepest gold mines in the world. The deepest mine has gone to a depth of 3 km below the earth surface. Systematic gold mining started in the Kolar Gold Field in about 1880 with the arrival of M/s John Taylor & Sons, mining agents. Prior to 1880 before arrival of John Taylor & Sons, KGF mines had produced gold from reefs averaging 18.5 gm/ tonnes. The average gold content in ore during the British rule in India from 1881 to 1940 and (1941 to 1990 after the independence of India) say 1951 – 1980 the gold content in ore during the days of John Taylor and after Nationalisation are as follows.

Decade	**Average gold content gm/tonnes in ore**
1881 – 1900	47.5
1901 – 1910	28.0
1911 – 1920	18.15
1921 – 1930	19.6
1931 - 1940	15.4
1941 – 1950	12.43
1951 – 1960	10.23
1961 – 1971	7.15
1971 – 1980	5.35

Nowadays gold content of 2.2 gm/tonnes is considered to be the economic pay load for an ore.

In the year 1907 Tata Iron & Steel Company was incorporated and first of ingot of Steel rolled out in Feb. 1912. And, after two years first world war broke out and the steel demand tremendously increased. Consequently mining activities of iron manufacturing minerals like iron ores, limestone, dolomite, quartzite, silica sand and refractory manufacturing minerals like graphite, magnesite, fireclay, etc. increased and consequently taxes or lagans on mineral output were also raised by the then British Government in India. The main source of mineral taxes in British period was gold and iron & steel producing minerals and refractory minerals.

Royalty Policy in Pre – 1947 Era

Glimpses of the policies on the mining royalties and rents followed in the British Empire are available from the publication 'Mining Royalties and Rents in British Empire' prepared by the Mineral Resources Department of the Imperial Institute, London, published in 1936. According to this publication, the following were the main divisions into which royalty systems were classified:

a) A fixed sum per tonne or other unit of a particular mineral raised or sold from the mine;

b) A percentage or a sliding scale based on the value of a particular mineral or metal; and

c) A tax on profits earned in respect of a particular mineral or metal, or by a particular mining activities.

The first method provided a simple formula for computation of the royalty, and was generally applied in case of high bulk low value minerals such as coal, iron ore, etc. The second method was applied to low bulk high value minerals such as diamonds, mica, etc. In case of all non-ferrous metals like gold, silver and precious stones, royalties were charged as varying percentages of the profit. The schedule of royalty was prescribed separately for each province in British India. Similarly, different schedules of royalty were prescribed by different Princely States although the royalty prescribed was more or less the same.

There were some peculiarities in the royalty policies followed by some of the States which took into account the location, advantages and disadvantages of the mines therein and provided some relief to the mines which were located in far off places. Thus, royalty on limestone was charged on tonnage basis and it decreased progressively and the distance of the mine increased from a public railway station. If the distance of the mine was between 5 to 15 miles from the railway station, the royalty was two-thirds of that charged for mines within a distance of 5 miles and if the mine was beyond 15 miles from the railway station, the royalty was reduced to half of the prescribed rate. The royalty rates were also fixed, taking into consideration the various grades of a mineral which fetched different prices. Thus, royalty on manganese ore was charged on a sliding rate based on the average price per unit f.o.b. price, Bombay, fixed by the Local Government on the average price prevailing during each half year. No royalty was however, levied when the price per unit of manganese ore was 5 pence or less. This indicates that one of the policies governing the fixation of royalty was the ability of the mineral industry to pay and relief was provided when the prices fell below a certain level.

Many changes were brought about in the constitutional set-up in India as a result of the Government of India Act, 1935. Under this Act, minerals became a Provincial subject. As a consequence, the Provincial Governments of Assam, Bihar, Bombay and United Provinces framed their own rules for grant of mining concessions. These rules were generally similar to the rules promulgated in 1913. The Provincial Governments, which did not frame their own rules, continued to follow the 1913 Rules. In 1939, the Government of India framed the Mining Concession

(Central) Rules, 1939, for regulating the grant of prospecting licences and mining leases in centrally administered areas. Under the scheme of the Government of India Act, 1935, although minerals became a Provincial subject, the responsibility for regulation of mines and oil fields vested in the Government of India. The Mining Concession Rules of 1939 specified royalties on mica, petroleum and natural gas, oil, shale, gold and silver, iron ore and precious stones and the rest of the minerals were not specified. The royalty was based on a specified percentage of the sale value in respect of specified minerals, except oil shale, iron ore, gold and silver and precious stones. The royalty on oil shale and iron ore was in relation to unit of production and the royalty on gold, silver and precious stones was related to the percentage of profit. The royalty on all other minerals was based on percentage of sale value. While the royalty on coal, mica and natural petroleum was fixed at 5% of the sale value, it was only 2.5% of sale value in case of other unspecified minerals. This indicated that the general policy in fixing the royalty continued to be related to the sale value of minerals so that the same could increase or decrease depending upon the fluctuations in the market price. A basic minimum had, however, been specified to ensure a minimum revenue in the case of coal. The policy of charging a royalty linked with profits continued in the case of precious metals and precious stones, because in these cases the cost of production had little relationship with their market prices and the margin of profits had been generally high.

Royalty Policy in Post – Independence Era

Consequent to the formation of interim Government in January, 1947, a Mineral Policy Conference was held to formulate a national mineral policy. On 6th April, 1948 an individual policy resolution was passed by the Government of India according to which exclusive responsibility of development of certain minerals was assumed by the Central Government. The Mines and Minerals (Regulation & Development) Act, 1948, was passed with a view to regulating mines and oil fields and mineral development on the lines contemplated in the industrial policy resolution. The Constitution of India which came into force on 26th January, 1950 made the Union Government exclusively responsible for the development of oil fields and mineral oil resources, whereas earlier, this function was to be performed in conjunction with the provincial governments who had residuary authority in this matter. It was thus considered necessary to amend the Mines & Minerals (Regulation & Development) Act, 1948, which was applicable to both mines and oil fields, and a new enactment, viz. Mines & Minerals (Regulation & Development) Act, 1957, was accordingly passed in June, 1958. The recognition of the large number of minerals being produced in India by this time was reflected in the longer list of minerals for which royalty was specified. While the Mining Concession (Central) Rules, 1939, listed only 10 minerals and clubbed together the rest of them, the Mines & Minerals (Regulation & Development) Act, 1957, listed 42 minerals in the schedule for which rates of royalty were prescribed. Further, a number of grades were specified in respect certain minerals such as asbestos, apatite, barytes, chromite, graphite, iron ore, kyanite-sillimanite, manganese ore, magnesite, steatite, etc.

The mining industry in India had grown steadily since independence. The production figures for some important minerals from 1947 to 2008-09 are furnished in the following Table.

Production trend for some important minerals in India

(In million tonnes)

Mineral	1947	1951	1961	1971	1981	1991-92	2001-02	2008-09	2009-10	Growth in Production from (1947 to 2009-10)
Coal	31	35	56	72	123	229.35	327.78	4933	549	**17**
Lignite	0.063	0.034	0.064	3.66	5.96	15.80	24.8	32	58	**920**
Iron ore	2.5	4.15	18.70	34.31	41.61	57.46	86.2	215.4	226	**90**
Limestone	3.41	5.27	14.75	25.07	32.44	77.37	130.93	204	219	**64**
Copper ore	0.32	0.37	0.42	0.66	2.10	5.20	3.41	2.98	3.22	**10**
Bauxite	0.02	0.068	0.47	1.51	1.95	4.73	8.68	15.55	13.50	**675**
Lead Conc.	0.0008	0.0018	0.0055	0.0042	0.0199	0.051	0.052	0.134	0.127	**158**
Zinc Conc.	-	0.0021	0.0092	0.0150	0.0529	0.25	0.398	1.226	1.338	**637 times w.r.t 1951**
Dolomite	0.063	0.014	0.729	1.32	2.068	2.72	3.20	4.47	5.12	**81**
Chromite	0.035	0.017	0.049	0.28	0.34	1.08	1.54	3.98	3.21	**91**
Magnesite	0.052	0.119	0.210	0.296	0.463	0.561	0.282	0.246	0.272	**5**
Gypsum	0.051	0.207	0.866	1.089	0.957	1.57	2.85	3.72	3.18	**62**
Barytes	0.025	0.011	0.024	0.059	0.405	0.68	0.91	1.68	2.80	**112**
Mn ore	0.46	1.39	1.40	1.84	1.53	1.55	1.58	2.83	2.00	**4.3 times in 08-09**
Petroleum crude	0.25	0.27	0.51	7.18	14.92	30.43	32.03	34	33	**132**

There has been a phenomenal growth in the opencast mining even for minerals which were traditionally extracted by underground mining. As the mineral production started enhancing, the quantum of taxes or royalty accrual by mineral production have also started enhancing.

Recognising the expansion of mining activity which by now covered a number of minerals, the Act prescribed a larger number of minerals under the Scheduled category. In order to provide a greater stability, the Act provided that the royalty on minerals shall not be enhanced more than once during a period of 3 years.

Prior to 1968, the royalty rates used to be notified on ad-hoc basis for different minerals on different dates. The rates of royalty for 21 minerals were on the basis of unit of production and those for other minerals were on the basis of Pit's Mouth Value. However, the rates for 21 minerals were also subjected to a ceiling of 20% of Pit's Mouth Value. Thus, the royalty rates prevalent prior to 1968 were directly or indirectly linked to Pit's Mouth Value.

The Union Government set up a Study Group in 1966 to carry out for the first time a general and comprehensive review of the royalty rates of all minerals with regard to impact on production, impact on mineral based industry, export, and the State revenues. This Study Group recommended delinking of royalty rate from the Pit's Mouth Value for most of the minerals and suggested unit of production as the basis, because of difficulties experienced by the State in administration of charging royalty as per value of minerals at the pit's mouth up to 1992, which led to litigations and disputes. However, actually 'despatches' and not 'production' formed the basis of calculation of the royalty rates. More or less, the same pattern was continued during the subsequent revisions of the royalty rates. The royalty rates notified in 1992 were in most cases (except diamond, precious and semi-precious stones) based on flat rates which were arrived at by the Study Group by giving due weightage to the unit value of the minerals.

Prior to 1990, some of the State Governments were separately levying cess on mineral production under various State Acts usually linked to royalty. However, these levies were struck down by the Supreme Court in December, 1989, being ultra vires of the Indian Constitution, and consequently there was pressure on Central Government from the States to compensate them for loss of cess/revenue from tax on mineral rights. Under the circumstances, the Central Government took into account the revenue losses sustained by the States and fixed the royalty rates in February, 1992.

Following the adoption of the policy of economic liberalisation, and also as a sequel to the International Round Table Conference held in New Delhi in April, 1994 under the aegis of the UNDP and the Ministry of Mines, Ministry of Mines constituted a Study Group vide letter No. 3/9/94-MVI, dt. 30th January, 1995 with a view to rationalising royalty rates and providing impetus for foreign equity participation in the Indian mineral sector and to study the question of royalty in all its aspects and make appropriate recommendations to the Government. The main objective of the Study Group was to rationalise the rates of royalty to make them comparable with international rates while at the same time ensuring rapid development of mining industry and augmentation of revenue earnings of State Governments. Based on the recommendations of this Study Group and after a critical analysis of the then existing situation, the total number of rates pertaining to major minerals (excluding coal, lignite and sand for stowing) was brought down from 86 to 65 while at the same time the scope of ad valorem system was enlarged to 17 rates covering as many minerals, besides the group of "all other minerals". The Study Group also expressed the hope that "in future a complete switch over to ad valorem system will be possible". The rates of royalty were notified with effect from 11.4.1997.

Consistent with the past experience, Department of Mines, Ministry of Mines constituted a Study Group vide letter No.3/4/98-MVI, dt. 5th October, 1998 with a view to rationalising royalty rates and providing impetus for foreign equity participation in the Indian mineral sector and to study the question of royalty in all its aspects and make appropriate recommendations to the Government. The main objective of the Study Group was to rationalise the rates of royalty to make them comparable with international rates while at the same time ensuring rapid development of mining industry and augmentation of revenue earnings of State Governments. Based on the recommendations of this Study Group and after a critical analysis of the then existing situation, the total number of rates pertaining to major minerals (excluding coal, lignite and sand for stowing) was brought from 65 to 40 rates while at the same time the scope of ad valorem system was enlarged to 21 rates covering as many as 39 minerals, and the single group of "unspecified minerals". The Study Group also expressed the hope that "in future a complete switch over to ad valorem system will be possible". The new rates were notified with effect from 12.9.2000.

Consistent with the past practice, Department of Mines, Ministry of Mines, vide its notification No. 3/1/2002 MVI dated 22-5-2002 constituted a Study Group on the Revision of Rates of Royalty on Major Minerals (other than coal, lignite and sand for stowing) to study the question of royalty and dead rent in all its aspects and make appropriate recommendation to the Government.

Based on the recommendations of this Study Group the revised rates of royalty and dead rent were notified vide Gazette of India notification Nos. GSR 677(E) & GSR 678 (E) dt.14.10.2004. 39 specified minerals and a single group of unspecified minerals were covered under advalorem basis and 21 minerals were covered under tonnage basis.

Consistent with the past practice, Ministry of Mines, vide its notification No. 3/1/2005 MVI dated 24-8-2006 constituted a study group on the Revision of rates of royalty and dead rent on major minerals (other than coal, lignite and sand for stowing). Based on the recommendations of this Study Group the revised rates of royalty and dead rent have been notified vide Gazette of India notification Nos. GSR 574(E) and GSR 575(E) dated 13.8.2009. The major revisions in the royalty rates were carried out in 1949, 1962, 1968, 1975, 1981, 1987, 1992, 1997, 2000, 2004 and 2009. A comparative statement of rates of royalty on minerals (other than fuel and minor minerals) in India from 1949 till 2009 is given in **Annexure-I**

Chapter 4

ROYALTY REGIME – A GLOBAL VIEW

A comprehensive study of the existing rates of royalty across the world, based on information taken from Internet Website viz. (i) Department of Mining & Energy, Queensland Government and (ii) Ministry of Energy of Minerals, Tanzania Minerals, Audit Agency is given in this chapter.

There are wide varieties of approaches across the globe in royalty taxation in different countries with no clear trend for global convergence. However, the royalty tax system globally can be classified as one of the three types –

(i) Unit based.
(ii) Ad valorem (value based).
(iii) Profit based.

Few nations apply hybrid systems that combine two or three methods. Though the unit based and ad valorem systems of royalty are more prevalent, the profit based systems are increasingly being applied in the developed countries.

The unit based method or royalty on tonnage basis is mostly applied to high volume, low value homogenous minerals. This system provides a certain and continuous revenue flows to Governments and is relatively easy to administer. The royalty on tonnage basis is also simple to determine.

The ad valorem based system needs the knowledge of mineral value. This system can be simple to administer or complicated depending upon how 'value' is defined. The simple type of ad valorem calculations use a measure of "realized value" based on customer invoices while the more complex methods may involve imputing a mineral value applied in a reported international reference price to some measure of mineral content, seeking the opinion of independent appraiser in case of diamonds, using imputed value deducting defined costs such as transportation, insurance and freight, etc.

The third method of royalty system prevalent across the most developed countries is the profit based royalty assessment. The profit based royalty assessment methods tend to be detailed, reflecting all revenues and costs, including capital and recurring operating costs, and arriving at the resulting profits to the miners. Global companies are preferring this method which is based on the ability to pay, allows for early recovery of investment, responds to downturns in the market, does not distort production decisions such as cut off grade or mine life and does not add significantly to operating costs. Investors usually favour tax systems like this which have high level of transparency. This method can give high-level long-term tax revenues and satisfy most investor criteria.

The three types of royalty tax systems prevalent across the globe examined and found that there are certain advantages and disadvantages with each system. The unit based system though simple to administer may not be useful when fluctuations in the commodity prices take place. On the other hand the ad valorem based royalty system depends heavily upon the sale value worked out in different jurisdictions. Both the unit based and ad valorem based royalty systems operate irrespective of whether the mine owners have profits or losses. The profit based system is administratively complex and results in uncertain revenue flows to government. In most governments the administrative manpower is limited, and therefore, simpler royalty methods are preferred across the globe.

There is a need for working out an optimal level of taxation since, if the taxation is too high, the investors will shift their focus to other alternatives and if the taxation is too low the country will lose revenue useful to serve the public welfare. Hence the investor perceptions are very important in deciding the royalty rates besides keeping into account the fiscal interest of countries.

There is lack of royalty similarities between countries which could be attributed to the fact that every country is unique with its own legal system, history and interest groups. An approach to royalty taxes that is optimal for one country may not be practical for another. There are no universal rates of royalty because these are judged depending upon the circumstances wherein they are administered, parties concerned and project economics involved. Also there is a need to adopt a system that is amenable to easy administration and which does not give scope for leakages, etc. Hence the complete range of royalty options need to be adopted rather than limiting to simple methods.

