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GOVERNMENT OF INDIA  
खान मंत्रालय  
MINISTRY OF MINES

# MINERAL ROYALTIES



INDIAN BUREAU OF MINES  
NAGPUR

Government of India  
Ministry of Mines  
INDIAN BUREAU OF MINES

# MINERAL ROYALTIES



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## Preface

The first edition of Mineral Royalties was published in 1998. The present one is the second revised edition. This publication is brought out with a view to provide an over-view of the 'royalty regime' in the mineral sector. It deals with the concept of royalty, historical background of royalty in India, the various types of royalty existing in India as well as in other major mineral producing countries, the present Indian scenario and dead rent.

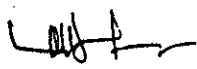
In legal parlance, royalty means payment made to the owner of certain types of rights by those who are permitted by the owners to exercise such rights. Levy of Royalty on minerals is an universal concept. The rationale for royalty is that it is a payment to mineral rights holder from mineral producer in consideration for the extraction of valuable and non-renewable natural resources.

Royalty forms a vital part of a fiscal regime of mining and when properly designed, it is an important means of revenue realization from mineral sector for the State Governments. There are various types of royalty, such as unit based royalty, ad valorem based royalty and royalty as a share of a profit. Today country's royalty structure has been rationalized to make it more market oriented. However, there is a need to further rationalize it.

The Study Group on Revision of Royalty Rates of Major Minerals (other than coal & lignite) was constituted by the Ministry of Mines in 2002 based on which the current royalty rates were notified on 24.10.2004 and valid for three years. The Study Group Report was much useful in the preparation of this publication.

Royalty is of vital concern not only to the State Governments, but also to the mining industry, and it has been assuming more and more importance in the recent times. This publication is intended to provide the reader with a broad perception of various legal, technical and fiscal issues connected with royalty.

Nagpur  
Dated 8<sup>th</sup> August, 2006

  
(C.P. Ambesh)  
Controller General  
Indian Bureau of Mines



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# Introduction

The history of mineral development in India is as old as its civilization. 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 subject. Over the years the concept underwent drastic changes. Kautilya maintained that mining and commerce in minerals were the monopoly of state. Mining operation could not be carried out by others without licence from the Government. The underlying principle continues even today with minor variation. 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 later concept has no relationship with the quantum of the production. This is analogous to the concept of rent in the existing mining laws of India. In the pre-independence era the main divisions into which royalty system were classified were : a fixed sum per ton 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 & 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 owner 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 (India Cement Ltd., etc. Vs. State of Tamil Nadu and Others, AIR, 1990 SC85) had held the opinion 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 vs. Kesoram Ltd. and Others SC, CA. No. 1532-1533 of 1993, Judgement dt. 15<sup>th</sup> January, 2004 the Supreme Court has pronounced that Royalty is not a tax. The royalty is levied by reference to the quantity of the minerals produced. It is 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. Now only 20 minerals are charged royalty on unit of production basis. Royalty on all the remaining minerals is on ad valorem basis. From the forgoing 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 I 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 II of this publication namely 'Royalty in Ancient India' speaks about historical background of royalty, royalty policy in Pre and Post independence till present status. A comparative statement of rate of royalty on minerals (Other than fuel and minor minerals) in India from 1949 till 2004 is also given.

Chapter III of present publication describes various types of royalty i.e. unit based royalty, ad-valorem based royalty and various valuation methods adopted by different government of the countries are also given.

Royalties in other countries in brief as available are presented in Chapter IV. The general rates of royalty prevailing in various important mineral producing countries are also given.

The Chapter V deals with Indian Scenario of royalty for minerals other than fuel and minor minerals. Similarly Chapter VI dealt with Indian Scenario of royalty for coal and minor minerals separately.

The dead rent on major and minor minerals is described in Chapter VII with current rate of dead rent.

The Chapter VIII deals with Royalty on Overburden. The Study Group on royalty felt that there is no need to prescribe a separate rate for overburden tailings, rejects and an explanatory note at the end of the Second Schedule of the MMDR Act would suffice.

The last Chapter namely 'Administration of Royalty' deals with calculation, collection and execution of royalty.

The last two Chapters are new addition in this second revised edition of Mineral Royalties. This publication 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 – I

# Concept of Royalty

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 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”) was 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 an 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 economy 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. Some times, royalties are the major or only source of revenue to the 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 features 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. vs State of Tamil Nadu, etc. (AIR 1990 Supreme Court 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 plus labour plus 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 nutshell, it can be stated that royalty is a charge by the owner of mineral in consideration of the exploitation of mineral resources by the lessee. Legal definitions of the term "royalty" derived from various case laws are given in Annexure-I.

# Royalty in Ancient 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 realise revenue from his subjects at 2% of the value 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 mines 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 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 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.

## 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 ton or other unit of a particular mineral or metal, 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 understanding.

The first method provided a simple formula for the 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 the 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 as 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 scale 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 & 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 & 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 6<sup>th</sup> April 1948 an industrial 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 of certain minerals such as asbestos, apatite, barytes, chromite, graphite, iron ore, kyanite-sillimanite, manganese ore, magnesite, steatite, etc.

Recognising the expansion of mining activity which by now covered a number of minerals, the Act prescribe a large 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 the difficulties experienced by the State in administration of charging royalty as per value of minerals at the pit's mouth upto 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 Constitution of India 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, a study group was constituted by the Ministry of Mines 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 made 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.

