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Title: Need to fix the royalty on coal 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 has recommended that the rate of royalty should be fixed on ad-valorem basis. The Huda Committee has also recommended ad-valorem royalty system and this is more commonly used internationally. Orissa has the longest coal fields in the country. Orissa Government has proposed for fixation of royalty at 20% of sale price on ad-valorem basis.

However, royalty has been revised as per hybrid formula which has a fixed component and a variable component. As in Orissa, most of the coal belongs to F grade, revised royalty works out to be Rs.75/- per tonne as compared to pre-revised rate of Rs.65/- per tonne. Thus there has been an increase of Rs.10/- per tonne in absolute term and approximately 15% in percentage term. Increase of 15% over a period of five years does not even take care of inflation. Thus, in real terms, there has been no increase in the royalty rate.

I, therefore, urge upon the Government to completely shift from the hybrid rate to ad-valorem regime of royalty. The rate of royalty on coal should be fixed for all grades of non-cooking coal at 20% of sale price of coal. This should be the sale price as reflected in e-auction prices and not the long term linkage prices which are regulated and do not reflect the time value of the coal.