India, at present follows both tonnage based and ad valorem royalty rates. Nine minerals are covered under tonnage basis and remaining minerals are on ad valorem basis. Coal and uranium are not considered. Amongst the 31 countries studied, 2 countries adopted royalty rates on tonnage basis, 4 countries adopted a mix of ad valorem, tonnage, & profit based royalty rates and 25 countries adopted ad valorem basis which is mostly linked to the sale value of minerals in one form or the other.

Based on available information on royalty rates and its method of calculation of 31 countries **(Annexure-II)**, it is very difficult to draw an accurate comparison between the system prevalent in other countries and in India.

Chapter 5

ROYALTY REGIME IN INDIA

Royalty is the payment of tax to the Government for the (owner) mineral right for the privilege granted by him for mining and producing/dispatching of minerals. The practice of levying royalty in some form or the other had been prevalent in India right from the ancient times and had been continuing till the modern time. In 1957, the Mines and Minerals (Regulation & Development) Act (in short MMRD Act) was enacted and the system of collection of royalty by the State was redefined and regularised under this Act.

Till 1966, the royalty rates were modified as and when necessary for different minerals at different rates. The rates of royalty for 21 minerals were levied on the basis of unit of production (tonnage basis) and those for other minerals were levied on the basis of pit's mouth value of mineral (ad valorem basis). However, even the rates for the 21 minerals, which were on tonnage basis, were subject to a ceiling of 20% of the pit's mouth value of the mineral. Thus, the royalty rates were directly or indirectly linked to the pit's mouth value of the mineral.

The Government of India set up a Study Group in 1966 for the first time to undertake a comprehensive review of the royalty rates on all minerals keeping in view the impact of royalty on production in mineral based industries, exports and the inflow to the State revenues. The Study Group gave its report in 1968 and suggested de-linking of royalty rates from the pit's mouth value for most of the minerals and recommended royalty rates on unit of production basis (tonnage basis).

The next significant development came about in 1992 when notified royalty rates were in most of the cases (except diamond and other precious & semi-precious stones excluding agate) at flat rates, arrived at by the Study Group by giving due weightage to the unit value of the minerals at the pit's mouth. Prior to 1990, some of the State Governments were separately levying cess on mineral production under various State Acts, usually linked to royalty. However, these levies were struck down by the Supreme Court in December, 1989, being ultra-vires of the Indian Constitution, and consequently, there was pressure on Union Government from the States to compensate them for the loss of cess/revenue from tax on mineral rights. Under the circumstances the Government of India took into account the revenue losses sustained by the States and fixed the royalty rates in February, 1992 in such a manner that the overall revenue including the amount lost due to the abolition of cess on minerals and mineral rights tax were protected. As a result, there was, in general, steep increase in the royalty rates in the revision effected in February, 1992.

Following the adoption of the policy of economic liberalisation and also as a sequel to the International Round Table Conference held in New Delhi in April, 1994, under the aegis of the UNDP and the Ministry of Mines, Ministry of Mines constituted a Study Group in January, 1995, with a view to rationalise the rates of royalty to make them comparable with the international rates, and at the same time ensure rapid development of mining industry and augmentation of revenue earnings of State Governments. Based on the recommendations of this Study Group, the total number of rates pertaining to major minerals (excluding coal, lignite and sand for stowing) was brought down from 86 to 65 while at the same time, the scope of ad valorem system was enlarged to 17 rates covering as many minerals besides the group of "all other minerals". The Study Group also expressed the hope that "in future a complete switch over to ad valorem system will be possible". These rates were notified with effect from 11th April, 1997.

In so far as the rates of dead rent are concerned, there had been no revision since 1987 and after a gap of about 10 years the revised rates for the same were notified on 11th April, 1997.

The Study Group of 1998 also recommended different rates of dead rent for high value, medium value and low value minerals, which were notified on 11th September, 2000 along with the royalty rates.

In accordance with Section 9(3) of the amended MMDR Act, 1957, which provided that the Central Government may, by notification in the Official Gazette, amend the Second Schedule to the Act, so as to enhance the rates of royalty payable on minerals, not more than once in three years and consistent with the past practice, the Department of Mines, Ministry of Mines constituted a Study Group on the Revision of Royalty on Major Minerals (other than coal, lignite and sand for stowing) to study the question of royalty and dead rent in all its aspects and make appropriate recommendations to the Government in May, 2002. This Study Group suggested 39 royalty rates for major minerals (excluding coal, lignite and sand for stowing). These rates included 18 royalty rates on unit of production basis applicable to 21 minerals, and 21 ad valorem royalty rates covering 39 specified minerals and a group of unspecified minerals. These rates were notified on 14th October, 2004.

In respect of dead rent, the Study Group after taking into consideration the difference between the principle underlying surface charge and dead rent, rationalised the groupings of minerals according to values into different categories as given below:

Category - 1: Precious Metals and Stones - Gold, silver, diamond, ruby, sapphire and emerald.

Category - 2: High value minerals - Semi-precious stones (agate, gem-garnet) corundum, copper, lead, zinc, asbestos (chrysotile variety) and mica.

Category- 3: Medium value minerals - Chromite, manganese ore, kyanite, vermiculite, magnesite, wollastonite, perlite, diaspore, apatite & rock phosphate, fluorite (fluorspar) and barytes.

Category- 4: Low value minerals - Minerals other than precious metals & stones, high value minerals and medium value minerals.

While the royalty rates were being notified in 2004, two parallel developments were taking place in the mineral sector.

First, China suddenly grew up as a major consumer of iron ore requiring the ore for its steel plants, fueling a spurt in the prices of iron ore. The increased demand led to a visible growth in the profits of mining companies, particularly those in export of iron ore.

Secondly, there was a global increase in the prices of base metals (lead, zinc, copper and nickel) and aluminium, which combined with the industrial growth in the country to give healthy profits in mineral production. As a result, the amount of royalty accruing to the States vis-a-vis the margin to the miner decreased substantially per tonne of mineral produced. Thus within a year of the notification of the royalty rates on 14th October 2004, the chief mineral producing States started demanding a review of the royalty rates providing for adequate compensation for the minerals mined in the State. However, since the law provides that enhancement of royalty rates could be done only once in three years, any further enhancement in the royalty rates was not possible till 13th October 2007.

Hoda Committee Recommendations on Royalty

In the mean while, a High Level Committee (HLC) was set up under the Chairmanship of Shri Anwarul Hoda, Member, Planning Commission, to review the National Mineral Policy and recommend possible amendments to the Mines and Minerals Development and Regulation (MMDR) Act, 1957 to give a fillip to private investment in the mining sector. One of the terms of reference of this Committee was to examine the ways to augment the State revenue from mineral sector. The HLC, after consultations with various stakeholders, recommended in respect of royalty that:

(i) The method of fixation of rates of royalty should move forward decisively on the basis of ad valorem rates;

(ii) For retaining specific rates (tonnage basis) for any mineral, a very strong rationale should be required;

(iii) While considering raising the ad valorem rates further, the rates prevailing inWestern Australia would act as a point of reference;

(iv) A lowering of rates to be considered only for such mineral for which there is evidence to show that the royalty rates are inhibiting mining operations and mineral production is registering a downward trend;

(v) The royalty rates for base metals, noble metals, and precious stones, in which the country is grossly deficient, needs to be low to encourage exploration for these minerals; and

(vi) Imposition of an escalating scale of dead rent for idle holding of mines.

Terms of Reference of the Study Group Constituted on August, 2006

In this background, the Ministry of Mines constituted a Study Group on 24th August 2006 under the Chairmanship of Additional Secretary (Mines) to consider revision of rates of royalty and dead rent on major minerals (other than coal, lignite and sand for stowing) with the following Terms of Reference and to make appropriate recommendation to the Government.

(i) To review the existing rates of royalty on minerals (other than coal, lignite and sand for stowing) given in Second Schedule to the Mines and Minerals (Development and Regulation) Act, 1957 and to recommend revision of rates keeping in view the recommendations of the High Level (Hoda) Committee set up in the Planning Commission, including inter alia, the following:

(a) The need to move decisively towards method of fixation of rates of royalty on the basis of ad valorem rates.

(b) Conversion of specific rates recommended by the last study group into ad valorem rates.

(c) Prevailing international royalty rates (especially those in Western Australia).

(d) Incentivised rates for base metals, noble metals and precious stones to encourage exploration.

(e) Other considerations relevant to mineral development and administration of royalty regime.

(ii) To review the guidelines for calculation of ad valorem rates of royalty based on experience of administering the same based on:

(a) Valuation of mineral for the purpose of royalty on the basis of transaction value/sale price, including the profit element over and above the unit cost of production and deducting transportation and handling charges.

(b) FOB price of minerals for export deducting transportation and handling charges.

(iii) To suggest incentivised royalty rates on ad valorem basis for beneficiated or concentrated ore.

(iv) To review and suggest penal action for failure to pay royalty on minerals extracted with special exceptions for allowing moratorium or suitable structure for deferment of royalty payment to support investment in deserving cases.

(v) To suggest appropriate revision in the existing rates of dead rent given in the Third Schedule to the Mines and Minerals (Development and Regulation) Act, 1957 on an escalating scale, taking into consideration measures for effective deterrence against idle mines.

Methodology Adopted by the Study Group

In order to arrive at well-founded recommendations after a systematic analysis of data, the Study Group circulated a detailed questionnaire seeking information from the stake holders on the amount of royalty collected from the various minerals, cost of production per unit of the mineral, trend of sale price information, the perception of stakeholders of the rationale for royalty, the criteria for fixation of royalty, preference for ad-valorem basis or tonnage basis rates for charging royalty on minerals, utilisation of royalty for infrastructure/ environment development, guidelines on charging of royalty on overburden, tailings and rates of dead rent. Apart from the questionnaire, the Study Group also considered various representations submitted by the industry. The Study Group further considered the recommendations of the World Bank sponsored study on the Mining Royalties. The Study Group also heard presentations from Aluminium Association of India, Hindustan Zinc Limited, Eastern Zone Mining Association, Goa Mineral ore Exporters Association and Organisation of Mine owners. The Study Group held five rounds of meetings.

The Study Group had requested the IBM to provide data on trend in production of various minerals, movement of sale price of minerals, latest export and import price and mineral-wise information on sufficiency or deficiency of that mineral in the country. Broadly the Study Group has relied on this data and in some instances State Governments representations have supplemented the information for some specific minerals. However, the Study Group found that in several cases the data was insufficient or shortcomings were noticed in the quality of the data. In order to overcome the data deficiency, the Study Group constituted five sub-groups under the aegis of IBM with members from State Governments and Industry for a limited number of minerals viz. Iron ore, Base metals, Bauxite, Precious minerals (Gold, Diamond, etc.) and other minerals like Limestone, Gypsum, Felspar, etc. with the objective of collection of data on sale price of the minerals and costs of transportation, manpower, machinery and equipments and the net margins accruing to the miner after deducting these costs. Even these sub groups were able to arrive only at broad average indicators of the trend in the costs and the margins accruing to the miner.

After assessing the responses to the questionnaire and taking into consideration the various feedbacks given by the stakeholders and the sub group deliberations, the Study Group has been able to finalize its recommendations on the royalty rates.

Revision of rates of Royalty and Dead Rent

The Study Group submitted its report to the Government on 27.09.2007. Based on the recommendation of the Study Group, 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, in respect of minerals (other than minor minerals, coal, lignite and sand for stowing). The revised rates of royalty and dead rent would be effective from the date of notification, i.e 13th August, 2009.

The highlights of the revised rates are as follows:

(i) Royalty rates for minerals viz. amphibole asbestos, china clay/kaolin (including ball clay, white shale and white clay), graphite, iron ore, quartz, silica sand, moulding sand and quartzite to be 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 except in exceptional cases.

(ii) Royalty rates for 9 minerals, chrysotile asbestos, dolomite, limestone, lime kankar, lime shell, monazite, ochre, slate and tungsten has been continued to attract unit of production based royalty 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.), bauxite and laterite despatched for extraction of alumina and aluminium, the rates of royalty has been continued to be linked to the international benchmark metal prices to ensure higher royalty payment for high grade ore and lower royalty payment for low grade ore. However, in case of bauxite and laterite despatched for non metallurgical uses, royalty has been levied on ad valorem basis as per the national benchmark price published by Indian Bureau of Mines (IBM).

(iv) There is a steep increase in the rates of dead rents from second year of mining lease in order to discourage dormant holdings.

The rates of royalty for coal and lignite has been continued to be levied as per the Official Gazette Notification Number GSR 522(E) dated 1st August, 2007.

The rates of royalty for uranium has been continued to be levied as per the Official Gazette notification number GSR 96(E) dated 13th February, 2009. Prevailing rates of royalty and dead rent are given in **Annexures - IIIA & IIIB**.

Constitutionally, states are the owner of the minerals. Royalty is the compensation to the minerals raised/removed from the leased area by the lessee. The royalty accrual for major minerals is important revenue as compared to minor mineral revenue. The major royalty accrued states are Rajasthan, Orissa, Andhra Pradesh, Madhya Pradesh, Karnataka and Chhattisgarh. The royalty collected for major minerals by the states for 2002-03 to 2009-10 as received from respective State Governments is given in the following table.

Royalty Collections for Major Minerals (excluding coal & lignite) during 2002-03 to 2009-10 for Important Mineral Producing States

(Rs. in Crore)

Sl. No.	States	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
1	Chhattisgarh	552.36	637.17	694.61	121.62	144.15	148.80	153.89	474.40
2	Jharkhand	797.65	900.16	916.2	51.00	86.29	86.88	63.24	202.33
3	Karnataka	83.89	143.62	210.94	149.86	172.26	135.53	184.14	427.09
4	Tamil Nadu	297.34	324.5	324.82	77.62	85.55	86.82	104.24	130.57
5	Rajasthan	399.68	457.96	589.79	350.06	810.28	761.79	659.81	987.31
6	Andhra Pradesh	769.93	766.56	864.53	170.38	202.95	232.37	242.85	370.38
7	Orissa	440.57	547.2	663.61	247.17	320.66	336.23	431.35	894.44
8	Maharashtra	400.69	475.92	568.24	68.10	57.69	78.97	107.43	84.61
9	Madhya Pradesh	590.69	646.71	733.72	157.75	186.85	208.88	191.44	351.45
10	Goa	14.81	17.87	17.44	18.08	22.46	26.48	27.46	285.91
11	Gujarat	172.63	217.90	238.95	-	131.61	168.46	157.86	192.91

-Not available
Source : State Governments.

The royalty collection in respect of all the states reportedly increased in 2009-10 over that of 2008-09.

Chapter 6

ROYALTY ON COAL

In terms of Section 9 of the Mines and Minerals (Development and Regulation) Act, 1957 the holder of mining lease shall pay royalty in respect of any mineral removed/consumed. The Central Government can enhance or reduce the rate at which the royalty shall be payable provided the rate cannot be enhanced more than once in a period of 3 years. Thus the royalty on coal is a tax which is imposed by the Central Government but collected and appropriated by the State Government where coal production takes place. The royalty rate on coal were last revised with effect from 1st August, 2007. Prior to the latest revision of royalty rates in August 2007, the rates were revised in 2002 for coal and in 2001 for lignite.

The 12th Finance Commission (2005) recommended that since royalty is an important source of revenue of some of the states, the rates of royalty should be fixed on an ad valorem basis. The Economic Advisory Commission (EAC) has recommended that royalty be shifted from specific levy to a combination of specific and ad valorem levies. EAC felt that this arrangement would provide a certain minimum royalty under the specific component plus a share in the price as variable component. On the basis of recommendation of a Study Group constituted for revision of rate of royalty for coal the following combination of specific and ad valorem rates of royalty has been notified by Government.

R (Royalty in Rupees/tonne) = a + bp

Where

a = fixed compound,

b = (variable or ad valorem component)

'p' = (price shall mean basic pithead price of ROM (run of mine) coal and lignite as reflected in the invoice excluding taxes, levies and other charges and the values of 'a' (fixed component) and 'b' (variable or ad valorem component).

This system will give coal producing state a reasonable share of the income earned by producing and selling of a non renewable mineral resources like coal.

The royalty rates as on 1.8.1991, 11.10.1994, 16.8.2002 and 1.8.2007 are as under.