There had been no revision since 1987 for the rates of dead rent and after a gap of about 10 years the revised rates for the dead rent were notified on 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. 5<sup>th</sup> 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 made 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

revenue than a unit based royalty. This system of ad valorem royalty calls for a suitable method of valuation which is practical and effective.

The ad valorem basis of computation of royalty is applicable to 39 minerals and also to the various miscellaneous minerals not specifically listed in the Second Schedule of the MMDR Act. For all these minerals royalty is charged as a percentage of sale price.

### **Royalty as a Share of Profit**

In this case royalty is calculated based on difference between the selling price and cost of production and fixed as percentage of such difference. In this criterion royalty becomes sharing of the profit and would be leviable only when the selling price is higher than the cost of production. This concept does not take into account the very basis for levy of royalty, which is a charge due to the owner of the mineral for extraction of his non-renewable resource. The owner of the mineral has to be compensated for extraction of mineral regardless of whether it is profitable to the lessee or not.

From the above it will be obvious that there is no single omnibus way to calculate the value of mineral for the purpose of determining royalty liability. A system that is workable for diamonds may not be suitable for copper, and an excellent system for copper valuation in one country may be administratively impossible to implement in another.

A fairly common trend apparent in many developing countries is that royalty valuation for large scale operations is handled by specific agreements, while smaller operations pay royalties based on valuation methods determined through a law or regulation of general application.

Various valuation methods adopted by different governments of the countries are given in Annexure-III.

## Royalties in Other Countries

**Australia:** There is three tiers of Government in Australia : Federal, State and Local. Each level of Government has different rights to taxation revenue. Federal Government has large scale powers to tax income & consumption. All State Governments have the power to levy royalty as a purchase price for minerals extracted by mining companies. Most royalties are collected on an ad valorem basis, specific rates are the next popular and the least common is the profit based royalty. Ad valorem royalties are based on percentage of value of gross sales of mine production expressed on f.o.r. or f.o.b basis.

A minimum unit value is frequently stated to ensure a minimum flow of revenue in the event of falling prices. Specific rate royalties are based on quantity of production on either weight or volume basis such as flat rate per tonne of ore, concentrate or contained metal. Profit based royalties are calculated on a proportion of profits derived from mining operations.

State Governments negotiate special royalty rates with companies that are seeking mineral leases for large scale developments. The royalty rates may vary according to the factors such as whether the production is for export or for domestic processing.

**Kazakhstan:** Royalties shall be paid by a user of mineral resources separately for each type of minerals extracted on the territory of Republic of Kazakhstan regardless of whether they are sold (shipped) to buyers or used for one's own needs. Royalty rates are established through negotiations for each single contract depending on the project economics based on the cost and technical estimate in accordance with Government defined procedure. As above, except in case of wide spread minerals e.g non-metallic raw material for metallurgy, casting sand, limestone, dolomite, refractory clays, kaolin, vermiculite, building materials, chalk, marl, perlite, granite etc. for which the rate varies from 1 to 4.5%.

**United States:** Customary royalty rates on mineral leases on Federal lands vary from 5% of value of production on lead, zinc, copper concentrates and other hard rock leases range between 2 to 8% of value of production on potassium, sodium and phosphate leases and 12.5% of value of production for sulphur. For garnet, gypsum, iron ore, limestone, sand, gravel and other solid mineral leases, the customary royalty rate ranging from 0.50 to 5.0 \$ per unit varies by commodities and lease terms. Some leases are subject to ad valorem royalty rates,. Other mineral leases on Federal lands attract 2 to 10% royalty depending upon commodities, which include coal, gypsum, gemstone (non-precious), fossils, limestones and common clay.

**Brazil:** Royalty in the form of Financial Compensation for exploiting mineral resources- Federal Royalty (CFEM) is imposed by the Federal Government of Brazil as a counter



revenue than a unit based royalty. This system of ad valorem royalty calls for a suitable method of valuation which is practical and effective.

The ad valorem basis of computation of royalty is applicable to 39 minerals and also to the various miscellaneous minerals not specifically listed in the Second Schedule of the MMDR Act. For all these minerals royalty is charged as a percentage of sale price.

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In this case royalty is calculated based on difference between the selling price and cost of production and fixed as percentage of such difference. In this criterion royalty becomes sharing of the profit and would be leviable only when the selling price is higher than the cost of production. This concept does not take into account the very basis for levy of royalty, which is a charge due to the owner of the mineral for extraction of his non-renewable resource. The owner of the mineral has to be compensated for extraction of mineral regardless of whether it is profitable to the lessee or not.

From the above it will be obvious that there is no single omnibus way to calculate the value of mineral for the purpose of determining royalty liability. A system that is workable for diamonds may not be suitable for copper, and an excellent system for copper valuation in one country may be administratively impossible to implement in another.

A fairly common trend apparent in many developing countries is that royalty valuation for large scale operations is handled by specific agreements, while smaller operations pay royalties based on valuation methods determined through a law or regulation of general application.

Various valuation methods adopted by different governments of the countries are given in Annexure-III.

## CHAPTER – IV

# Royalties in Other Countries

**Australia :** There is three tiers of Government in Australia : Federal, State and Local. Each level of Government has different rights to taxation revenue. Federal Government has large scale powers to tax income & consumption. All State Governments have the power to levy royalty as a purchase price for minerals extracted by mining companies. Most royalties are collected on an ad valorem basis, specific rates are the next popular and the least common is the profit based royalty. Ad valorem royalties are based on percentage of value of gross sales of mine production expressed on f.o.r. or f.o.b basis.

