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Title: Need to fix royalty on Coal at 20% sale price on ad-valorem basis.

SHRI B. MAHTAB (CUTTACK): The Twelfth Finance Commission has observed that Government of India has not been revising the royalty rates as regularly as provided for, particularly in case of coal and lignite. The commission recommended that the rate of royalty should be fixed on ad-valorem basis. The Hoda Committee has also recommended ad-valorem royalty system and this is more commonly used internationally. In a system of ad-valorem rates or royalty, revision of rates becomes necessary only when fundamental changes take place in the mineral economy, justifying a review of the rates. In our country there is unanimity among the states now in the demand that royalty rates should be shifted from tonnage to ad-valorem.

The ad-valorem system of royalty will be proportionate to the sale price. Therefore, the levy of royalty will not affect the economics of mining of coal in the event of any change in the price structure. Moreover, the states will be enabled to draw proportionate benefit out of any hike in the sale prices even if royalty rates are not revised in time.

I would urge upon the Government to fix royalty on coal at 20 percent of sale price on ad-valorem basis.