Coal Group	Royalty w.e.f. 1-8-1991	Royalty w.e.f. 11-10-1994	Royalty w.e.f. 16-8-2002	Royalty w.e.f. 1-8-2007
Group – I (Coking Coal SG I, II, WG I)	150	195	250	a = Rs.180 b = 5%
Group – II (Coking Coal WG II, III, SC I, II Non-coking A, B)	120	135	165	a = Rs.130 b = 5%
Group – III (Coking Coal WG IV, Non-coking C)	75	95	115	a = Rs.90 b = 5%
Group – IV (Non-Coking D,E)	45	70	85	a = Rs.70 b = 5%
Group – V (Non-Coking F,G)	25	50	65	a = Rs.55 b = 5%
Group – VI (Coal produced in Andhra Pradesh)	70	75	90	a = Rs.45 b = 2%
Middlings	-	-	-	(i) Useful Heat value > 1300 rate applicable to corresponding grade of coal (ii) Useful Heat = < 1300 a = Rs.45 b = 5%.

Note: i) These rates are not applicable to West Bengal.
ii) Coal have been classified in different grades by the Department of Coal, Ministry of Energy w.e.f. 17-7-1979 as follows:

Non-coking coal - Brief description about non-coking coal and utility: It is classified into different grades based on useful heat value in Kilo-calories/kg.

Grade	Useful heat value (In K.cal/kg.)
A	Exceeding 6200
B	5600-6200
C	4940-5600
D	4200-4940
E	3360-4200
F	2400-3360
G	1300-2400

Coking-Coal description utility : It is classified in to different grades based on ash content.

Grade	Ash content (In %)
Steel Grade - I	>15%
Steel Grade - II	15-18%
Washery Grade - I	18-21%
Washery Grade - II	21-24%
Washery Grade - III	24-28%
Washery Grade - IV	28-35%

Semi-coking & Weakly Coking Description Utility: Coals classified based on ash plus moisture content into semi-coking grade-I (<19%) and semi-coking grade-II (19-24%).

R (Royalty in Rupees/tonne) = a + bp Where 'p' (price of ROM 'a' (fixed component) and 'b' (variable or ad valorem component).

Prevailing rate of royalty of coal and lignite notified vide Gazette of India, Ministry of Coal, GSR 522(E) dated 1.8.2007 is given in **Annexure - IIIA**.

The next revision of royalty of coal and lignite falls due after 31.7.2010. With an aim to consider the revision of rate of royalty on coal and lignite, the Government has constituted a Study Group on 4th February, 2010 under the Chairmanship of the Additional Secretary of the Ministry of Coal to consider all aspects relating to revision of rates of royalty on coal and lignite and make recommendations to the Government.

The Study Group constituted for coal and lignite is seeking comments from Stakeholders such as major coal producers and consumers and coal bearing State Governments on the issue.

Chapter 7

ROYALTY FOR MINOR MINERALS

Minerals are found on the surface and in the sub-surface of the land of the earth, minerals are the product of the nature. The minerals mined are of two types, i.e. minor minerals and major minerals. Minor minerals are mostly used in local areas, required locally and for local purposes, especially for construction activity.

The Parliament has enacted MMDR Act, 1957. The term 'minor mineral' has been defined in clause(e) of Section 3 of the Mines and Minerals (Development and Regulation) Act, 1957 (hereinafter called MM(DR) Act) as - "(e) 'minor minerals' means building stones, gravel, ordinary clay, ordinary sand other than sand used for prescribed purposes, and any other mineral which the Central Government may, by notification in the Official Gazette, declare to be a minor mineral".

Apart from the minerals already listed as minor minerals in the above clause, the Central Government has declared the following minerals as minor minerals :

> (1) boulder, (2) shingle, (3) chalcedony pebbles used for ball mill purposes only, (4) limeshell, kankar and limestone used in kilns for manufacture of lime used as building material, (5) murrum, (6) brick-earth, (7) fuller's earth, (8) bentonite, (9) road metal, (10) reh-matti, (11) slate and shale when used for building material, (12) marble, (13) stone used for making household utensils, (14) quartzite and sandstone when used for purposes of building or for making road metal and household utensils, (15) saltpetre and (16) ordinary earth (used or filling or levelling purposes in construction or embankments, roads, railways and buildings).

Section 5 to 13 of the MMDR Act, will have no application in relation to minor minerals. Section 15 of the MMDR Act, empowers the respective State Governments to make rules in respect of minor minerals. Section 15(3) of the abovesaid Act is regarding payment of royalty by the holder of mining lease, at the rate prescribed in the MMCR of the respective State Governments. The first proviso of Section 15(3) states that the State Governments shall not enhance the rate of royalty in respect of any minor mineral for more than once during any period of three years. Thus, the realisation of royalty is a statutory right of the State Government, and provisions are made in the MMCR of respective State Government regarding payment of royalty as follows:

(a) Rule 16(1)(e) of the Arunachal Pradesh Minor Mineral Concession Rules, 2002, states that the lessee shall pay royalty for every year except the first year of the lease.

(b) Rule 27 of the West Bengal Minor Minerals Rules, 2002 states pre payment of royalty.

(c) Rule 21 of the Himachal Pradesh Minor Minerals (Concession) (Revised Rules, 1971) states that the lessee shall pay royalty in advance according to rate specified in the First Schedule.

(d) Rule 54 of Uttar Pradesh Minor Mineral (Concession) Rules, 1963 states that for granting mining permit the applicant shall within 15 days deposit the royalty for the total quantity of the mineral permitted. And for any amount payable under the rules shall be paid in such manner as the State Government may specify.

(e) Rule 18(4) of the Rajasthan Minor Mineral Concession Rules, 1977 states that the lessee shall pay all dues as mentioned in the lease agreement or as notified by the Government from time to time. Further, under Rule 32(1) and 32(2) of the above said Rules, provisions are made for grant of royalty collection contract.

The term 'ordinary sand' used in clause (e) of Section 3 of the MM(DR) Act, 1957, referred above has been clarified in Rule 70 of the Mineral Concession Rules, 1960 (hereinafter called MCR, 1960) as follows :

"Sand shall not be treated as a minor mineral when used for any of the following purposes, namely :

(i) purposes of refractory and manufacture of ceramic;
(ii) metallurgical purposes;
(iii) optical purposes;
(iv) purposes of stowing in coal mines;
(v) for manufacture of silvicrete cement;
(vi) for manufacture of sodium silicate; and
(vii) for manufacture of pottery and glass".

Section 15 of the Mines and Minerals (Development and Regulation) Act, 1957, empowers the State Governments to make rules for the fixing collection and enhancement of rate of royalty and dead rent and the time within and the manner in which these shall be payable. The Minor Mineral Concession Rules are not uniform and differ from State to State. Royalty rates for the same minerals also vary from State to State. The period after which the rates of royalty can be enhanced or reduced also vary from State to State.

The rate at which royalty (it is called seigniorage fee in Andhra Pradesh and Tamil Nadu) is payable is prescribed in the Schedule appended to respective State rules.

The realisation of royalty is a statutory right of the states, it is also one of the source of revenue generation to the state exchequer. The royalty for minor minerals is payable as per the mandate of the respective rules of the MMCRs. It is observed from the table that the royalty accrual for minor minerals in respect of Uttar Pradesh, Haryana, Madhya Pradesh and Orissa is more as compared to other states. The royalty accrual for minor minerals during 2007-08 to 2009-10 is given in the following table.

Royalty Accrual for Minor Minerals During 2007-08 to 2009-10

(In Rs. Lakh)

S. No.	State	2007-08	2008-09	2009-10
1	Andhra Pradesh	76777	81718	82650
2	Arunachal Pradesh	2927	1906	843
3	Bihar	10535.02	11736.23	15939.40
4	Chhattisgarh	5990.25	7957.86	9434.82
5	Goa	-	37.44	142.71
6	Gujarat	11704.63	-	22196.80
7	Haryana	-	18755.55	-
8	Himachal Pradesh	1363	2702	3295
9	Jammu & Kashmir	-	427.73	-
10	Jharkhand	2686.55	3010.42	-
11	Karnataka	6753.24	6248.45	6427.10
12	Kerala	2403.13	2790.06	2740.45
13	Madhya Pradesh	14555	17040	21340.00
14	Mizoram	55.62	109.48	63.06
15	Orissa	10719	14259.27	20264.52
16	Punjab	16.69	-	-
17	Rajasthan	45451.40	54154.11	50277.05
18	Tamil Nadu	17.99	-	-
19	Uttar Pradesh	27338.37	32900	47750
20	Uttarakhand	-	5184	-

Source : State DGM

- Not reported

Chapter 8

ADMINISTRATION OF ROYALTY

As far as the computation of royalty on unit of production basis (tonnage basis) is concerned, the methodology adopted by State Governments for computation of royalty and administration of royalty regime is well established and it is felt that there is no need for any fresh guidelines.

Mining associations and mine owners in the presentations and discussions in the Study Group have put forth various problems arising out of implementation and interpretation of guidelines for computing royalty on minerals on ad valorem basis. The Study Group considered these issues. Accordingly, the manner of payment of royalty on ad valorem basis have been provided in Rule 64D of the Mineral Concession Rules, 1960. It has substituted the earlier guidelines for computing royalty on minerals on ad valorem basis

The manner of payment of royalty on ad valorem basis as notified vide Ministry of Mines, Official Gazette Notification No. GSR 883(E) dt. 10.12.2009 are as follows:

64 D. Manner of Payment of Royalty on Minerals on Ad Valorem Basis

(1) Every mine owner, his agent, manager, employee, contractor or sub-lessee shall compute the amount of royalty on minerals where such royalty is charged on ad valorem basis as follows:

(i) for all non-atomic and non fuel minerals sold in the domestic market or consumed in captive plants or exported by the mine owners (other than bauxite and laterite despatched for use in alumina and metallurgical industries, copper, lead, zinc, tin, nickel, gold, silver and minerals specified under Atomic Energy Act), the State-wise sale prices for different minerals as published by Indian Bureau of Mines shall be the sale price for computation of royalty in respect of any mineral produced any time during a month in any mine in that State, and the royalty shall be computed as per the formula given below:

Royalty = Sale price of mineral (grade-wise and State-wise) published by IBM X Rate of royalty (in percentage) X Total quantity of mineral grade produced/ despatched:

Provided that if for a particular mineral, the information for a State for a particular month is not published by the Indian Bureau of Mines, the latest information available for that mineral in the State shall be referred, failing which the latest information from All India figures of price for the mineral shall be referred.

(ii) for the grades of minerals produced for captive consumption (other than bauxite and laterite despatched for use in alumina and metallurgical industries, copper, lead, zinc, tin, nickel, gold and silver) and those not despatched for sale in domestic market or export, the sale price published by the Indian Bureau of Mines shall be used as the bench mark price for computation of royalty.

(iii) for primary gold, silver, copper, nickel, tin, lead and zinc, the total contained metal in the ore or concentrate produced during the priod for which the royalty is computed and reported in the statutory monthly returns under Mineral Conservation and Development Rules, 1988 or recorded in the books of the mine owners shall be considered for the purposes of computing the royalty in the first place and then the royalty shall be computed as the percentage of the average metal prices published by the Indian Bureau of Mines for primary gold, silver, copper, nickel, tin, lead and zinc during the period of computation of royalty as follows:

Royalty = sale price X rate of royalty in percentage
where sale price = Average price of metal as published by Indian Bureau of Mines during the month X Total contained metal in ore or concentrate produced X Rupee or Dollar exchange rate selling as on the last date of the month of computation of royalty:

Provided that in case of by-product gold and silver the royalty shall be based on the total quantity of metal produced and such royalty shall be calculated as follows:

Royalty = Sale price X rate of royalty in percentage

Explanation - For the purpose of this sub-clause sale price means, average price of metal as published by Indian Bureau of Mines during the month X Total by-product metal actually produced X Rupee or Dollar Exchange rate selling as on the last date of the month of computation of royalty.

(iv) For bauxite or laterite ore despatched for use in alumina and aluminium metal extraction or despatched to alumina or aluminium metal extraction industry within India, the total contained alumina in the bauxite or latrite ore on dry basis produced during the period for which the royalty is computed and reported in the statutory monthly returns under Mineral Conservation and Development Rules, 1988 or recorded in the books of the mine owners shall be considered for the purpose of computing the royalty in the first place and then the royalty shall be computed as the percentage of the average monthy price for the contained aluminium metal in the said alumina content of the ore published by the Indian Bureau of Mines, on the following basis, namely :-

Royalty =

$\frac{52.9}{100}$	X	*Percentage of Al_2O_3 in the bauxite on dry basis (as reported in the Statutory Monthly return under MCDR)*	X	*Average monthly price of aluminium as published by the IBM*	X	*Rupee/ dollar exchange rate (selling) as on the last date of the period of the computation of royalty*	X	*Rate of royalty (in percentage)*

Provided that for computing the royalty for bauxite or laterite despatched for end use other than alumina and aluminium metal extraction and for exports provisions of this clause shall not apply.

(2) In case of metallic ores based on metal contained in ore and metal prices based on benchmark prices, the royalty shall be charged on dry basis, and the mine owner shall establish suitable facilities for collection of sample and its analysis on dry basis at the mine site."

Further in view to simplifying the manner of computing ad valorem royalty in Rule 64 D under MCR, 1960, the following directives have been issued by Ministry of Mines vide F.No.16/90/2009 MVI dt. 10.12.2009.

(a) in the case of minerals for which benchmark prices are not available, the sale price of minerals calculated from the weighed 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 capital consumption;

(b) in the case of such minerals for which benchmark 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 (also known as London Price) in case of gold, as published in either of the following three sources, in the following order of priority;

Non-ferrous Report: Mineral and Metals Review, 28,30 Anantwadi, P.O.Box. 2749, Mumbai - 400 002 Metal Bulletin: 16, Lower Marsh, London, SE-17, RJ

World Metal Statistics: (Monthly or quarterly Summary) By World Bureau of Metal Statistics, 27a High Street, Ware, Herts SG 129 BA, United Kingdom.;

(c) The IBM shall use the selling rate of foreign exchange on the last date of the month as published in newspaper namely, 'The Economic Times', for conversion of rupee;

(d) The IBM shall set up a Monitoring Committee to monitor the accuracy of reporting of the gradewise production, pit mouth value (PMV) and sale value of minerals by the lessee in the monthly and annual returns as required under Mineral Conservation and Development Rules, 1988 with the following functions.

(i) The Monitoring Committee shall quarterly review the reports (state-wise), preferably in the second week in the months of September, December, March and June for the first, second, third and fourth quarters respectively, of every financial year as per schedule given below:

Sl. No.	Quarter	Review month
1.	April to June	September
2.	July to September	December
3.	October to December	March
4.	January to March and Annual	June

(ii) In particular, the Monitoring Committee may:

(a) monitor delays in the receipt of information in the monthly returns as required under Mineral Conservation and Development Rules, 1988, from selected mines for any particular grade of a mineral.

(b) identify and conduct statistical cum mining audit of returns filed by selected mines under Mineral Conservation and Development Rules, 1988.

(c) obtain information from the State Governments on consumption prices (domestic), FOB prices, grade-wise exports and average deduction rates (transportation charges, port handling, etc.) for mining clusters in different regions of the state and conduct sample check on the information furnished in the monthly and annual returns submitted under Mineral Conservation and Development Rules, 1988.

(d) any other matter Controller General may specify in this regard.

Chapter 9

DEAD RENT

Major Minerals

Dead Rent is a deterrent against the tendency of leaseholders in cornering the mining lease and keeping the mineral resources idle. In the mining sector, there is a possibility that a lessee may deliberately prevent his competitor from accessing the mineral bearing land, thereby preventing production of minerals leading to artificial scarcity for the mineral, and also depriving the State Governments from the royalty revenue which may accrue normally. Therefore, ideally, the 'dead rent' should have some relationship with economic values of mineral resources which are kept idle by the lessees and not merely with surface area of the idle leases. This was the view taken by the earlier Study Group and the rates of dead rent, which came into effect from 14th October 2004, were determined on the basis that higher dead rent would be levied on high value minerals.

At present, the rate of dead rent varies according to grouping of minerals viz., precious metals and stones (like gold, silver, diamond, ruby, sapphire and emerald); high value minerals (semi-precious stones - agate, gem garnet and corundum); copper, zinc, asbestos (chrysotile variety) and mica; medium value minerals (chromite, manganese ore, kyanite, sillimanite, vermiculite, magnesite, wollastonite, perlite, diaspore, apatite, rock phosphate, fluorite (fluorspar) and barytes; and low value minerals (other than precious metals and stones, high value minerals and medium value minerals).

The last Study Group, after discussions, held that generally one year is required for mine development, and the same may be exempted from levy of dead rent. Beyond the first year of mining operations, in order to curb any tendency of the mine owners to keep the leases idle, the Study Group held that there should be a steep increase in the rates of 65 dead rent, escalating progressively with time. Accordingly, based on the recommendation of the Study Group the following rates of dead rent has been notified vide Ministry of Mines, Gazette of India Notification No. GSR 575(E), dated 13.8.2009.