A minimum unit value is frequently stated to ensure a minimum flow of revenue in the event of falling prices. Specific rate royalties are based on quantity of production on either weight or volume basis such as flat rate per tonne of ore, concentrate or contained metal. Profit based royalties are calculated on a proportion of profits derived from mining operations.

State Governments negotiate special royalty rates with companies that are seeking mineral leases for large scale developments. The royalty rates may vary according to the factors such as whether the production is for export or for domestic processing.

**Kazakhstan:** Royalties shall be paid by a user of mineral resources separately for each type of minerals extracted on the territory of Republic of Kazakhstan regardless of whether they are sold (shipped) to buyers or used for one's own needs. Royalty rates are established through negotiations for each single contract depending on the project economics based on the cost and technical estimate in accordance with Government defined procedure. As above, except in case of wide spread minerals e.g non-metallic raw material for metallurgy, casting sand, limestone, dolomite, refractory clays, kaolin, vermiculite, building materials, chalk, marl, perlite, granite etc. for which the rate varies from 1 to 4.5%.

**United States:** Customary royalty rates on mineral leases on Federal lands vary from 5% of value of production on lead, zinc, copper concentrates and other hard rock leases range between 2 to 8% of value of production on potassium, sodium and phosphate leases and 12.5% of value of production for sulphur. For garnet, gypsum, iron ore, limestone, sand, gravel and other solid mineral leases, the customary royalty rate ranging from 0.50 to 5.0 \$ per unit varies by commodities and lease terms. Some leases are subject to ad valorem royalty rates,. Other mineral leases on Federal lands attract 2 to 10% royalty depending upon commodities, which include coal, gypsum, gemstone (non-precious), fossils, limestones and common clay.

**Brazil:** Royalty in the form of Financial Compensation for exploiting mineral resources- Federal Royalty (CFEM) is imposed by the Federal Government of Brazil as a counter

loan for economic use of mineral resources. CFEM is not more than 3% and calculated on the net revenue from the sale of the mineral product.

**Tanzania:** According to the Tanzanian Mining Act 1998, every miner is to pay royalty to the Government on the net book value basis of minerals produced @ 5% in the case of diamonds and 3% in the case of any other mineral.

The general rates of royalty prevailing in various countries are shown in Annexure-IV. The main purpose of this compilation is to give a broad idea about the rates of royalty prescribed in various countries and methods adopted by the various governments to assess royalties. From the Annexure-IV it will be obvious that there is no single basic approach and these methods and rates vary from country to country and are also mineral specific.

## Indian Scenario *(For minerals other than fuel and minor minerals)*

Under the Constitution of India, the States are owners of the mineral and are entitled to royalty on the minerals, mined. The royalty rates for non-minor minerals are fixed by the Government of India and levied as per Section 9 of the Mines and Minerals (Development & Regulation) Act, 1957 on the minerals, removed from the leased area. It also provides for levy of 'dead rent' for the area included in the mining lease if minerals are not extracted. Thus, the lessee has to pay either the royalty or dead rent whichever is higher, and not both. The enhancement or reduction of rate of royalty is permitted but Central Government cannot enhance the rate of royalty in respect of any mineral more than once during any period of three years.

As the State Governments are owners of the minerals, they collect the revenues, although the rate of royalty is fixed by the Central Government in respect of major minerals. In case of minor minerals, the State Government has powers for both fixing and collecting dead rent/royalty, fees, fines or other charges.

The basic considerations kept in view while prescribing the royalty rates in India are:

- i) The States should receive a return in consideration of the exploitation of its finite mineral resources.
- ii) The mineral industry should get a fair return from the exploitation/development of mineral resources to sustain the development and growth of the mining industry.

The Pit's Mouth Value (PMV) of the mineral has been generally the basis for calculation of royalty on minerals. The PMV represents the sale price of the mineral at pit's mouth and hence, it is notional. The PMV is determined as follows:

- a) In case of sales effected on f.o.r., f.o.b. or any other basis, the pit's head sale value would be arrived at after deducting all the expenses incurred from mine to railway station or port or other points of sale (such as expenses on transportation, loading and unloading, railway freight, sampling and analysis, port handling, export duty, cess, etc.).

- b) In the case of captive mines where no sale takes place, cost of production is taken as the PMV.

As the PMV for various minerals vary widely from mine to mine and grade to grade, for the study purpose, the national averages computed by Indian Bureau of Mines (IBM), based on the information available with it in the statutory returns furnished under MCDR 1988, Rule 45, are generally adopted.

In the past, i.e. till 1987, revision of royalty took place in accordance with the concept of PMV and rates prescribed were related to corresponding changes in PMV. The State Governments were, however, separately levying cess on mineral production in purported exercise of powers under State Acts usually related to local welfare or area development. As these levies were struck down by the Supreme Court in 1990 as being ultra vires of the Constitution in India Cement's case. There was pressure on the Central Government from the States to compensate them for loss of cess revenues. The Central Government took into account the revenue losses sustained by the States and revised the royalty rates in 1992 in such a manner that the overall revenue was protected.

A general revision of the rates of Royalty as well as dead rent on major minerals (other than coal, lignite and sand for stowing) was effected on 14-10-04 based on recommendation of the Study Group constituted by the Central Government on 22-5-02, chaired by the Additional Secretary (Mines) with representatives of the State Governments of Chhattisgarh, Jharkhand, Karnataka, Madhya Pradesh and Rajasthan, the Ministry of Steel, the Department of Atomic Energy, the Indian Bureau of Mines and the Federation of Indian Mineral Industries as members. The current rates of royalty and dead rent are given in Annexures-II and V respectively.

