

**GOVERNMENT OF INDIA
MINES
LOK SABHA**

UNSTARRED QUESTION NO:2283
ANSWERED ON:24.08.2012
NORMS FOR FIXING ROYALTY RATE FOR GRANTING MINING LEASE
Natarajan Shri P.R.

Will the Minister of MINES be pleased to state:

(a) whether there are any norms for fixing royalty rate/lease amount/periodicity to be followed by the Union Government while granting leases of mineral wealth surfaces to the private companies; and

(b) if so, the details thereof along with its comparison with royalty rate being fixed in other foreign countries?

Answer

MINISTER OF THE STATE (INDEPENDENT CHARGE) IN THE MINISTRY OF MINES (SHRI DINSHA PATEL)

(a): State Governments as the owners of minerals grant mineral concessions, including mining leases. Further, in terms of Section 9(1) of the Mines and Minerals (Development and Regulation) Act, 1957 (MMDR Act), every mining lease holder needs to pay royalty for major minerals removed or consumed at the royalty rates specified in the Second Schedule of the MMDR Act, 1957. As per Section 9(3) of the MMDR Act, 1957, the rates of royalty for minerals can be revised upward only once in three years. Rates of royalty are fixed, inter-alia, on basis of market trends, cost of production and pit mouth value of minerals by a Study Group constituted for the purpose by the Government.

(b): As compared with foreign countries, royalty rates in the country are fixed at ad valorem basis for all major minerals excepting 9 minerals for which royalty charged on tonnage basis. Most countries adopt ad valorem royalty rates, few countries levying royalty on profits earned by miners. This system is not presently suitable for the country since the country's accounting system is not able to capture profit at mine level.