Rates of Dead Rent in Rupees Per Hectare Per Annum

From second year of lease	Third year and fourth year	Fifth year and onwards
200	500	1000

Details regarding dead rent are given in **Annexure - IIIB**.

Minor Minerals

There is no provision for the payment of dead rent in Gujarat, Marathwada region of Maharashtra and Tamil Nadu. In all other states, the holder of a lease is required to pay either dead rent or royalty, whichever is higher in amount, but not both. Apart from this similarity, the provisions regarding dead rent differ widely. The main differences are enumerated below:

(i) Whereas no dead rent is payable for the first year of the lease (as in case of leases under MCR, 1960) in Assam, Delhi, Jammu & Kashmir, Kerala, Madhya Pradesh, Mizoram, and Pondicherry, it is payable for every year, including the first year, in all other States. In Maharashtra (Mumbai & Vidarbha regions) the dead rent is not payable for the first three months.

(ii) In Andhra Pradesh, Assam, Bihar, Goa, Daman & Diu, Haryana, Himachal Pradesh, Jammu & Kashmir, Karnataka, Kerala, Madhya Pradesh, Maharashtra (Bombay & Vidarbha regions), Mizoram, Orissa, Pondicherry, Punjab & Chandigarh, Rajasthan, Uttaranchal, Uttar Pradesh and West Bengal, the rates of dead rent are prescribed in the Rules. In all other States, the granting authority is empowered to fix the rate within the limits (maximum, minimum or both) laid down in the Rules.

(iii) Whereas in Andhra Pradesh, Goa, Daman & Diu, Karnataka, Kerala, Madhya Pradesh, Maharashtra (Mumbai & Vidarbha regions), Orissa, Rajasthan and Uttar Pradesh different rates of dead rent for different groups of minerals have been prescribed in other States the rates are uniform for all minerals.

(iv) In Pondicherry the rate of dead rent decreases with the increase in the leased area, whereas in Orissa the rate of dead rent increases with the increase in the leased area.

(v) In Himachal Pradesh, Jammu & Kashmir the rates increase with the increase in area and years.

(vi) In case the lease permits the working of more than one minor mineral in the same area:

   a) Whereas, no separate dead rent is payable in Assam, Mizoram, Rajasthan, it is payable in Karnataka, Kerala, Pondicherry, Uttaranchal and Uttar Pradesh;

   b) Separate dead rent may be charged in Bihar, Goa, Daman & Diu, Himachal Pradesh, Jammu & Kashmir, Madhya Pradesh, Maharashtra (Mumbai & Vidarbha regions) and Punjab & Haryana; and

   c) There is no provision to this effect in Andhra Pradesh and West Bengal.

However, in Himachal Pradesh, Madhya Pradesh, Punjab and Haryana, separate dead rent is charged if the mining of one mineral does not involve the mining of the other.

The State Government of Uttar Pradesh has recently amended and increased the rate of dead rent vide notification dated 2nd June, 2009.

Chapter 10

ROYALTY FOR OFFSHORE AREA MINERALS

Article 297 of the Constitution of India was amended in 1976. According to the amended Article, all lands, minerals and other things of value underlying the ocean within the territorial waters, or the continental shelf, or the exclusive economic zone of India shall vest in the Union and be held for the purposes of the Union.

A study carried out by Geological Survey of India (GSI) showed that there are various minerals like ilmenite, rutile, zircon, garnet, manganese ore, monazite, sillimanite, etc., reserves of around 92 million tonnes under sea. These are estimated to be worth of Rs. 28,000 crore at current price i.e. July 2010. The Ministry of Mines had approved a policy on offshore mining and open offshore mining within 200 nauticle miles of the coast, an area that comes under the countries exclusive economic zone (EEZ). The Controller General, Indian Bureau of Mines has been declared as the Administrative Authority vide Gazette of India, Ministry of Mines S.O. 339(E) dated 11th February 2010 in pursuance of power conferred by clause (a) of the Section 4 of the Offshore Area Mineral (Development & Regulation) Act, 2002 (17 of 2003).

The private players can now mine the sea bed to give a fillip to mining industry. The areas which can be explored are of Gopalpur Coast in Orissa, Visakhapatnam in Andhra Pradesh as well as the Kerala coast and Ratnagiri in Maharashtra.

To ensure that India's EEZ is explored and exploited to the maximum possible extent, the Ministry of Earth Science (MOES) and its agencies are entrusted with the task of sea-bed exploration and mining. The Ministry of Mines has setup a Committee headed by Controller General, Indian Bureau of Mines and Officers from National Institute of Oceanography (NIO), Ministry of Environment Science and Geological Survey of India (GSI), Marine Wing, to coordinate and evolve an exploration plan to identify new areas of mineral deposits in the offshore areas of the country.

Provision of Royalty

The Offshore Area Mineral (Development and Regulation) Act, 2002 provides for development and regulation of mineral resources in the territorial waters, continental shelf, exclusive economic zone and other maritime zone of India and to provide for matters connected therewith or incidental thereto was notified on 31st January, 2003. Subsequently vide Gazette of India, Ministry of Mines Notification GSR 691(E) dated 3rd November, 2006 in exercise of the powers conferred by Section 35 of the said Act read with Section 22 of the General Clause Act, 1897 made the Offshore Area Mineral Concession Rules, 2006.

As per Section 16 of the aforesaid Act a lessee shall pay royalty to the Central Government in respect of any mineral removed or consumed by him from the area covered under the production lease, at the rate specified in the First Schedule in respect of that mineral. The Central Government shall not enhance the rate of royalty in respect of any mineral more than once during any period of three years. As per Section 17 of the aforesaid Act, a lessee shall pay to Central Government, every year fixed rent in respect of the area covered under the production lease, at the rate for the time being specified in Second Schedule of the Act. Further, lessee shall be liable to pay either royalty or the fixed rent, whichever is greater. Like royalty of onshore minerals, the Central Government shall not enhance the rate of fixed rent of offshore minerals more than once during any period of three year.

Rates of Royalty and Fixed Rent

As per Section 16(1) of the Offshore Area Mineral (Development & Regulation) Act, 2002, the rates of royalty had been notified in the First Schedule and placed as **Annexure -IVA.**

As per Section 17(1) of the Offshore Area Mineral (Development & Regulation) Act, 2002, the rates of the fixed rent had been notified in the Second Schedule and placed as **Annexure - IVB.**

Annexure-I

Rates of Royalty on Minerals in India From 1949 To 2009

S. No	Minerals	Rates w.e.f. 1949	1962	1968	1975	1981	1987	1992	1997	2000	2004	2009
1	Agate	5% of the sale value at pit's mouth.	5% of the sale value at pit's mouth.	20% of the sale price at pit's mouth	Rs. 40/- per tonne	Rs. 50/- per tonne	Rs. 55/- per tonne	Rs. 73/- per tonne	Rs. 73/- per tonne	10% of the sale price on ad valorem basis.	10% of the sale price on ad valorem basis.	10% of sale price on ad valorem basis.
2	Antimony	5% of the sale value at pit's mouth	5% of the sale price at pit's mouth	w.e.f. 1963 – 7% of the sale price at pit's mouth	10% of the sale price at pit's mouth	10% of the sale price at pit's mouth	10% of the sale price at pit's mouth	12% of the sale price at pit's mouth	10% of the sale price on ad valorem basis.	-	-	-
3	Apatite	5% of the sale value at pit's mouth	5% of the sale price at pit's mouth	w.e.f. 1963 – 7% of the sale price at pit's mouth.		a) For Ores 25% or more P_2O_5 Rs. 15/- per tonne	a) For ores with more than 27% P_2O_5 – Rs. 45/- per tonne	a) For ores with more than 27% P_2O_5 – Rs. 70/- per tonne	a) For ores with more than 27% P_2O_5 – Rs. 80/- per tonne	a) For apatite 5% of sale price on ad valorem basis.	a) For apatite 5% of sale price on ad valorem basis.	a) For apatite 5% of sale price on ad valorem basis.
						b) For ores less than 25% P_2O_5 Rs. 10/- per tonne.	b) For ores more than 20% P_2O_5 but less than 27% P_2O_5 – Rs. 25/- per tonne	b) For ores more than 20% P_2O_5 but less than 27% P_2O_5 – Rs. 40/- per tonne	b) For ores more than 20% P_2O_5 but less than 27% P_2O_5 – Rs. 44/- per tonne	b) For rock phosphate	b) For rock phosphate	b) For rock phosphate
							c) For ores with less than 20% P_2O_5 – Rs. 10/- per tonne	c) For ores with less than 20% P_2O_5 – Rs. 17/- per tonne	c) For ores with less than 20% P_2O_5 – Rs. 19/- per tonne	i) 25% P_2O_5 – 11% of the sale price on ad valorem basis.	i) 25% P_2O_5 – 11% of the sale price on ad valorem basis.	i) 25% P_2O_5 – 11% of the sale price on ad valorem basis.
									a) Above 25% P_2O_5 – 11% of sale price on ad valorem basis.	ii) Up to 25% P_2O_5 – 5% of the sale price on ad valorem basis.	ii) Up to 25% P_2O_5 5% of the sale price on ad valorem basis.	ii) Up to 25% P_2O_5 6% of the sale price on ad valorem basis.
									b) Upto 25% P_2O_5 – 5% of sale price on ad valorem basis.			
				w.e.f. 1968 : a) For ores 25% or more P_2O_5 Rs. 4.25 per tonne.	a) For ores 25% or more P_2O_5 Rs. 5/- per tonne.		Rock Phosphate: a) Ores with more than 27% P_2O_5 – Rs. 45/- per tonne	a) Above 30% P_2O_5 – Rs. 152/- per tonne	a) Above 25% P_2O_5 – 11% of sale price on ad valorem basis.			
				b) For ores less than 25% P_2O_5 Rs. 3.75 per tonne.	b) For ores less than 25% P_2O_5 Rs. 4/-per tonne.		b) Ores with 20% P_2O_5 to 27% P_2O_5 – Rs. 25/- per tonne	b) Ores with 25% to 30% P_2O_5 – Rs. 96/- per tonne	b) Up to 25% P_2O_5 – 5% of sale price on ad valorem basis.			
							c) Ores with less than 20% P_2O_5 – Rs. 10/- per tonne	c) Ores with 20% to 25% P_2O_5 – Rs. 5/- per tonne				

S. No	Minerals	Rates w.e.f. 1949	1962	1968	1975	1981	1987	1992	1997	2000	2004	2009
								d) Ores with less than 20% P_2O_5 – Rs. 23/- per tonne.				
4	Arsenic	5% of the sale value at pit's mouth	5% of the sale price at pit's mouth	7% of the sale price at pit's mouth	10% of the sale price at pit's mouth	10% of the sale price at pit's mouth	10% of the sale price at pit's mouth	12% of the sale price at pit's mouth	10% of the sale price on ad valorem basis.	-	-	-
5	Asbestos	5% of the sale value at pit's mouth	5% of the sale price at pit's mouth	a) Superior chrysotile – Rs. 250/- per tonne.	a) Superior chrysotile – Rs. 250/- per tonne.	a) Superior chrysotile – Rs. 250/- per tonne.	a) Superior chrysotile – Rs. 285/- per tonne.	a) Superior chrysotile – Rs. 726/- per tonne.	a) Superior chrysotile – Rs. 726/- per tonne.	a) Chrysotile – Rs.726/- per tonne	a) Chrysotile – . Rs. 800/- per tonne	a) Chrysotile – Rs. 880/- per tonne
				b) Inferior chrysotile- Rs. 50/- per tonne	b) Inferior chrysotile- Rs. 62/- per tonne	b) Amphibole – Rs. 15/- per tonne	b) Amphibole – Rs. 15/- per tonne	b) Amphibole – Rs. 28/- per tonne	b) Amphibole – Rs. 31/- per tonne	a) Amphibole Rs.35/- per tonne	b) Amphibole - Rs. 45/- per tonne	a) Amphibole - Fifteen per cent of sale price on ad valorem basis.
				c) Amphibole – Rs. 12/- per tonne	c) Amphibole – Rs. 12/- per tonne							
6	Barytes	5% of the sale value at pit's mouth	w.e.f. 1963 : a) White Rs. 5/- per tonne	a) White Rs. 7.5/- per tonne	a) White Rs. 10/- per tonne	a) White Rs. 15/- per tonne	a) White Rs. 20/- per tonne	a) White Rs. 54/- per tonne	Barytes, all grades 5.5% of sale price on ad valorem basis.	5.5% of sale price on ad valorem basis.	5.5% of sale price on ad valorem basis.	5.5% of sale price on ad valorem basis.
			b) Buff/off colour Rs. 5/- per tonne.	b) Buff/off colour Rs. 5/- per tonne	b) Buff/off colour Rs. 6.50/- per tonne	b) Buff/off colour Rs. 8/- per tonne	b) Buff/off colour Rs. 10/- per tonne	b) Buff/off colour Rs. 30/- per tonne				
7	Bauxite, Laterite	5% of the sale value at pit's mouth	w.e.f. 1963 : a) Chemical grade – Rs. 2/- per tonne.	All grades Rs. 2.50 /- per tonne	Rs. 4/- per tonne	Rs. 8/- per tonne	Rs. 10/- per tonne	Rs. 34/- per tonne	Bauxite all grades - Rs. 41/- per tonne	0.35% of LME Aluminium metal price chargeable on the contained aluminium metal in ore produced.	a) 0.40% of LME Aluminium metal price chargeable on the contained aluminium metal in ore produced for those despatched for use in alumina and aluminium metal extraction.	(a) 0.05 % of London Metal Exchange Aluminium metal price chargeable on the contained aluminium metal in ore produced for those despatched for use in alumina and aluminium metal extraction.

S. No	Minerals	Rates w.e.f. 1949	1962	1968	1975	1981	1987	1992	1997	2000	2004	2009
											b) 20% of sale price on ad valorem basis for those despatched for use other than alumina and aluminium metal extraction and for export.	(b) 25 % of sale price on ad valorem basis for those despatched for use other than alumina and aluminium metal extraction and export.
8	Brown Ilmenite (Leucoxene) Ilmenite, Rutile & Zircon	-	-	-	-	-	-	Rs. 113/- per tonne	2% of sale price on ad valorem basis.	20% of sale price on ad valorem basis.	20% of sale price on ad valorem basis.	2% of sale price on ad valorem basis.
9	Cadmium	5% of the sale value at pit's mouth	w.e.f. 1963 : 7% of the sale price at pit's mouth	Rs. 8/- per unit percent of cadmium metal per tonne of ore and on pro-rata basis.	Rs. 8/- per unit percent of cadmium metal per tonne of ore and on pro-rata basis.	Rs. 16/- per unit percent of cadmium metal per tonne of ore and on pro-rata basis.	Rs. 16/- per unit percent of cadmium metal per tonne of ore and on pro-rata basis.	Rs. 74/- per unit percent of cadmium metal per tonne of ore and on pro-rata basis.	Rs. 82/- per unit percent of cadmium metal per tonne of ore and on pro-rata basis.	10% of sale price on ad valorem basis.	10% of sale price on ad valorem basis.	15% of sale price on ad valorem basis.
10	Calcite	5% of the sale value at pit's mouth	w.e.f. 1963 : 7% of the sale price at pit's mouth	Rs. 2.50/- per tonne	Rs. 3/- per tonne	Rs. 6/- per tonne	Rs. 15/- per tonne	Rs. 44/- per tonne	Rs. 48/- per tonne	15% of sale price on ad valorem basis.	15% of sale price on ad valorem basis.	15% of sale price on ad valorem basis.
11	China Clay/ Kaolin (inclu-ding ball clay, white shale and white clay)	5% of the sale value at pit's mouth	7.5% of the sale price at pit's mouth	w.e.f. 1963 : i) Crude Re. 1/- per tonne.	i) Crude Rs. 2/- per tonne	i) Crude Rs. 4/- per tonne	i) Crude Rs. 8/- per tonne	i) Crude Rs. 14/- per tonne	i) Crude Rs. 18/- per tonne	i) Crude Rs. 21/- per tonne	i) Crude Rs. 23/- per tonne	i) Crude 8% of sale price on ad valorem basis.
				ii) Washed (including ball clay) Rs. 5/- per tonne	ii) Washed (including ball clay) Rs. 8/- per tonne	ii) Washed (including ball clay) Rs. 18/- per tone	ii) Washed (including ball clay) Rs. 35/- per tonne	ii) Washed (including ball clay) Rs. 62/- per tonne	ii) Processed (including washed) Rs. 68/- per tonne	ii) Processed (including washed) Rs. 75/- per tonne	ii) Processed (including washed) Rs. 85/- per tonne	ii) Processed (including washed) 10% of sale price on ad valorem basis.