The Study Group considered the unit-of-production basis for fixation of royalties which was in vogue in respect of most of the minerals and also the ad valorem basis in vogue in most of the important mineral producing countries. Due to the latter basis, the royalty schedules, in most of the countries, are simple, short and easy to be administered. Therefore, the Study Group felt that in any recommended system of royalty, parity with rates in other countries, stability and investment promotion should be the prime concern.

After carefully considering the advantages of ad valorem basis viz. stability, linkage to economic value (including factor of consumer surplus) of minerals and buoyancy of revenue accruals to the states with rise in market prices; and also the serious objections raised by the states and the industries, mainly related to the difficulties of administration particularly in case of large number of small mines, possibility of malpractices, etc., the Study Group finally concluded in favour of a mixed system of unit-of-production and ad valorem basis of rates.

As per GSR 678 (E) dated 14-10-2004 at present there are 14 minerals (excluding

coal) for which royalty is charged on tonnage basis and all other minerals are under ad valorem regime (Annexure – II).

Industry, pointed out frequently that bauxite and laterite for non-metallurgical use have no connection with LME and so linkage of their royalty to LME has no rationale. Based on the recommendation of the Study Group (2002) the rate of royalty was delinked for non-metallurgical bauxite and laterite. The new rate for non-metallurgical laterite of 20% ad valorem will encourage cement industry to use more of this mineral and thus revenue of state may get a boost.

Regarding administration of the ad valorem rates of royalty, the Study Group (2002) has recommended revised guidelines. The salient features of these guidelines are that a new system of National Bench Mark Price which is the statewise/mineralwise/monthwise average value as published by IBM in its, periodical, Monthly Statistics of Mineral Production (MSMP), added by 20 percent. This National Bench Mark Price will not make any distinction between captive and non-captive minerals, and will be the basis for computing ad valorem royalty for minerals for which international bench mark price like (LME and London Price) are not available. However, in case of atomic minerals to which MCDR is not applicable (and consequently IBM does not receive returns nor it publishes data pertaining to these minerals), the basis will be actual sale price minus usual deductions. Further, for the minerals, the computation of ad valorem royalty which is linked to this newly proposed National Bench Mark Price, the average values to be published by IBM in its periodical, 'MSMP' should be broken up into suitable grades.

## **Indian Scenario** ***(For Coal and Minor Minerals)***

### **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.

Prior to the latest revision of royalty rates in August 2002, the rates were revised in August 1994. The average royalty rate was then revised from Rs. 83 to Rs. 109/- per tonne which varied over a range from Rs. 50/- per tonne for the lowest grade of coal to Rs. 195/- per tonne for the highest grade. The present average royalty rate is Rs. 136/- per tonne which varied over a range from Rs. 65/- per tonne for the lowest grade of coal to Rs. 250/- per tonne for the highest grade. In terms of percentage of average Run of Mine price of coal prevalent during 2002-03 then the range varied from 7.5% to 28.9%.

Since the increase in royalty rates could be effected on or after 11-10-1997, the Central Government took up the exercise of reviewing the royalty rates. A Study Group was set up under the Chairmanship of Additional Secretary, Ministry of Coal, Government of India which submitted its report. The report was considered by the Government which had revised the rates of royalty on coal w.e.f. 16-8-2002. The enhancement of rates was made, keeping in view, the interests of both the consumers and the coal producing States and at the same time ensuring the development of coal mining industry.

The royalty rates as on 1.8.91, 11.10.94 and 16.8.2002 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
Group - I (Coking Coal SG I, II, WG I)	150	195	250
Group - II (Coking Coal WG II, III, SC I, II Non-coking A, B)	120	135	165
Group - III (Coking Coal WG IV, Non-coking C)	75	95	115
Group - IV (Non-Coking D,E)	45	70	85
Group - V (Non-Coking F,G)	25	50	65
Group - VI (Coal produced in Andhra Pradesh)	70	75	90

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:** 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:** It is classified into 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:** Coals classified based on ash plus moisture content into semi-coking grade-I (<19%) and semi-coking grade-II (19-24%).



The next revision was due after 16-8-2005. A Study Group under the Chairmanship of the Additional Secretary of the Ministry of Coal was set up to consider all aspects relating to revision of rates of royalty on coal and made recommendations to the Government.

### **Royalty on Minor Minerals**

The rate at which royalty (it is called seigniorage fee in Andhra Pradesh and Tamil Nadu) is payable as prescribed in the Schedules appended to respective rules. The rates differ widely from State to State. The rates are revisable, subject to the limitation contained in the proviso to sub-section (3) of Section 15 of the MM(DR) Act, 1957. Apart from this restriction, the rules in Jammu & Kashmir and Uttar Pradesh stipulate that the rate of royalty should not exceed 20% of the sale value at the pit's mouth.

The holder of a lease is required to pay royalty:

- (i) in advance in Orissa;
- (ii) before removal of the minor minerals from the leased area in Andhra Pradesh and Kerala;
- (iii) every month on 20<sup>th</sup> in Madhya Pradesh;
- (iv) in four equal quarterly instalments in Bihar, Rajasthan and West Bengal;
- (v) in two half-yearly instalments in Himachal Pradesh; and
- (vi) at times specified by the State Government in Goa, Daman & Diu, Gujarat, Maharashtra, Karnataka, Pondicherry, Uttaranchal and Uttar Pradesh. In case of permit, the royalty is to be paid in advance.

