

**GOVERNMENT OF INDIA
COAL
LOK SABHA**

UNSTARRED QUESTION NO:3384
ANSWERED ON:14.12.2011
ROYALTY RATES
Sethi Shri Arjun Charan

Will the Minister of COAL be pleased to state:

- (a) whether the rates of royalty of coal are being revised at a regular interval of three years;
- (b) if so, the details thereof and if not, the specific reasons therefor;
- (c) whether the Union Government is not compensating the loss sustained by the State Government of Odisha of Rs.126.30 crores due to late revision;
- (d) if so, the details thereof and the reasons therefor; and
- (e) the recommendations of the Twelfth Finance Commission and Hoda Committee on the revision of royalty?

Answer

MINISTER OF STATE FOR COAL (SHRI PRATIK PRAKASHBAPU PATIL)

(a) to (d) : Section 9(3) of the Mines and Minerals (Development & Regulation) Act, 1957 empowers the Central Government to enhance or reduce the royalty rates in respect of any mineral by notification in the Official Gazette with effect from such date as may be specified in the notification. The proviso to Section 9(3) of the Act prevents the Central Government from enhancing the rate of royalty in respect of any mineral more than once during any period of three years. The Act does not mandate any specific time frame for revision of rates of royalty. As such it cannot be said that there is any due date for revision and the question of compensation for the loss to any State Government on this account does not arise. The royalty rates on coal were revised earlier in July, 1975, February, 1981, August, 1991 October, 1994, August, 2002 and 01.08.2007. To further revise the royalty rates on coal and lignite a Study Group was set up by the Government. The said Study Group, after having collected the views/comments of the concerned stakeholders through questionnaires as well as direct meetings, has submitted its report to the Government. The new royalty rates would be announced by the Government after examining the recommendations of the said Study Group.

(e) : The Twelfth Finance Commission, 2005 recommended that 'since royalty is an important source of revenue for some of the States, the rates of royalty should be fixed on an ad-valorem basis'. As far as Hoda Committee recommendation is concerned, it has been suggested that there is a need to introduce a statutory provision in the MMDR Act, 1957, for earmarking a portion of the royalty collected annually for local development in the mining areas.