S. No	Minerals	Rates w.e.f. 1949	1962	1968	1975	1981	1987	1992	1997	2000	2004	2009
12	Chromite	a) 45% of Cr_2O_3 and above 5% of the sale value at pit's mouth subject to minimum of Rs. 1.50 per tonne.	a) 10% of the sale value at pit's mouth subject to minimum of Rs. 2.25 per tonne.	a) 45% Cr_2O_3 and above – Rs. 10/- per tonne.	a) 48% Cr_2O_3 and above – Rs. 20/- per tonne.	a) 48% Cr_2O_3 and above – Rs. 50/- per tonne.	a) 48% Cr_2O_3 and above – Rs. 60/- per tonne.	a) 47% Cr_2O_3 and above – Rs. 255/- per tonne.	All grades – 7.5% of sale price on ad valorem basis.	All grades – 7.5% of sale price on ad valorem basis	All grades – 7.5% of sale price on ad valorem basis.	10% of sale price on ad valorem basis
		b) Less than 45% Cr_2O_3 – 5% of the sale price at pit's mouth subject to a mini-mum of 12 annas per tonne	b) 7.5% of the sale price at pit's mouth subject to a minimum of Rs. 1.12 per tonne	b) Less than 45% Cr_2O_3 – Rs. 6/- per tonne.	b) Above 40% and below 48% Cr_2O_3 – Rs. 12/- per tonne.	b) Above 40% and below 48% Cr_2O_3 – Rs. 25/- per tonne.	b) Above 40% and below 48% Cr_2O_3 – Rs. 30/- per tonne	b) Above 40% and below 47% Cr_2O_3 – Rs. 135/- per tonne				
				c) Chromite conc. in prepared through crushing and mining – Rs. 3/- per tonne	c) Less than 40% Cr_2O_3– Rs. 6/- per tonne	c) Less than 40% Cr_2O_3 – Rs. 15/- per tonne	c) Less than 40% Cr_2O_3 – Rs. 20/- per tonne	c) Above 30% and below 40% Cr_2O_3– Rs. 90/- per tonne				
								d) 30% Cr_2O_3– Rs. 23/- per tonne				
13	Cobalt	5% of the sale value at pit's mouth	5% of the sale value at pit's mouth	w.e.f. 1963 : 7% of the sale price at pit's mouth	10% of the sale price at pit's mouth	10% of the sale price at pit's mouth	10% of the sale price at pit's mouth	12% of the sale price at pit's mouth	10% of the sale price on ad valorem basis.	-	-	-
14	Copper	To be fixed by Central Govern-ment	6.25% of the sale price at pit's mouth	Rs. 3.25 per unit percent of copper metal per tonne of ore and on pro-rata basis	w.e.f. 1978 -Rs. 4/- per unit percent of copper metal per tonne of ore and on pro-rata basis	Rs. 4/- per unit percent of copper metal per tonne of ore and on pro-rata basis	Rs. 5/- per unit percent of copper metal per tonne of ore and on pro-rata basis	Rs. 17/- per unit percent of copper metal per tonne of ore and on pro-rata basis	Copper concentrate – 0.7% of LME metal price on ad valorem basis chargeable per tonne of concentrate produced	3.2% of LME Copper metal price chargeable on the contained copper metal in ore produced.	3.2% of LME copper metal price chargeable on the contained copper metal in ore produced.	4.2% of LME copper metal price chargeable on the contained copper metal in ore produced.

S. No	Minerals	Rates w.e.f. 1949	1962	1968	1975	1981	1987	1992	1997	2000	2004	2009
15	Corundum	5% of the sale price at pit's mouth	5% of the sale price at pit's mouth	w.e.f. 1963 : Rs. 25/- per tonne	Rs. 50/- per tonne	Rs. 65/- per tonne	Rs. 110/- per tonne	Rs. 210/- per tonne	Rs. 231/- per tonne	10% of the sale price on ad valorem basis.	10% of the sale price on ad valorem basis.	10% of the sale price on ad valorem basis.
16	Diamond	20% of the sale value	20% of the sale value at pit's mouth	10% of the sale price at pit's mouth	15% of the sale price at pit's mouth	15% of the sale price at pit's mouth	15% of the sale price at pit's mouth	20% of the sale price at pit's mouth	10% of the sale price on ad valorem basis	10% of the sale price on ad valorem basis	10% of the sale price on ad valorem basis	11.5% of sale price on ad valorem basis
17	Diaspore	5% of the sale price at pit's mouth	5% of the sale price at pit's mouth	Rs. 10/- per tonne	Rs. 10/- per tonne	Rs. 20/- per tonne	Rs. 30/- per tonne	Rs. 83/- per tonne	10% of the sale price on ad valorem basis.	-	-	10% of the sale price on ad valorem basis.
18	Dolomite	5% of the sale price at pit's mouth, subject to a minimum of 4 annas per tonne.	Re. 1/- per tonne	Rs. 1.75/- per tonne	Rs. 3/- per tonne	Rs. 5/- per tonne	Rs. 8/- per tonne	Rs. 25/- per tonne	Rs. 28/- per tonne	Rs. 40/- per tonne	Rs. 45/- per tonne	Rs. 63/- per tonne
19	Felspar	5% of the sale price at pit's mouth	5% of the sale price at pit's mouth	Rs. 1.50/- per tonne	Rs. 3/- per tonne	Rs. 4/- per tonne	Rs. 6/- per tonne	Rs. 15/- per tonne	Rs. 17/- per tonne	10% of the sale price on ad valorem basis	10% of the sale price on ad valorem basis	12% of the sale price on ad valorem basis
20	Fire clay (including plastic, pipe, lithomargic and natural pozzolanic clay)	5% of the sale price at pit's mouth	Rs. 1/- per tonne	Including plastic pipes lithomargic natural pozzolonic clay Rs. 1.25/- per tonne	Including plastic pipes lithomargic natural pozzolonic clay Rs. 2/- per tonne	Including plastic pipes lithomargic natural pozzolonic clay Rs. 4/- per tonne	Including plastic pipes lithomargic natural pozzolonic clay Rs. 5/- per tonne	Including plastic pipes lithomargic natural pozzolonic clay Rs. 13/- per tonne	Including plastic pipes lithomargic natural pozzolonic clay Rs. 17/- per tonne	12% of the sale price on ad valorem basis.	12% of the sale price on ad valorem basis	12% of the sale price on ad valorem basis
21	Fluorspar (also called fluorite)	5% of the sale price at pit's mouth	w.e.f. 1963 – 7% of the sale price at pit's mouth	With 30% or less CaF_2 Rs. 10/- per tonne	a) 85% or more CaF_2 Rs. 45/- per tonne	a) 85% or more CaF_2 Rs.7/- per tonne	a) 85% or more CaF_2 Rs. 110/- per tonne	a) 85% or more CaF_2 Rs. 270/- per tonne	a) Containing more than 30% CaF2 – 5% of the sale price on ad valorem basis	5% of the sale price on ad valorem basis	5% of the sale price on ad valorem basis	6.5% of the sale price on ad valorem basis

S. No	Minerals	Rates w.e.f. 1949	1962	1968	1975	1981	1987	1992	1997	2000	2004	2009
					b) Less than 85% & above 70% CaF_2 – Rs. 30/- per tonne	b) Less than 85% & above 70% CaF_2 – Rs. 50/- per tonne	b) Less than 85% & above 70% CaF_2 – Rs. 75/- per tonne	b) Less than 85% & above 70% CaF_2 – Rs. 170/- per tonne	b) 2.5% of sale price on ad valorem basis. (Hand sorted)			
					c) Less than 70% & above 30% CaF_2 – Rs. 20/- per tonne	c) Less than 70% & above 30% CaF_2 – Rs. 35/- per tonne.	c) Less than 70% & above 30% CaF_2 – Rs. 50/- per tonne.	c) Less than 70% & above 30% CaF_2 – Rs. 113/- per tonne				
					d) Less than 30% CaF_2 – Rs. 10/- per tonne	d) Less than 30% CaF_2 – Rs. 15/- per tonne.	d) . Less than 30% CaF_2 – Rs. 20/- per tonne	d) Less than 30% CaF_2 – Rs. 45/- per tonne				
22	Garnet a) Abrasive	5% of the sale price at pit's mouth	-	Rs. 5/- per tonne	Rs. 7/- per tonne	Rs. 10/- per tonne	Rs. 15/- per tonne	Rs. 45/- per tonne	3% of the sale price on ad valorem basis	3% of the sale price on ad valorem basis	3% of the sale price on ad valorem basis	3% of the sale price on ad valorem basis
	b) Gem	-	-	-	-	-	-	-	-	10% of the sale price on ad valorem basis	10% of the sale price on ad valorem basis	10% of the sale price on ad valorem basis
23	Glass sand (and moulding sand)	5% of the sale price at pit's mouth	w.e.f. 1963 - Re. 0.75/- per tonne.	- Re. 1/- per tonne.	Rs. 1.50/- per tonne.	-	-	-	-	-	-	-
24	Gold	6.25% of the sale price at pit's mouth	w.e.f. 1963 – 7% of the sale price at pit's mouth	Re. 0.95 on one gram of gold per tonne of ore and on pro-rata basis	Rs. 1.60 on one gram of gold per tonne of ore and on pro-rata basis	Rs. 2/- per one gram of gold per tonne of ore and on pro-rata basis	Rs. 2/- per one gram of contained gold per tonne of ore and on pro-rata basis	a) Rs. 11/- per one gram of contained gold per tonne of ore and on pro-rata basis	a) Primary 1.5% of metal sale price on ad valorem basis	a) 1.5% of London Bullion Market Association price chargeable on the contained gold metal in ore produced	a) 1.5% of London Bullion Market Association price chargeable on the contained gold metal in ore produced	a) 2% of London Bullion Market Association price chargeable on the contained gold metal in ore produced
								b) By-product gold – Rs. 10/- per gramme	b) By-product 2.5% of metal sale price on ad valorem basis	b) 2.5% of London Bullion Market Association price chargeable on the contained gold metal in ore produced	b) 2.5% of London Bullion Market Association price chargeable on the contained gold metal in ore produced	b) 3.3% of London Bullion Market Association price chargeable on the contained gold metal in ore produced

S. No	Minerals	Rates w.e.f. 1949	1962	1968	1975	1981	1987	1992	1997	2000	2004	2009
25	Graphite	5% of the sale price at pit's mouth	10% of the sale price at pit's mouth	a) With 80% or more fixed carbon – Rs. 15/- per tonne	a) With 80% or more fixed carbon – Rs. 16/- per tonne	a) With 80% or more fixed carbon – Rs. 50/- per tonne	a) With 80% or more fixed carbon – Rs. 75/- per tonne	a) With 80% or more fixed carbon – Rs. 185/- per tonne	a) With 80% or more fixed carbon – Rs. 205/- per tonne	a) With 80% or more fixed carbon – Rs. 225/- per tonne	a) With 80% or more fixed carbon – Rs. 225/- per tonne	(a) with 40 per cent or more fixed carbon -2% of sale price on ad valorem basis
				b) With 40% but below 80% fixed carbon – Rs. 12/- per tonne	b) With 40% but below 80% fixed carbon – Rs. 11/- per tonne	b) With 40% but below 80% fixed carbon – Rs. 30/- per tonne	b) With 40% but below 80% fixed carbon – Rs. 40/- per tonne	b) With 40% but below 80% fixed carbon – Rs. 100/- per tonne	b) With 40% but below 80% fixed carbon – Rs. 110/- per tonne	b) With 40% but below 80% fixed carbon – Rs. 130/- per tonne	b) With 40% but below 80% fixed carbon – Rs. 130/- per tonne	(b) with less than 40 per cent fixed carbon – 12% of sale price on ad valorem basis
				c) Less than 40% fixed carbon – Rs. 3/- per tonne	c) Less than 40% fixed carbon – Rs. 2.50/- per tonne	c) Less than 40% fixed carbon – Rs. 12/- per tonne	c) Less than 40% fixed carbon – Rs. 15/- per tonne	c) Less than 40% fixed carbon – Rs. 40/- per tonne	c) With 20% or more but less than 40% fixed carbon – Rs. 45/- per tonne	c) With less than 40% fixed carbon – Rs. 50/- per tonne	c) With less than 40% fixed carbon – Rs. 50/- per tonne	
									d) With less than 20% fixed carbon – Rs. 28/- per tonne			
26	Gypsum	5% of the sale price at pit's mouth	a) above 85% $CaSO_4$ – Rs. 1.25 per tonne	a) Fertilizer grade – Rs. 1.50 per tonne	a) Fertilizer grade – Rs. 2/- per tonne	Rs. 4/- per tonne	Rs. 8/- per tonne	Rs. 20/- per tonne	Rs. 22/- per tonne	20% of the sale price on ad valorem basis	20% of the sale price on ad valorem basis	20% of the sale price on ad valorem basis
			b) below 85% $CaSO_4$ – Rs. 0.75 per tonne	b) below 85% $CaSO_4$ – Rs. 2.50 per tonne	b) below 85% $CaSO_4$ – Rs. 3/- per tonne							
27	Ilmenite	5% of the sale price at pit's mouth	5% of the sale price at pit's mouth	Rs. 4.25/- per tonne	Rs. 6/- per tonne	Rs. 8/- per tonne	Rs. 10/- per tonne	Rs. 34/- per tonne	2% of sale price on ad valorem basis	-	-	2% of sale price on ad valorem basis
28	Iron	a) For extraction of iron eight annas per tonne	a) 5% of the sale price subject to minimum of Re. 0.50 per tonne	1) <u>Ore lumps</u> a) More than 62% Fe – Rs. 1.50 per tonne	1) <u>Ore lumps</u> a) 65% Fe and above – Rs. 4/- per tonne	1) <u>Ore lumps</u> a) 65% Fe and above – Rs. 4/- per tonne	1) <u>Ore lumps</u> a) 65% Fe and above – Rs. 6/- per tonne	1) <u>Ore lumps</u> a) 65% Fe and above – Rs. 18/- per tonne	1) <u>Ore lumps</u> a) 65% Fe and above – Rs. 21.50/- per tonne	1) <u>Ore lumps</u> a) 65% Fe and above – Rs. 24.50/- per tonne.	1) <u>Ore lumps</u> a) 65% Fe and above – Rs. 27/- per tonne.	10% of sale price on ad valorem basis
		b) Other purposes Rs. 1/- per tonne	b) 5% of the sale price subject to minimum of 2/- per tonne	b) Less than 62% Fe – Re. 1/- per tonne	b) 62-65% Fe – Rs. 3/- per tonne	b) 62-65% Fe – Rs. 3/- per tonne	b) 62-65% Fe – Rs. 3.50/- per tonne	b) 62-65% Fe – Rs. 10/- per tonne	b) 62-65% Fe – Rs. 12/- per tonne	b) 62-65% Fe – Rs. 14.50/- per tonne	b) 62-65% Fe – Rs. 16/- per tonne	

S. No	Minerals	Rates w.e.f. 1949	1962	1968	1975	1981	1987	1992	1997	2000	2004	2009
	Iron (Contd.)				c) 60-62% Fe – Rs. 2/- per tonne.	c) 60-62% Fe – Rs. 2/- per tonne	c) 60-62% Fe – Rs. 2.50/- per tonne	c) 60-62% Fe – Rs. 7/- per tonne	c)60-62% Fe – Rs. 8.50/- per tonne	c)60-62% Fe – Rs. 10/- per tonne	c) Less than 62% Fe – Rs. 11/- per tonne	
					d) Less than 60% Fe – Rs. 1.50/- per tonne.	d) Less than 60% Fe – Re. 1/- per tonne	d) Less than 60% Fe – Rs. 2/- per tonne	d) Less than 60% Fe – Rs. 5/- per tonne	d) Less than 60% Fe – Rs. 6/- per tonne	d) Less than 60% Fe – Rs. 7/- per tonne		
				2) Fines – Rs. 0.25 per tonne	2) <u>Fines</u>	2) <u>Fines</u> A) Fine including natural fines produced incidental to mining and sizing of ore	2) <u>Fines</u> A) Fine including natural fines produced incidental to mining and sizing of ore	2) <u>Fines</u> A) Fine including natural fines produced incidental to mining and sizing of ore	2) <u>Fines</u> A) Fine including natural fines produced incidental to mining and sizing of ore	2) <u>Fines</u> A) Fine including natural fines produced incidental to mining and sizing of ore	2) <u>Fines</u> A) Fine including natural fines produced incidental to mining and sizing of ore	
					a) 65% Fe and above – Rs. 2.50/- per tonne	a) 65% Fe and above – Rs. 2.50/- per tonne	a) 65% Fe and above – Rs. 3.50/- per tonne	a) 65% Fe and above – Rs. 13/- per tonne	a) 65% Fe and above – Rs. 15.50/- per tonne	a) 65% Fe and above – Rs. 17/- per tonne	a) 65% Fe and above – Rs. 19/- per tonne	
					b) 62-65% Fe – Rs. 1.50/- per tonne	b) 62-65% Fe – Rs. 1.50/- per tonne	b) 62-65% Fe – Rs. 2/- per tonne	b) 62-65% Fe – Rs. 7/- per tonne	b) 62-65% Fe – Rs. 8.50/- per tonne	b) 62-65% Fe – Rs. 10/- per tonne	b)62-65% Fe – Rs. 11/- per tonne	
					c) Less than 62% Fe – Rs. 1/- per tonne	c) Less than 62% Fe – Re. 1/- per tonne.	c) Less than 62% Fe – Rs. 1.50/- per tonne	c) Less than 62% Fe – Rs. 5/- per tonne	c) Less than 62% Fe – Rs. 6/- per tonne.	c) Less than 62% Fe – Rs. 7/- per tonne	c) Less than 62% Fe – Rs. 8/- per tonne	
					d) Beneficiated ores containing 40% Fe – Re. 0.50 per tonne.							