## Dead Rent

### Major Minerals

Dead Rent is only a deterrent against the tendency of keeping mineral resources idle. By cornering mining leases and keeping them dormant, the lessee may deliberately prevent his competitors from accessing the mineral bearing lands or mineral production, thus preventing increase in production of a particular mineral and creating artificial scarcity and also the state governments are denied royalty. Ideally, therefore, the dead rent should have some relationship with economic value of mineral resources which are kept idle by the lessee and not merely with surface area of the idle leases. In other words, the basis for computation of the surface rent and that of the dead rent should be different. In the revision of dead rent w.e.f. 11-9-2000, a beginning was made by grouping the minerals according to their value and making progressively higher dead rent applicable to the higher value groups of minerals.

There is a strong view that the lessees are sometimes forced to keep leases idle because of discontinuance of mining activity due to factors beyond their control and in such cases they should not be unduly penalised. However, safeguard is available in the Section 4A(4) of MMDR Act which provides that if the holder of the mining lease fails to undertake mining operation for a period of two years after the date of execution of the lease or having commenced mining operation has discontinued the same for a period of two years the lease shall lapse unless the State Government decides otherwise on the basis of application made by the lessee that it was not possible for him to continue mining operations for reasons beyond his control.

But there may be another kind of situation where the lessees produce only very nominal quantities of minerals (as token production) and pay the dead rent as minimum royalty. Technically, such leases are not idle, yet the concerned State Governments lose revenue and the mineral deposits (not merely the surfaces of the lands) remain grossly under-exploited which goes against the national interest.

At present, the rate of dead rent varies according to value of mineral, the area of lease and the number of years for which lease is dormant. The last revision of dead rent took place with effect from 14.10.2004 along with the revision of rates of royalty on major minerals (other than coal, lignite and sand for stowing). Previously, for the first year of lease, no dead rent was chargeable. From second year onwards, the rate per hectare per annum varied from Rs. 70 to Rs. 700, depending on the value, area and the

number of years. The State Governments had generally favoured increase in the existing rates of dead rent. Majority of the industries had suggested retention of the old rates. A few States and a few industries had suggested separate rates for precious stones.

However, it may be noted that dead rent is not merely the penalty for keeping a lease idle, but it is also the minimum guaranteed royalty for the State Government and therefore, too high a dead rent will be a permanent disincentive for the investors who genuinely want to bring the deposit upto productive stage. Moreover, the Section 4A(4) of the MMDR Act adequately discourages lessees to keep their leases idle beyond two years.

The Study Group after taking into consideration the difference between the principles – underlying surface charge and dead rent, recommends carrying forward of the beginning made in the last revision by revising and rationalising the groupings of minerals into different categories according to values as follows:

**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, sillimanite, 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.

Further, the Study Group notes that two years is a very reasonable period to enable the lessee to develop his mine and this is also corroborated under Section 4A(4) of the MM(DR) Act. Also the distinction between captive leases and non-captive leases by preferentially charging minimum dead rent to the former is no longer justified in this era of liberalisation.

The recommended rates of dead rent are as follows:

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

<b>Rates of Dead Rent Rs./per Hect/Per annum</b>	
First two years of lease	3 <sup>rd</sup> year onwards
100	400/-

2. Two times the rate specified under (1) above in case lease is granted for medium value minerals.
3. Three times the rates specified under (1) above in case lease is granted for high value minerals.
4. Four times in case of lease granted for precious metals & stones.

To test the impact of this revision, the Study Group took diamond, (the highest valued mineral) and 1000 hect. (the maximum area of mining lease) as a test case. The dead rent (or the minimum royalty) will work out to Rs.16 lakhs per annum. Now, considering the average sale price of Rs.4904 per carat in 2001-02 and the existing royalty rate of 10%, the level of production from this lease needed by the State Government to get a royalty of Rs.16 lakhs works out to 3263 carats. In other words, at this level of production the dead rent and royalty will be equal.

The current rates of dead rent as notified by G.S.R. 678(E) dated 14-10-2004 are given in Annexure -V.

### **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 (Mumbai & 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. In Rajasthan, the rates differ depending on whether the mineral is to be used by the lessee in his own mineral based industry or otherwise.

- (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), 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.

## Royalty on Overburden

Overburden is the material which overlies the main ore body. During development stage, this overburden has to be first removed, before exposing and accessing the ore body. In certain types of ore bodies which occur as steeply dipping bands, beds, lensoids, etc., the term 'side burden' is also used to denote such material and in the broad sense the term 'overburden' includes side burdens. The overburden material generally consists of rocks, soil or poor grade minerals and are after removal, usually dumped within or outside the lease area. These overburden materials are often used by the mineowners for back filling of mined out quarries with a view to reclamation of the land, for rehabilitation of the area (e.g. growing trees, gardens, etc.), within the lease area. Very rarely this overburden material may be sold commercially if and when some new uses are found due to technology innovations.

While there cannot be two opinions about a State Government charging royalty on the overburden material if it is being used or sold for some commercial purpose, it has been pointed out by the industry that some of the state governments also charge royalty on the overburden material used by mineowners for reclamation and rehabilitation works within their lease areas, which do not have any commercial connotation and which are purely integral to the mining operation. The state governments may be able to charge royalty under Section 9, Sub sections (1) & (2) of the MMDR Act on the plea that the overburden material also contains some minerals which are "consumed" by the mineowner. This is presently possible if one goes by only the literal meaning of the word "consumption" which has not been clarified in the Act.