S. No	Minerals	Rates w.e.f. 1949	1962	1968	1975	1981	1987	1992	1997	2000	2004	2009
	Iron (Contd.)					B) Concentrate prepared by beneficiation and/ or concentrate of low grade ore, containing 40% Fe or less – Re. 0.50 per tonne	B) Concentrate prepared by beneficiation and/ or concentrate of low grade ore, containing 40% Fe or less – Re. 0.50 per tonne	B) Concentrate prepared by beneficiation and/ or concentrate of low grade ore, containing 40% Fe or less – Rs. 2.25 per tonne	B) Concentrate prepared by beneficiation and/ or concentrate of low grade ore, containing 40% Fe or less – Rs. 2.50 per tonne	B) Concentrate prepared by beneficiation and/ or concentrate of low grade ore, containing 40% Fe or less – Rs. 3/- per tonne	B) Concentrate prepared by beneficiation and/ or concentrate of low grade ore, containing 40% Fe or less – Rs. 4/- per tonne	
				3) Red Oxide – Rs. 2/- per tonne.	3) Red Oxide – Rs. 2/- per tonne							
29	Kyanite	5% of the sale price at pit's mouth	w.e.f. 1963 – Rs. 16/- per tonne	a) 60% Al_2O_3 & above - Rs. 35/- per tonne	a) 60% Al_2O_3 & above - Rs. 30/- per tonne	Rs. 30/- per tonne	Rs. 40/- per tonne	a) Containing 40% Al_2O_3 and above – Rs. 85/- per tonne	10% of Sale Price on ad valorem basis	10% of Sale Price on ad valorem basis	10% of Sale Price on ad valorem basis	10% of Sale Price on ad valorem basis
				b) Above 50% & below 60% Al_2O_3 – Rs. 8/- per tonne	b) Above 50% & below 60% Al_2O_3 – Rs. 10/- per tonne			b) Containing less than 40% Al_2O_3 – Rs. 40/- per tonne				
				c) 50% Al_2O_3 & below - Rs. 4/- per tonne	c) 50% Al_2O_3 & below Rs. 4/- per tonne							
30	Lead ore	6.25% of the sale price at pit's mouth	w.e.f. 1963 – Lead Conc. 7% of sale price at pit's mouth	Re. 0.75/- per unit percent of metal per tonne of ore and on pro-rata basis	Rs. 1.50/- per unit percent of metal per tonne of ore and on pro-rata basis	Rs. 3/- per unit percent of lead metal per tonne of ore and on pro-rata basis	Rs. 3/- per unit percent of contained lead metal per tonne of ore and on pro-rata basis	Rs. 8/- per unit percent of contained lead metal per tonne of ore and on pro-rata basis	4% of LME metal price on ad valorem basis chargeable per tonne of concentrate produced	5% of LME lead metal price chargeable on the contained lead metal in ore produced	5% of LME lead metal price chargeable on the contained lead metal in ore produced	a) 7% of LME lead metal price chargeable on the contained lead metal in ore produced
												b) 12.7% of LME lead metal price chargeable on the contained lead metal in the concentrate produced

S. No	Minerals	Rates w.e.f. 1949	1962	1968	1975	1981	1987	1992	1997	2000	2004	2009
31	Limestone (including limekankar)	5% of the sale price at pit's mouth	Rs. 0.75 per tonne subject to rebate of Rs. 0.38 per tonne for bene-ficiated by froth floatation.	Re. 1/- per tonne	Rs. 2.50/- per tonne	Rs. 4.50/- per tonne	Rs. 10/- per tonne	a) L.D. grade (less than 1.5% silica content) – Rs. 50/- per tonne	a) L.D. grade (less than 1.5% silica content) – Rs. 50/- per tonne	a) L.D. grade (less than 1.5% silica content) – Rs. 50/- per tonne	a) L.D. grade (less than 1.5% silica content) – Rs. 55/- per tonne	a) L.D. grade (less than 1.5% cent silica content) – Rs.72/- per tonne
								b) Others – Rs. 25/- per tonne	b) Others – Rs. 32/- per tonne	b) Others – Rs. 40/- per tonne	b) Others – Rs. 45/- per tonne	b) Others – Rs. 63/- per tonne
32	a) Lime shell (including calcareous sand & chalk)	5% of the sale price at pit's mouth	Re. 0.75/- per tonne	a) 45% & above CaO - Rs. 1.25 per tonne	Rs. 3/- per tonne.	Rs. 5/- per tonne.	Rs. 10/- per tonne.	Rs. 25/- per tonne.	Rs. 28/- per tonne.	Rs. 40/- per tonne.	Rs. 45/- per tonne.	Rs. 63/- per tonne.
				b) Below 45% CaO – Rs. 0.75 per tonne								
	b) Lime Kankar	-	-	-	-	-	-	-	-	Rs. 40/- per tonne	Rs. 45/- per tonne	Rs. 63/- per tonne
33	Magnesite	5% of the sale price at pit's mouth	Not separately available	a) Superior quality with less than 2.5% Si – Rs. 3/- per tonne	a) Superior quality with less than 2.5% Si – Rs. 3/- per tonne	Rs. 6/- per tonne	Rs. 10/- per tonne	Rs. 25/- per tonne	10% of Sale Price on ad valorem basis	3% of Sale Price on ad valorem basis	3% of Sale Price on ad valorem basis	3% of Sale Price on ad valorem basis
				b) Inferior quality with more than 2.5% Si – Rs. 2.50/- per tonne	b) Inferior quality with more than 2.5% Si – Rs. 2.50/- per tonne							

S. No	Minerals	Rates w.e.f. 1949	1962	1968	1975	1981	1987	1992	1997	2000	2004	2009
34	Manganese ore	a) High grade (45% Mn & above - 5% of the sale value at pit's head subject to minimum of eight annas	a) MnO_2 – Rs. 15/- per tonne	a) 46% Mn & above – Rs. 6/- per tonne	w.e.f. 1979: a) MnO_2 (containing 78% or more MnO_2 & above 4% or below Fe) – Rs. 30/- per tonne	a) MnO_2 (containing 78% or more MnO_2 & above 4% or below Fe) – Rs. 30/- per tonne	a)) MnO_2 (containing 78% or more MnO_2 & above 4% or below Fe) – Rs. 45/- per tonne	a) MnO_2 (containing 78% or more MnO_2 & above 4% or below Fe) – Rs. 101/- per tonne	a) MnO_2 (containing 78% or more MnO_2 & above 4% or below Fe) – Rs. 112/- per tonne	a) Ore of all grades - 3% of Sale Price on ad valorem basis	a) Ore of all grades - 3% of Sale Price on ad valorem basis	a) Ore of all grades – 4.2% of sale price on ad valorem basis
		b) Low grade (below 45% Mn) – 5% of the sale value at pit's head subject to minimum of eight annas	b) High grade – (45% Mn & above) - Rs. 6/- per tonne	b) High grade – (45% & above) - Rs. 3/- per tonne	b) 46% Mn & above – Rs. 12/- per tonne	b) 46% Mn & above – Rs. 12/- per tonne	b) 46% Mn & above – Rs. 15/- per tonne	b) 46% Mn & above – Rs. 40/- per tonne	b) 46% Mn & above – Rs. 42/- per tonne	b) Concentrate 1% of sale price on ad valrem basis	b) Concentrate - 1% of sale price on ad valrem basis	b) Concentrate - 1.4% of sale price on ad valorem basis
			c) Low grade (below 45% Mn) – Rs. 3/- per tonne.	c) Below 35% Mn but above 25% Mn – Rs. 2/- per tonne	c) Below 46% Mn but 35% Mn or above – Rs. 7.50/- per tonne	c) Below 46% Mn but 35% Mn or above – Rs. 7.50/- per tonne	c) Below 46% Mn but 35% Mn or above – Rs. 9/- per tonne	c) Below 46% Mn but 35% Mn or above – Rs. 23/- per tonne	c) Below 46% Mn but 35% Mn or above – Rs. 25/- per tonne			
			d) Below 35% Mn - Rs. 2/- per tonne.	d) 25% Mn or below – Re. 1/- per tonne	d) Below 35% Mn but above 25% Mn – Rs. 5/- per tonne	d) Below 35% Mn but above 25% Mn – Rs. 5/- per tonne	d) Below 35% Mn but above 25% Mn – Rs. 6/- per tonne	d) Below 35% Mn but above 25% Mn – Rs. 17/- per tonne	d) Below 35% Mn but above 25% Mn – Rs. 17/- per tonne			
					e) 25% Mn or below – Rs. 2/- per tonne	e) 25% Mn or below – Rs. 2/- per tonne	e) 25% Mn or below – Rs. 2/- per tonne	e) 25% Mn or below – Rs. 7/- per tonne	e) 25% Mn or below – Rs. 7/- per tonne			
									f) Concentrates – Rs. 2/- per tonne			

S. No	Minerals	Rates w.e.f. 1949	1962	1968	1975	1981	1987	1992	1997	2000	2004	2009
35	Mica (crude waste & scrap)	a) Crude – Rs. 1/- per md	a) Crude – Rs. 4/- per 100 kg	a) Crude – Rs. 6/- per 100 kg	a) Crude – Rs. 8/- per 100 kg	a) Crude – Rs. 8/- per 100 kg	a) Crude – Rs. 10/- per 100 kg	a) Crude – Rs. 34/- per 100 kg.	Crude mica, waste and scrap mica – 4% of sale price on ad valorem basis	Crude mica, waste and scrap mica – 4% of sale price on ad valorem basis	Crude mica, waste and scrap mica – 4% of sale price on ad valorem basis	Crude mica, waste and scrap mica – 4% of sale price on ad valorem basis
		b) Trim-med – Rs. 3/- per md	b) Trimmed – Rs. 5/- per 100 kg (other than heavy stain)	b) Trimmed – Rs. 10/- per 100 kg (other than heavy stain)	b) Trimmed – Rs. 16/- per 100 kg (other than heavy stain)	b) Trimmed – Rs. 16/- per 100 kg (other than heavy stain)	b) Trimmed – Rs. 60/- per 100 kg (other than heavy stain)					
		c) Other than (b) - – Rs. 1.50/- per md	c) Trimmed (heavy stains) – Rs. 10/-per 100 kg	c) Trimmed (heavy stains) – Rs. 5/-per 100 kg	c) Trimmed (heavy stains) – Rs. 8.40/-per 100 kg	c) Trimmed (heavy stains) – Rs. 8.40/-per 100 kg	c) Trimmed (heavy stains) – Rs. 30/- per 100 kg					
		d) Waste & scrap – 5% of sale value at pit's mouth – 2 annas per md	d) Waste & scrap – Rs. 0.50/- per 100 kg	d) Waste & scrap – Rs. 2/- per 100 kg	d) Waste & scrap – Rs. 2.80/- per 100 kg	d) Waste & scrap – Rs. 2.80/- per 100 kg	d) Waste & scrap – Rs. 4/- per 100 kg	d) Waste & scrap Mica – Rs. 14/- per 100 kg.				
			e)Waste round - Rs. 2.50/- per 100 kg	e)Waste round - Rs. 2.50/- per 100 kg	e)Waste round - Rs. 3.50/- per 100 kg	e)Waste round - Rs. 3.50/- per 100 kg	e)Waste round - Rs. 5/- per 100 kg					
36	Monazite	-	-	-	-	10% of the sale price at pit's mouth	Rs. 40/- per tonne	Rs. 113/- per tonne	Rs. 125/- per tonne	Rs. 125/- per tonne	Rs. 125/- per tonne	Rs. 125/- per tonne
37	Nickel	-	-	Rs. 1.76 per unit percent of nickel metal per tonne of ore and on pro-rata basis	Rs. 2/- per unit percent of nickel metal per tonne of ore and on pro-rata basis	Rs. 2/- per unit percent of nickel metal per tonne of ore and on pro-rata basis	Rs. 2/- per unit percent of nickel metal per tonne of ore and on pro-rata basis	Rs. 2.25/- per unit percent of contained nickel metal per tonne of ore and on pro-rata basis	Nickel ore: Rs. 2.25/- per unit percent of contained nickel metal per tonne of ore and on pro-rata basis	0.12% of LME nickel metal price chargeable on the contained nickel metal in ore produced	0.12% of LME nickel metal price chargeable on the contained nickel metal in ore produced	0.12% of LME nickel metal price chargeable on the contained nickel metal in ore produced
38	Ochre	5% of the sale value at pit's mouth	w.e.f. 1963 : Rs. 2/- per tonne	-	Rs. 2/- per tonne	Rs. 5/- per tonne	Rs. 6/- per tonne	Rs. 10/- per tonne	Rs. 11/- per tonne	Rs. 12/- per tonne	Rs. 15/- per tonne	Rs. 20/- per tonne

S. No	Minerals	Rates w.e.f. 1949	1962	1968	1975	1981	1987	1992	1997	2000	2004	2009
39	Pyrites	5% of the sale price at pit's mouth	w.e.f. 1963 : 7% of the sale price at pit's mouth	Rs. 3.20 per tonne of pyrites with 40% sulphur content and on pro-rata basis	Rs. 4/- per tonne of pyrites with 40% sulphur content and on pro-rata basis	Re. 0.12 per unit percent of sulphur per tonne of ore and on pro-rata basis	Re. 0.25 per unit percent of sulphur per tonne of ore and on pro-rata basis	Re. 0.60 per unit percent of sulphur per tonne of ore and on pro-rata basis	Re. 0.65 per unit percent of sulphur per tonne of ore and on pro-rata basis	2% of Sale Price on ad valorem basis	2% of Sale Price on ad valorem basis	2% of Sale Price on ad valorem basis
40	Pyrophyllite	5% of the sale price at pit's mouth	w.e.f. 1963 : 7% of the sale price at pit's mouth	a) For all grades except inferior grade used in insecticide industry – Rs. 3/- per tonne	a) For all grades except inferior grade used in insecticide industry – Rs. 3/- per tonne	Rs. 5/- per tonne	Rs. 10/- per tonne	Rs. 22/- per tonne	Rs. 24/- per tonne	15% of Sale Price on ad valorem basis	15% of Sale Price on ad valorem basis	20% of Sale Price on ad valorem basis
				b) Inferior grade used in insecticide industry – Rs. 1.50/- per tonne	b) Inferior grade used in insecticide industry – Rs. 1.50/- per tonne							
41	Quartz	5% of the sale price at pit's mouth	w.e.f. 1963 : Re. 0.50/- per tonne	a) Quartz & Quartzite – Re. 1/- per tonne	a) Quartz & Quartzite – Rs. 1.25/- per tonne	Quartz & silica sand – Rs. 2.50 per tonne	Quartz silica sand & moulding sand– Rs. 5/- per tonne	Quartz silica sand & moulding sand– Rs. 12/- per tonne	Quartz silica sand & moulding sand– Rs. 13/- per tonne	Quartz silica sand, moulding sand & quartzite – Rs. 15/- per tonne	Quartz silica sand, moulding sand & quartzite – Rs. 20/- per tonne	15% of sale price on ad valorem basis
				b) Sand for stowing – Re. 0.20 per tonne	b) Sand for stowing – Rs. 0.20 per tonne							
42	Quartzite	-	-	-	-	Rs. 2.50 per tonne	Rs. 5/- per tonne	Rs. 12/- per tonne	-	-	-	10% of sale price on ad valorem basis
43	Rutile	5% of the sale price at pit's mouth	w.e.f. 1963 : 7% of the sale price at pit's mouth	Rs. 70/- per tonne	Rs. 70/- per tonne	Rs. 70/- per tonne	Rs. 100/- per tonne	Rs. 225/- per tonne	2% of sale value on ad valorem basis	-	-	-
44	Sand for stowing	-	-	-	-	-	-	Re. 0.40/- per tonne	Rs. 3/- per tonne	Rs. 3/- per tonne	Rs. 3/- per tonne	Rs. 3/- per tonne
45	Selentine	-	-	-	-	-	Rs. 20/- per tonne	Rs. 50/- per tonne	Rs. 50/- per tonne	10% of sale price on ad valorem basis	10% of sale price on ad valorem basis	10% of sale price on ad valorem basis

S. No	Minerals	Rates w.e.f. 1949	1962	1968	1975	1981	1987	1992	1997	2000	2004	2009
46	Sillimanite	5% of the sale price at pit's mouth	w.e.f. 1963 : Rs. 18/- per tonne	a) 58% Al_2O_3 or more Rs. 30/- per tonne b) Below 58% Al_2O_3 Rs. 18/- per tonne	a) 58% Al_2O_3 or more Rs. 35/- per tonne b) Below 58% Al_2O_3 Rs. 20/- per tonne	Rs. 40/- per tonne	Rs. 50/- per tonne	Rs. 90/- per tonne	2.5% of sale price on ad valorem basis	2.5% of sale price on ad valorem basis	2.5% of sale price on ad valorem basis	2.5% of sale price on ad valorem basis
47	Silver	To be fixed by Central Govern-ment.	6.25% of the sale price at pit's mouth	Rs. 25/- per kg of metal	Rs. 50/- per kg of metal	Rs. 100/- per kg of metal	Rs. 150/- per kg of metal	Rs. 340/- per kg of metal	5% of sale price on ad valorem basis	a) By product – 5% of LME price chargeable on by product silver metal actually produced	a) By product – 5% of LME price chargeable on by product silver metal actually produced	a) By-product - 7% of LME price chargeable on by-product silver metal actually produced
										b) Primary silver – 5% of LME silver metal price chargeable on the contained silver metal in ore produced	b) Primary silver – 5% of LME silver metal price chargeable on the contained silver metal in ore produced	b) Primary silver – 5% of LME silver metal price chargeable on the contained silver metal in ore produced
48	Slate	-	-	-	-	10% of the sale price at pit's mouth	Rs. 18/- per tonne	Rs. 40/- per tonne	Rs. 40/- per tonne	Rs. 40/- per tonne	Rs. 45/- per tonne	Rs. 45/- per tonne
49	Talc, Steatite & Soapstone	5% of the sale price at pit's mouth	w.e.f. 1963 : Rs. 3/- per tonne	a) all grades except inferior grade used in insecticide industry – Rs. 4/- per tonne	a) all grades except inferior grade used in insecticide industry – Rs. 4.50/- per tonne	Rs. 8/- per tonne	a) all grades except inferior grade used in insecticide industry – Rs. 30/- per tonne	a) all grades except inferior grade used in insecticide industry – Rs. 56/- per tonne	a) Insecticide grade – Rs. 25/- per tonne	15% of sale price on ad valorem basis.	15% of sale price on ad valorem basis.	18% of sale price on ad valorem basis.
				b) Inferior grade used in insecticide industry – Rs. 2/- per tonne	b) Inferior grade used in insecticide industry – Rs. 2.25/- per tonne		b) Inferior grade used in insecticide industry – Rs. 10/- per tonne	b) Inferior grade used in insecticide industry – Rs. 23/- per tonne	b) Other than insecticide grade – Rs. 65/- per tonne			

S. No	Minerals	Rates w.e.f. 1949	1962	1968	1975	1981	1987	1992	1997	2000	2004	2009
50	Tin	5% of the sale price at pit's mouth	w.e.f. 1963 : 7% of the sale price at pit's mouth	7% of the sale price at pit's mouth	10% of the sale value at pit's mouth	10% of the sale price at pit's mouth	10% of the sale price at pit's mouth	12% of the sale price at pit's mouth	10% of the sale price on ad valorem basis	5% of LME tin metal price chargeable on the contained tin metal in ore produced	5% of LME tin metal price chargeable on the contained tin metal in ore produced	7.5% of LME tin metal price chargeable on the contained tin metal in ore produced
51	Tungsten, Scheelite, Wolframe	5% of the sale price at pit's mouth	w.e.f. 1963 : 7% of the sale price at pit's mouth	Wolframe – Rs. 3/- per tonne of ore with 1% WO_3 and on prorata basis	Rs. 5/- per tonne of ore with 1% WO_3 and on prorata basis	Tungsten: Rs. 10/- per unit percent of WO_3per tonne of ore and on prorata basis	Tungsten: Rs. 12/- per unit percent of WO_3 per tonne of ore and on prorata basis	Tungsten: Rs. 30/- per unit percent of WO_3per tonne of ore and on prorata basis	Tungsten ore: Rs. 20/- per unit percent of WO_3 per tonne of ore and on prorata basis	Tungsten ore: Rs. 20/- per unit percent of WO_3 per tonne of ore and on prorata basis	Tungsten ore: Rs. 20/- per unit percent of WO_3 per tonne of ore and on pro rata basis	Tungsten ore: Rs. 20/- per unit percent of WO_3 per tonne of ore and on pro rata basis
52	Uranium	-	-	-	-	10% of the sale price at pit's mouth	Rs. 2.52 for dry ore with 0.05% U_3O_8 with pro-rata for ore above & below 0.05% U_3O_8 Re. 0.50 per tonne per 0.01% U_3O_8 contained in ore	Rs. 3.50 for dry ore with U_3O_8 content of 0.05% with pro-rata increase/ decrease Re. 1.0 per metric tonne of ore for 0.01% increase/decrease	Rs. 5/- for dry ore with U_3O_8 content of 0.05% with pro-rata increase/ decrease Re. 1.50 per metric tonne of ore for 0.01% increase/decrease	Rs. 5/- for dry ore with U_3O_8 content of 0.05% with pro-rata increase/ decrease Re. 1.50 per metric tonne of ore for 0.01% increase/ decrease	Rs. 5/- for dry ore with U_3O_8 content of 0.05% with pro-rata increase/ decrease Re. 1.50 per metric tonne of ore for 0.01% increase/ decrease	Royalty on mineral uranium at the rate of two per cent of the compensation amount received by M/s. Uranium Corporation of India Limited (UCIL), for the mineral uranium and the total amount of royalty will be apportioned among the different states on the basis of data provided by Department of Atomic Energy
53	Vermiculite	5% of the sale price at pit's mouth	7% of the sale value at pit's mouth	Rs. 2/- per tonne	Rs. 2/- per tonne	Rs. 4/- per tonne	Rs. 8/- per tonne	Rs. 28/- per tonne	Rs. 25/- per tonne	3% of sale price on ad valorem basis	3% of sale price on ad valorem basis	3% of sale price on ad valorem basis
54	Wollastonite	-	-	-	-	Rs. 10/- per tonne	Rs. 30/- per tonne	Rs. 80/- per tonne	10% of sale price on ad valorem basis	10% of sale price on ad valorem basis	10% of sale price on ad valorem basis	12% of sale price on ad valorem basis

S. No	Minerals	Rates w.e.f. 1949	1962	1968	1975	1981	1987	1992	1997	2000	2004	2009
55	Zinc ore	5% of the sale price at pit's mouth	w.e.f. 1963 : 7% of the sale price at pit's mouth	Rs. 1/- per unit percent of zinc metal content per tonne of ore & on pro-rata basis	Rs. 3/- per unit percent of zinc metal content per tonne of ore & on pro-rata basis	Rs. 4/- per unit percent of zinc metal content per tonne of ore & on pro-rata basis	Rs. 6/- per unit percent of zinc metal content per tonne of ore & on pro-rata basis	Rs. 16/- per unit percent of zinc metal content per tonne of ore & on pro-rata basis	Zinc concentrate : Three & half (3.5) percent of LME metal price on ads valorem basis chargeable per tonne of concentrate produced	6.6% of LME zinc metal price chargeable on the contained zinc metal in ore produced	6.6% of LME zinc metal price chargeable on the contained zinc metal in ore produced	8% of LME zinc metal price on ad valorem basis chargeable on contained zinc metal in ore produced
												8.4% of LME zinc metal price on ad valorem basis chargeable on contained zinc metal in concentrate produced
56	Zircon	-	-	-	-	10% of the sale price at pit's mouth	Rs. 90/- per tonne	Rs. 180/- per tonne	2% of sale price on ad valorem basis	-	-	-
57	Precious & semi-precious stones	20% of sale value	20% of the sale price at pit's mouth	(Except diamond) 20% of sale price at pit's mouth	(Except diamond) 20% of sale price at pit's mouth	(Except agate and diamond)- 20% of the sale price at pit's mouth	(Except agate and diamond)- 20% of the sale price at pit's mouth	(Except agate and diamond)- 20% of the sale price at pit's mouth	10% of sale price on ad valorem basis	-	-	-
58	All other minerals (not herein before specified)	-	-	-	-	10% of the sale price at pit's mouth	10% of the sale price at pit's mouth	12% of the sale price at pit's mouth	10% of sale price on ad valorem basis	10% of sale price on ad valorem basis	10% of sale price on ad valorem basis	10% of sale price on ad valorem basis

Annexure- II

Royalty Rates and its Method of Computation in Important Mineral Producing Countries

Sl. No	Country	Mineral Type	Rate	Royalty Computation Method
1.	**North America** USA	All minerals	Nevada:- It ranges from 2 to 5% depending upon the ratio at Net proceeds to Gross proceeds Alaska: 3% net proceeds royalty on minerals taken from land owned by the states	Alaska & Nevada:- Net proceed royalty Californa, Arizona, New Mexico, South Dakota, Utah and Washington:- Gross Royalty Montana:- New Smelter Return Wyoming :-case by case
2	Canada	Gold	15% (British Colombia) 18% (Ontario) 20% (Quebec) of Taxable Income	10-18% of net profits interest in all provinces (Quebec - 12%, Ontario - 10%, British Columbia-13%, NWT-13%, Alberta-12%, Nunavut-13%, Saskatchewan-10%. Minimum tax in some provinces established through additional minimum rates (British Colombia-2% of net after immediate operating expenses; Alberta-1% of gross; New Brunswick-2% of net profit interest similar to net return Smelter. Nova Scotia 2% of net) all are creditable against profit taxes.
3.	Mexico		Royalty ranges between 3% and 7%	Royalty are payable in the case of bidding processes on National Mining reserves. Royalties may also be payable to a private individual if it is the owner of the concession. Royalty is normally based on net smelter Return.
4.	**Latin America** Argentina	Gold	3%	Royalty are not profit interest and not exceed 3% of the mineral values at the pit mouth.

Sl.No	Country	Mineral Type	Rate	Royalty Computation Method
5.	Brazil	Aluminium, Manganese, Potassium Iron, fertilizer, coal & other substances. Gold	3% 2% 1% Rates vary from 0.2% to 3% depending on the mineral type	Royalty is calculated based on sale revenues of the raw minerals. Transportation, sales Tax and Insurance costs are deductible.
6.	Guyana	Gold Diamond	5% of gross sales 3% of gross sales	-
7.	Bolivia	Silver (OZ) Zinc (Lb) Lead (Lb)	3 – 6% 1 – 5% 1 – 5%	Royalty of 1 – 7% of sale revenue deductible against income tax.
8.	Chile	Gold Diamond Coal Iron Ore Copper	3% 3% 1% 2% 2%	Royalty based on mineral sales revenue.
	Chile	Gold Diamond Coal Iron Ore Copper	3% 3% 1% 2% 2%	Royalty based on mineral sales revenue.
9.	Peru		The royalty rates shall be either 1% or 2% of the Net Smelter Return, depending on the gold prices at the time of the exercise of the option.	The mining royalties is calculated by applying a 1% rate to annual sales revenue of concentrates under US$ 60 million, 2% to excess over US$ 60 million up to US$ 120 million and 3% to the excess over US$ 120 million.
10.	Venezuela	Gold, Silver, Platinum and platinum related minerals Diamond and other precious gems Other minerals	3% of fair market value 4% of market value 3% of fair market value	Royalty are charged based on minerals exploration.

Sl.No	Country	Mineral Type	Rate	Royalty Computation Method
	Asia and Pacific			
11.	China	Gold & Diamond Coal Copper & Iron Ore	4% 1% 2%	4% of gross sales revenue.
12.	Indonesia	Copper Gold Silver	4% of sale price per tonne 3.75% of sale price per kg 3.25% of sale price per kg	Royalty generally ranges from 3% to 5% of sale price per tonne or kg. It is computed as % of FOB sales price per ton or kg of metal exported or as contained in exported concentrates.
13.	Kazakhstan	Hydrocarbon Other minerals	2% to 6% depending on the amount of extracted resources. Rates are established by Government	Computation based on sales revenue payable on the values of extracted mineral resources.
14.	Uzbekistan	Mined Gold Mined Silver Tungsten Lead, Zinc, Molybdenum	5% 8% 8% 1%	Based on the Gross sale value.
15.	Philippines	Salt, Stone, Sand, Simliar minerals Unpolished natural Diamonds	1% 12%	Based on the gross sale value.
16.	Papua New Guinea	Nickel & Copper Limestone Gold	2% 2% 2%	2% Smelter Return on Nickel and Copper, Typically the realised value less the cost of any processing, transportation and Marketing. 2% ad valorem tax on limestone. 2% realised FOB on gold, additional 4% Production levy on gross sales - Deductible for Income Tax purpose.

Sl.No	Country	Mineral Type	Rate	Royalty Computation Method
17.	**Africa** Angola	Precious metals and stones Semi-precious stones Metallic minerals	5% 4% 3%	Levied on the value of the mineral resources extracted at the mine site or on the value of concentrates when resources are processed.
18.	Botswana	Precious stones Precious metals Other minerals & mineral products	10% 5% 3%	It is charged on the gross market value payable on minerals.
19.	Ghana	Gold	3%	Royalty generally ranges from 3% to 12%. It is charged on gross revenue, sale revenue as well as profit based.
20.	Ivory Coast	Precious metals	3% of sale value of metal after deduction of the costs of refining and transportation	2.5 to 3% of mine mouth value rates vary by minerals. Computation based on Net Smelter Returns.
21.	Mozambique	Diamond Other minerals	10 – 12% 3 - 8 %	It is charged on sale revenue of payable minerals.
22.	Namibia	Uncut precious stones Dimension stone Other minerals	10% of market value 5% of market value Maximum 5% of market value	Computation based on the sales revenue or payable minerals.
23.	South Africa	-	-	The royalty imposed equal to the royalty rates multiplied by “excess” of aggregate gross sales less allowable deductions. The charge applies per assessment period (i.e. per six months). This fluctu-ating rate essentially depends on the operating profit.
24.	Tanzania	Diamond Gemstone Gem All other minerals Salt produced from renewable resources	5% 5% 0% 3% 0%	Royalties are chargeable on the net back value of mineral produced under a license.

Sl.No	Country	Mineral Type	Rate	Royalty Computation Method
25.	Zambia	Base metal Gemstone and precious metal Other minerals	3% 5% 2%	Mineral royalty is calculated based on the gross revenue of mineral produced.
26.	**Europe** Azerbaijan	Crude oil Natural Gas Mining Natural Resources: All types of metals	26% 20% 3%	Royalty tax is calculated based on the flat rates per unit of production as certain ratio of the conventional financial unit per cubic meter of the minerals. Mining Tax (Royalty) 3% to 26%.
27.	Georgia	Silver-GEL 0.015 per gram Gold – GEL 0.9 per gram Iron-GEL 0.008 per gram		It is computed based on the flat rate per unit of production.
28.	Poland	Gold Coal Copper Zinc	10% of contained metal value 2% of gross sale 3% of ore value based on LME 3% of ore value based on LME	Gross sales of payable minerals.
29	Russia	Gold Precious metals including Silver Base metal ores	6% 6.5% 8%	It is charged on sales revenue of payable minerals.
30.	**Australia** Western Australia	Gold Diamond Copper concentrates Semi-precious stones Silver	Average 2% 7.5% 5% 7.5% 2.5%	2 to 7.5% of realized value; rates vary with minerals and with sustained market value. Royalty may be flat rate, ad valorem, or profit based. Profit based royalty are applicable in Tasmania, Victoria, Northern Territory, Queensland, New South Wales, Wastern Australia. South Australia imposes ad valorem royalty.