The last Study Group has noted that if the overburden material contains some marginal grade mineral falling within the threshold values as specified by IBM cannot, under the MCDR, be consumed for any such purpose and it has to be stacked separately for future use, and only if the overburden contains totally unusable minerals, the same can be consumed by the mineowners for such activities integral to mining operation. Since, this kind of innovative approach to utilise the overburden material goes to contribute to the environment-friendliness of the mining activity, the last Study Group was of the view that this should be encouraged. The same logic holds good for other kinds of rejects, tailings generated within the lease area. The last Study Group, therefore, recommended that one each proviso should be incorporated after Sub-sections (1) and (2) of Section 9 of MMDR Act to exempt such overburden or rejects or tailings from royalty if the same is consumed within the lease area for the purpose of reclamation and rehabilitation work integral to mining.

However, if the overburden/rejects/tailings possess some commercial value, then the Study Group expressed the opinion that neither the lessees nor the state governments should be debarred from realising their due shares. But at present, as per Form K Part-II Item 5 of MCR, sale of such material is not allowed. Hence, the latter should also be amended conceding liberty to the lessees to sell in the market, overburden, tailing or reject material.

Also, the last Study Group was of the view that since in the event of overburden/rejects/tailing consisting of minerals/rocks being commercially used or marketed by the mineowners, the state governments should not be deprived of their due and mineowners should pay royalty, it should be made binding upon the lessee to market such material by name of some specific standard economic commodity. There could be possibilities that such material is marketed under the name of some mineral specified as 'minor mineral' as per Section 3(e) of the MMDR Act (e.g. boulder, kankar, brick earth, road metal, murrum, etc.) or by the name of any mineral other than those specified as minor mineral. While on the latter case the state governments may charge royalty as per the rates specified against the name of the mineral under the Second Schedule of MMDR Act, in the former case the rate applicable should be as specified by the state governments in their respective Minor Minerals Concession Rules. As such, the last Study Group felt that there is no need to prescribe a separate rate for the overburden, tailing, rejects; and an explanatory note at the end of the Second Schedule of the MMDR Act would suffice.

# Administration of Royalty

So far as the unit of production basis for computation of royalty is concerned, the methodology adopted by State Governments for computation of royalty and administration of royalty regime is well established and no fresh guidelines have been prescribed by the Study Group, constituted by Government of India on 22-5-2002 on revision of rate of royalty.

For ad valorem royalty, it is now in place for the last five years. Although guidelines have been provided for in Rule 64D of the Mineral Concession Rules, still various problems arising out of implementation and interpretation of the guidelines have been put forth by the State Governments, mining associations and mine owners alike on different occasions and in different forums. One of the terms of reference, of the last Study Group, therefore, was to consider possibility and need of refining of existing guidelines, based on experience. Revised guidelines as being recommended by the Study Group have been substituted by GSR 329(E) dated 10-4-2003.

In case of minerals containing copper, lead, zinc, nickel, aluminium, tin, gold and silver, *international bench marks* in the form of LME price and London Price are available and computation of ad valorem royalty for these minerals which are linked to these international bench mark prices is more or less problem free with practically no scope for conflict in interpretation. The only problem that is occurring in some states is that the field level officers of the State Governments do not sometimes have access to the literature which publish these international bench mark prices (e.g. Non-Ferrous Report: Minerals & Metals Review, Metal Bulletin, World Metal Statistics). It is felt that this does not call for any revision in the regime as such, and adequate training within the State Governments will suffice to solve such problems.

The problems, however, are more formidable in respect of minerals for which no international bench mark price is available. In the existing regime sales price as defined in the Central Sales Tax Act, has been taken as the basis for computation of ad valorem royalty in case of non-captive mines. But the States and the industries alike are facing problems with regard to an acceptable figure of price at which a consignment has been sold. In many cases, the consignments are not sold and instead they are transported out of the lease by the mining company to a sister company for processing and final sale. The problems are even more formidable in case of captive mines where the mineral is not sold at all and in the existing guidelines, the cost as reported by the lessee in the Statutory Returns under MCDR has been taken as the



basis which the states do not consider as a reliable basis. In the Study Group, there was a general consensus that a national bench mark may solve all the problems concerning all minerals produced in non-captive mines or captive mines, sold in domestic market or international market and processed or not processed. It is also felt that a central agency like the IBM should be responsible for publishing this bench mark price.

The IBM publishes a periodical, entitled '*Monthly Statistics of Mineral Production*' which contain state-wise total values of each mineral produced during a month in a state. These state-wise, mineral-wise and month-wise total values could serve as a reliable national bench mark prices for all minerals in respect of which no international bench mark price is available. A comparison between the average sale price and the average pit's mouth value during the year 2001-02 shows that the former is higher than the latter in varying degrees, in general, ranging upto around 20-22% (with a couple of exceptions where the difference is of the order of 35-37%), and switching over the basis of computation of ad valorem royalty from the sale price to this value will result in some loss of revenue to the State Governments. It is therefore recommended that a factor of 20% should be added to the bench mark value of mineral production published by the IBM in its periodical, '*Monthly Statistics of Mineral Production*' and for computation of ad valorem royalty for all minerals other than those for which international bench mark price is available. In this connection, it is noted that this system of applying a correction factor to the cost is in practice for excise valuation as is provided in the '*Central Excise Valuation (Determination of Price of Excisable Goods) Rules, 2000*' and in that case the factor is 15 per cent.