Sl.No	Country	Mineral Type	Rate	Royalty Computation Method
31.	Queensland	Coal	7% of value up to A$ 100 per tonne and 10% of value thereafter.	-
		Petroleum & Gas including Oil, Condensate, Natural Gas, LPG, Coal seam methane.	10% of Well head value	-
		Bauxite	Domestic-The higher of 75% of calculated rate per tonne for export bauxite OR $ 1.5 per tonne export- the higher of 10% of value of bauxite or $ 2.00 per tonne	Domestic = Sold, disposed of or used within Queensland.
		Industrial Minerals		
		Bentonite	A$1.8 per tonne	
		Calcite	A$1.0 per tonne	
		Clay shale	A$0.5 per tonne	
		Clay used for fire clay products	A$0.5 per tonne	
		Diatomite	A$1.5 per tonne	
		Feldspar	A$0.75 per tonne	
		Gypsum	A$0.50 per tonne	
		Kaolin	A$1.0 per tonne	
		Lime earth	A$0.5 per tonne	
		Limestone	A$0.75 per tonne	
		Magnesite	A$1.50 per tonne	
		Marble	A$1.0 per tonne	
		Mica	A$1.50 per tonne	
		Perlite	A$1.0 per tonne	
		Rock mined in block or slab form for building or Monumental purpose	A$1.0 per tonne	
		Salt	A$1.50 per tonne	
		Sand, Gravel & Rock	A$0.50 per tonne	
		Silica	A$0.90 per tonne	
		Wollastonite	A$0.75 per tonne	

Sl.No	Country	Mineral Type	Rate	Royalty Computation Method
	Queensland	Base metals & Precious metals Cobalt Copper Gold Lead Nickel Silver Zinc	Fixed rate 2.7% or variable rate 1.5% to 4.5% depending on average quarterly metal prices.	Processing discounts apply for base minerals processed within the states to a particular metal contents. $ 1,00,000 royalty free threshold (applied to the value before the calculation of royalty per mining products.)
		Mineral Sands including Anatase, Ilmenite, Leucoxene, Monazite, Rutile, Zircon	5% of sale value	-
		Rock Phosphate	The higher of 80% per tonne or the amount determined by formula cont-ained in section 4, section 7(1)(a) of Mineral Resources Regulation 2003.	-
		Gemstone	2.5% of value	$ 1,00,000 royalty free threshold (applied to the value before the calculation of royalty per mining products.)
		Iron ore including Magnesite, Titanium Magnesite and iron stone	2.7% of value	A processing discount applies as per section 3.9 of the Mineral Resources Regulation 2003. $ 1,00,000 royalty free threshold (applied to the value before the calculation of royalty per mining products.)
		Manganese, Molybdenum, Rare earths, Tantalum and Tungsten	2.7% of value	Processing discounts applies as per section 39 of the Mineral Resources Regulation 2003. $ 1,00,000 royalty free threshold (applied to the value before the calculation of royalty per mining products.)
		Other minerals	2.5% of value	$ 1,00,000 royalty free threshold (applied to the value before the calculation of royalty per mining products.)

Annexure - IIIA

Rates of Royalty

1. Apatite and Rock Phosphate :	
(i)Apatite	Five per cent of sale price on ad valorem basis.
(ii)Rock Phosphate	
(a) Above 25 per cent P_2O_5	Eleven per cent of sale price on ad valorem basis.
(b) Up to 25 per per cent P_2O_5	Six per cent of sale price on ad valorem basis.
2. Asbestos :	
(a) Chrysotile	Eight hundred and eighty rupees per tonne.
(b) Amphibole	Fifteen per cent of sale price on ad valorem basis.
3. Barytes	Five and half per cent of sale price on ad valorem basis.
4. Bauxite and Laterite	(a) Zero point five zero per cent of London Metal Exchange Aluminium metal price chargeable on the contained aluminium metal in ore produced for those despatched for use in alumina and aluminium metal extraction. (b) Twenty five per cent of sale price on ad valorem basis for those despatched for use other than alumina and aluminium metal extraction and for export.
5. Brown Ilmenite (Leucoxene), Ilmenite, Rutile and Zircon	Two per cent of sale price on ad valorem basis.
6. Cadmium	Fifteen per cent of sale price on ad valorem basis.
7. Calcite	Fifteen per cent of sale price on ad valorem basis.

[1] *Substituted by G.S.R. 574(E), dated 13.8.2009.*

8. China clay/Kaolin (including ball clay, white shale and white clay) :	
(a) Crude	Eight per cent of sale price on ad valorem basis.
(b) Processed (including washed)	Ten per cent of sale price on ad valorem basis.
9. Chromite	Ten per cent of sale price on ad valorem basis.
10.* COAL (including Lignite) :	

A. Coal produced in all States and Union territories except the State of West Bengal.

(1) Royalty on Coal:

The rates of royalty, which shall be a combination of specific and ad valorem rates of royalty shall be as follows :

R (Royalty Rupees tonnes) = a+bP

Where 'P' (price) shall mean basic pithead price of ROM (run-of-mine) coal and lignite as reflected in the invoice, excluding taxes, levies and other charges and the values of 'a' (fixed component) and 'b' (variable or ad-valorem component) would be as follows :

Group	Grade of Coal	Royalty on coal in Rupees per tonne
Group-I	Steel Gr.I Steel Gr.II Washery-I Direct Feed	a = Rs. 180.00 b = 5 per cent i.e. Rs.180 + 5 per cent where **'P'** (price) shall mean basic pithead price of ROM (run-of-mine) coal and lignite as reflected in the invoice, excluding taxes, levies and other charges.
Group-II	Washery-II Washery-III Semi Coking Gr.I Semi Coking Gr.II Grade A Grade B	a=Rs. 130.00 b = 5 per cent i.e. Rs. 130 + 5 per cent where **'P'** (price) shall mean basic pithead price of ROM (run-of-mine) coal and lignite as reflected in the invoice, excluding taxes, levies and other charges.
Group-III	Washery-IV Grade C	a = Rs. 90.00 b = 5 per cent i.e. Rs. 90 + 5 per cent where **'P'** (price) shall mean basic pithead price of ROM (run-of-mine) coal and lignite as reflected in the invoice, excluding taxes, levies and other charges.
Group-IV	Grade D Grade E	a = Rs. 70.00 b = 5 per cent i.e. Rs.70 + 5 per cent where **'P'** (price) shall mean basic pithead price of ROM (run-of-mine) coal and lignite as reflected in the invoice, excluding taxes, levies and other charges.
Group-V	Grade F Grade G	a =Rs. 55.00 b = 5 per cent i.e. Rs.55 + 5 per cent where **'P'** (price) shall mean basic pithead price of ROM (run-of-mine) coal and lignite as reflected in the invoice, excluding taxes, levies and other charges.

** Substituted by G.S.R. 522 (E), dated 1.8.2007.*

(2) Royalty on Lignite :

a = Rs. 45.00
b = 2 per cent
i.e. Rs. 45 + 2 per cent of basic pithead price of ROM (run-of-mine) coal lignite as reflected in the invoice excluding taxes, levies and other charges.

(3) Royalty on middlings:

(i)	Useful Heat Value>1300	rate applicable to corresponding grade of coal (based on Useful Heat Value);
(ii)	Useful Heat Value=<1300	a=Rs. 45 b=5 per cent of price i.e. Rs. 45 + 5 per cent of existing actual involve price (excluding taxes and other levies). The royalty shall not be charged on such middlings or rejects wherein royalty has been charged on raw coal price to its washing in order to avoid double charging of royalty.

(4) Adjustment of royalty against levying of cess:

For States other than West Bengal that levy cess or other taxes specific to coal bearing lands, the royalty allowed shall be adjusted for the local cesses or such taxes so as to limit the overall revenue to the formula based yield.

B. Coal produced in the State of West Bengal:

(i) Group of Coals :

(a) Coking coal Steel Grade-I Steel Grade-II Washery Grade-I	Seven rupees only per tonne.

(ii) Group II of Coals:

(a) Coking Coal Washery Grade-II Coking Coal Washery Grade-III (b) Semi-Coking Coal Grade-I Semi-Coking Coal Grade-II (c) Non-Coking Coal Grade-A Non-Coking Coal Grade-B	Six rupees and fifty paise only per tonne

(iii) Group III of Coals:

(a) Coking Coal Washery Grade-IV (b) Non-Coking Coal Grade-C	Five rupees and fifty paise only per tonne

(iv) Group IV of Coals:

(a) Non-Coking Coal Grade-D (b) Non-Coking Coal Grade-E	Four rupees and thirty paise only per tonne

(v) Group V of Coals:

(a) Non-Coking Coal Grade-F	Two rupees and fifty paise only per tonne
(b) Non-Coking Coal Grade-G	
11. Columbite-tantalite	Ten per cent of sale price on ad valorem basis
12. Copper	Four point two per cent of London Metal Exchange Copper metal price chargeable on the contained copper metal in ore produced.
13. Diamond	Eleven point five per cent of sale price on ad valorem basis.
14. Dolomite	Sixty three rupees per tonne.
15. Felspar	Twelve per cent of sale price on ad valorem basis
16. Fire Clay (including plastic, pipe, lithomargic and natural pozzolanic clay)	Twelve per cent of sale price on ad valorem basis.
17. Fluorspar (also called fluorite)	Six point five per cent of sale price on ad valorem basis
18. Garnet :	
(a) Abrasive	Three per cent of sale price on ad valorem basis.
(b) Gem	Ten per cent of sale price on ad valorem basis
19.Gold :	
(a)Primary	Two per cent of London Bullion Market Association Price (commonly referred to as “London Price”) chargeable on the contained gold metal in ore produced.
(b)By-product gold	Three point three per cent of London Bullion Market Association Price (commonly referred to as “ London Price”) chargeable on the by-product gold metal actually produced.
20. Graphite :	
(a) with 40 per cent or more fixed carbon	Two per cent of sale price on ad valorem basis.
(b) with less than 40 per cent fixed carbon	Twelve per cent of sale price on ad valorem basis
21. Gypsum	Twenty per cent of sale price on ad valorem basis.
22. Iron ore : (Lumps, Fines & concentrates all grades)	Ten per cent of sale price on ad valorem basis.
23. Lead	Seven per cent of London Metal Exchange lead metal price chargeable on the contained lead metal in ore produced.

	Twelve point seven per cent of London Metal Exchange lead metal price chargeable on the contained lead metal in the concentrate produced.
24. Limestone :	
(a) L.D. grade (less than one and half per cent silica content)	Seventy two rupees per tonne.
(b) Others	Sixty three rupees per tonne.
25. Lime Kankar	Sixty three rupees per tonne.
26. Limeshell	Sixty three rupees per tonne.
27. Magnesite	Three per cent of sale price on ad valorem basis.
28. Manganese Ore :	
(a) Ore of all grades	Four point two per cent of sale price on ad valorem basis.
(b) Concentrates	One point four per cent of sale price on ad valorem basis.
29. Crude Mica, Waste Mica and Scrap Mica	Four per cent of sale price on ad valorem basis.
30. Monazite	One hundred and twenty five rupees per tonne.
31. Nickel	Zero point one two per cent of London Metal Exchange nickel metal price chargeable on contained nickel metal in ore produced.
32. Ochre	Twenty rupees per tonne.
33. Pyrites	Two per cent of sale price on ad valorem basis.
34. Pyrophyllite	Twenty per cent of sale price on ad valorem basis.
35. Quartz	Fifteen per cent of sale price on ad valorem basis.
36. Ruby	Ten per cent of sale price on ad valorem basis.
37. Silica sand, Moulding sand and Quartzite	Eight per cent of sale price on ad valorem basis.
38. ** Sand for Stowing	Three rupees per tonne.
39. Selenite	Ten per cent of sale price on ad valorem basis.
40. Sillimanite	Two and half per cent of sale price on ad valorem basis.
41. Silver	

(a) By-product	Seven per cent of London Metal Exchange Price chargeable on by-product silver metal actually produced.
(b) Primary silver	Five per cent of London Metal Exchange silver metal price chargeable on the contained silver metal in ore produced.
42. Slate	Forty - five rupees per tonne
43. Talc, Steatite and Soapstone	Eighteen per cent of sale price on ad valorem basis.
44. Tin	Seven point five per cent of London Metal Exchange tin metal price chargeable on the contained tin metal in ore produced
45. Tungsten	Twenty rupees per unit per cent of contained WO_3 per tonne of ore and on pro-rata basis.
46. *** Uranium	Royalty on mineral uranium at the rate of two per cent of the compensation amount received by M/s. Uranium Corporation of India Limited (UCIL), for the mineral uranium and the total amount of royalty will be apportioned among the different states on the basis of data provided by Department of Atomic Energy.
47. Vanadium	Twenty per cent of sale price on ad valorem basis.
48. Vermiculite	Three per cent of sale price on ad valorem basis.
49. Wollastonite	Twelve per cent of sale price on ad valorem basis.
50. Zinc	Eight per cent of London Metal Exchange zinc metal price on ad valorem basis chargeable on contained zinc metal in ore produced. Eight point four per cent of London Metal Exchange zinc metal price on ad valorem basis chargeable on contained zinc metal in concentrate produced.
51. All other minerals not here-in-before specified [Agate, Clay (Others), Chalk, Corundum, Diaspore, Dunite, Felsite, Fuschite, , Kyanite, Quartzite, Jasper, Perlite, Rock Salt, Shale, Pyroxenite, etc.]	Ten per cent of sale price on ad valorem basis.

Explanation :

1. For the purpose of grading of coal the specification of each grade of the coal shall be as prescribed under rule 3 of the Colliery Control Rules, 2004.

2. Rates of royalty in respect of item No. 10 relating to Coal including Lignite as revised vide notification number G.S.R. 522 (E), dated the 1st August, 2007, of the Government of India in the Ministry of Coal shall remain in force until revised through a separate notification by the Ministry of Coal.

*** Rates of Royalty in respect of item 38 relating to Sand for Stowing as revised vide notification number G.S.R. 214(E) dated the 11th April, 1997 will remain in force until revised through a separate notification by the Department of Coal.*

**** Rates of royalty in respect of item No. 46 relating to Uranium as revised vide notification number G.S.R. 96(E), dated the 13th February, 2009 will remain in force until revised.*
***Note**: The rates of royalty for the State of West Bengal in respect of minerals except the mineral specified against item number 10 shall remain the same as specified in the notification of the Government of India in the Ministry of Steel and Mines (Department of Mines) number G.S.R. 458(E), dated the 5th May, 1987 till the outcome of litigation pending in the Supreme Court of India.*

Annexure – III B

Rates of Dead Rent

1. Rates of dead rent applicable to the leases granted for low value minerals are as under:

Rates of Dead Rent in Rupees Per Hectare Per Annum

From second year of lease	Third year and fourth year	Fifth year onwards
200	**500**	**1000**

2. Two times the rate specified in paragraph 1 in case of lease granted for medium value mineral(s).

3. Three times the rates specified in paragraph 1 in case of lease granted for high value mineral(s).

4. Four times the rates specified in paragraph 1 in case of lease granted for precious metals and stones.

Note:
1. For the purpose of this notification-

(a) **“precious metals and stones”** means gold, silver, diamond, ruby, sapphire and emerald ;

(b) **“high value minerals”** means semi-precious stones (agate, gem, garnet), corundum, copper, lead, zinc, asbestos (chrysotile variety) and mica ;

(c) “**medium value minerals**” means chromite, manganese ore, kyanite, sillimanite, vermiculite, magnesite, wollastonite, perlite, diaspore, apatite and rock phosphate, fluorite (fluorspar) and barytes ;

(d) “**low value minerals**” means minerals other than precious metals and stones, high value minerals and medium value minerals.

Annexure –IVA

Rates of Royalty for Offshore Minerals

1.	Brown ilmenite (leucoxene), Ilmenite, Rutile and Zircon	Two per cent of sale price on ad valorem basis.
2	Dolomite	Forty rupees per tonne.
3	Garnet	Three percent. of sale price on ad valorem basis.
4	Gold	One and half per cent of London Bullion Market Association price (commonly referred to as "London Price") chargeable on the contained gold metal in ore produced.
5	Limestone and Lime mud	Forty rupees per tonne.
6	Manganese Ore	Three percent. of sale price on ad valorem basis.
7	Monazite	One hundred and twenty-five rupees per tonne.
8	Sillimanite	Two and half per cent. of sale price on ad valorem basis
9	Silver	Five per cent. 'of London Metal Exchange price chargeable on the contained silver metal in ore produced.
10	All other minerals not hereinbefore specified.	Ten per cent. of sale price on ad valorem basis.

Annexure -IVB

Rates of Fixed Rent for Offshore Minerals

Rates of Fixed Rent in Rupees Per Standard Block Per Annum

Size	**1st Year of the lease**	**2nd to 5th year of the lease**	**6th to 10th year of the lease**	**11th year of the lease and onwards**
Standard block of 5 minutes longitude by 5 minutes latitude	Nil	Rupees 50,000	Rupees 1,00,000	Rupees 2,00,000