The '*Monthly Statistics of Mineral Production*' covers the data pertaining to a particular month with some time lag. For administrative convenience, the royalty for a month therefore shall be made applicable based on the information published in the latest published issue of the '*Monthly Statistics of Mineral Production*'. As an illustration, the production data for October will be published in the first week of January, and these figures shall be applied for calculating royalty for the preceding month, i.e. December. Guidelines for computation of royalty on non-atomic, non-fuel minerals for which no benchmark is available at present and which is proposed to be published in the '*Monthly Statistics of Mineral Production*' as stated above are covered under Case-1 of the new guidelines in Rule 64D of MCR, 1960. However, the minerals prescribed under the Atomic Energy Act, 1962 do not come under the purview of the MCDR, 1988. Examples of such minerals coming under ad valorem system are ilmenite, leucosene, rutile and zircon, which are obtained mainly from the beach sand deposits of the coastal states. IBM neither receives returns for them nor publishes the data on production in its periodical, MSMP. So a separate norm for computation of ad valorem royalty for these minerals based on actual mineral content in the beach sand mined and linking the royalty to actual sale price realised in the domestic market or FOB price in case of export (minus deductions of certain costs on account of transportation, handling, etc. as applicable) is recommended by the last Study Group (case-2 of guidelines in Rule 64D of MCR, 1960). Minerals/ores for which international benchmark prices in the form of LME/London prices are available

are, covered under the Case-3 aluminium (bauxite and laterite dispatched for use in alumina and aluminium metal extraction) primary gold, silver, copper, lead, zinc, nickel and tin and Case-4 (by product gold and silver) respectively, in the said guidelines under rule 64D of MCR, 1960. In Case-3 and Case-4, the ad valorem royalty rate is linked to the metal content in the ore (metal production in case of by-product gold and silver) produced, LME/London price of the metal and Rs./US dollar conversion rate. For other bauxite/laterite ore despatched for use for other than metallurgical purposes like refractory, cement, etc., the royalty is to be levied on ad valorem basis on national bench mark prices applicable to minerals under Case-1.

## Definition of Royalty

### 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, Cl.(28) of the Constitution – *Laddu Mal v. The State of Bihar*, AIR 1965 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 preference to mines, patents and copyrights." Royalties are payment which the Government may demand for the 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 where the purchaser may be taking the mineral or to whom he is going to sell 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 R.J.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.

### 2. Wharton's Law Lexicon (14<sup>th</sup> 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 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 senses the word 'royalties' signifies, in mining leases, that part of the reddendum which is variable, and depends upon the quantity of minerals gotten.

#### **5. Bleek's Law Dictionary (5<sup>th</sup> 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 San 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.2<sup>nd</sup> 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 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 2<sup>nd</sup> 235, 74 ALR 174, certden 283 US 845, 75 L 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 2<sup>nd</sup> 132, 114 P 2<sup>nd</sup> 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. Mozley and Whiteley's Law Dictionary (9<sup>th</sup> 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 in 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 conveyed 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 a 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 exacted 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 copyrights) which is often subject to depletion with use.

## Rates of Royalty on Minerals in India from 1949 to 2004

S.No	Minerals	Rates w.e.f. 1949	1962	1968	1975	1981	1987	1992	1997	2000	2004
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.
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.  w.e.f. 1968 : a) For ores 25% or more P <sub>2</sub> O <sub>5</sub> Rs. 4.25 per tonne. b) For ores less than 25% P <sub>2</sub> O <sub>5</sub> Rs. 3.75 per tonne.	a) For ores 25% or more P <sub>2</sub> O <sub>5</sub> Rs. 5/- per tonne. b) For ores less than 25% P <sub>2</sub> O <sub>5</sub> Rs. 4/- per tonne.	a) For Ores 25% or more P <sub>2</sub> O <sub>5</sub> Rs. 15/- per tonne b) For ores less than 25% P <sub>2</sub> O <sub>5</sub> Rs. 10/- per tonne.	a) For ores with more than 27% P <sub>2</sub> O <sub>5</sub> – Rs. 45/- per tonne b) For ores more than 20% P <sub>2</sub> O <sub>5</sub> but less than 27% P <sub>2</sub> O <sub>5</sub> – Rs. 25/- per tonne c) For ores with less than 20% P <sub>2</sub> O <sub>5</sub> – Rs. 10/- per tonne  <u>Rock Phosphate:</u> a) Ores with more than 27% P <sub>2</sub> O <sub>5</sub> – Rs. 45/- per tonne b) Ores with 20% P <sub>2</sub> O <sub>5</sub> to 27% P <sub>2</sub> O <sub>5</sub> – Rs. 25/- per tonne c) Ores with less than 20% P <sub>2</sub> O <sub>5</sub> – Rs. 10/- per tonne	a) For ores with more than 27% P <sub>2</sub> O <sub>5</sub> – Rs. 70/- per tonne b) For ores more than 20% P <sub>2</sub> O <sub>5</sub> but less than 27% P <sub>2</sub> O <sub>5</sub> – Rs. 40/- per tonne c) For ores with less than 20% P <sub>2</sub> O <sub>5</sub> – Rs. 17/- per tonne  a) Above 30% P <sub>2</sub> O <sub>5</sub> – Rs. 152/- per tonne b) Ores with 25% to 30% P <sub>2</sub> O <sub>5</sub> – Rs. 96/- per tonne c) Ores with 20% to 25% P <sub>2</sub> O <sub>5</sub> – Rs. 56/- per tonne d) Ores with less than 20% P <sub>2</sub> O <sub>5</sub> – Rs. 23/- per tonne.	a) For ores with more than 27% P <sub>2</sub> O <sub>5</sub> – Rs. 80/- per tonne b) For ores more than 20% P <sub>2</sub> O <sub>5</sub> but less than 27% P <sub>2</sub> O <sub>5</sub> – Rs. 44/- per tonne c) For ores with less than 20% P <sub>2</sub> O <sub>5</sub> – Rs. 19/- per tonne  <u>For rock phosphate</u> a) Above 25% P <sub>2</sub> O <sub>5</sub> – 11% of sale price on ad valorem basis. b) Upto 25% P <sub>2</sub> O <sub>5</sub> – 5% of sale price on ad valorem basis.	i) For apatite 5% of sale price on ad valorem basis.  ii) For rock phosphate a) Above 25% P <sub>2</sub> O <sub>5</sub> – 11% of the sale price on ad valorem basis. b) Upto 25% P <sub>2</sub> O <sub>5</sub> – 5% of the sale price on ad valorem basis.	i) For apatite 5% of sale price on ad valorem basis.  ii) For rock phosphate a) Above 25% P <sub>2</sub> O <sub>5</sub> – 11% of the sale price on ad valorem basis. b) Upto 25% P <sub>2</sub> O <sub>5</sub> – 5% of the sale price on ad valorem basis.
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.		

S.No	Minerals	Rates w.e.f. 1949	1962	1968	1975	1981	1987	1992	1997	2000	2004
5	Asbestos	5% of the sale value at pit's mouth	5% of the sale price at pit's mouth	1) Superior chrysotile – Rs. 250/- per tonne. 2) Inferior chrysotile- Rs. 50/- per tonne 3) Amphibole – Rs. 12/- per tonne	1) Superior chrysotile – Rs. 250/- per tonne. 2) Inferior chrysotile- Rs. 62/- per tonne 3) Amphibole – Rs. 12/- per tonne	1) Superior chrysotile – Rs. 250/- per tonne. 2) Amphibole – Rs. 15/- per tonne	1) Superior chrysotile – Rs. 285/- per tonne. 2) Amphibole – Rs. 15/- per tonne	1) Superior chrysotile – Rs. 726/- per tonne. 2) Amphibole – Rs. 28/- per tonne	1) Superior chrysotile – Rs. 726/- per tonne. 2) Amphibole – Rs. 31/- per tonne	a) Chrysotile – Rs. 726/- per tonne b) Amphibole – Rs. 35/- per tonne	c) Chrysotile – Rs. 800/- per tonne d) Amphibole – Rs. 45/- per tonne
6	Barytes	5% of the sale value at pit's mouth	w.e.f. 1963 : 1) White Rs. 5/- per tonne 2) Buff/off colour Rs. 5/- per tonne.	1) White Rs. 7.5/- per tonne 2) Buff/off colour Rs. 5/- per tonne	1) White Rs. 10/- per tonne 2) Buff/off colour Rs. 6.50/- per tonne	1) White Rs. 15/- per tonne 2) Buff/off colour Rs. 8/- per tonne	1) White Rs. 20/- per tonne 2) Buff/off colour Rs. 10/- per tonne	1) White Rs. 54/- per tonne 2) Buff/off colour Rs. 30/- 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.
7	Bauxite, Laterite	5% of the sale value at pit's mouth	w.e.f. 1963 : 1) Chemical grade – Rs. 2/- per tonne. 2) Metal – Rs. 1/- 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.	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. b) 20% of sale price on ad valorem basis. for those despatched for use other than alumina and aluminium metal extraction and for export.



S.No	Minerals	Rates w.e.f. 1949	1962	1968	1975	1981	1987	1992	1997	2000	2004
8	Brown Ilmenite (Leucosene) Ilmenite, Rutile & Zircon	-	-	-	-	-	-	Rs. 113/- per tonne	2% of sale price on ad valorem basis.	2% 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.
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.
11	China Clay/Kaolin (including 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 Rs. 1/- per tonne Rs. 1.50 per tonne. ii) Washed (including ball clay) Rs. 5/- per tonne Rs. 7.50 per tonne.	i) Crude Rs. 2/- per tonne  ii) Washed (including ball clay) Rs. 8/- per tonne	i) Crude Rs. 4/- per tonne  ii) Washed (including ball clay) Rs. 18/- per tonne	i) Crude Rs. 8/- per tonne  ii) Washed (including ball clay) Rs. 35/- per tonne	i) Crude Rs. 14/- per tonne  ii) Washed (including ball clay) Rs. 62/- per tonne	i) Crude Rs. 18/- per tonne  ii) Processed (including washed) Rs. 68/- per tonne	i) Crude Rs. 21/- per tonne  ii) Processed (including washed) Rs. 75/- per tonne	i) Crude Rs. 23/- per tonne  ii) Processed (including washed) Rs. 85/- per tonne
12	Chromite	a) 45% of Cr <sub>2</sub> O <sub>3</sub> 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 a minimum of Rs. 2.25 per tonne.	a) 45% Cr <sub>2</sub> O <sub>3</sub> and above - Rs. 10/- per tonne.	a) 48% Cr <sub>2</sub> O <sub>3</sub> and above - Rs. 20/- per tonne.	a) 48% Cr <sub>2</sub> O <sub>3</sub> and above - Rs. 50/- per tonne.	a) 48% Cr <sub>2</sub> O <sub>3</sub> and above - Rs. 60/- per tonne.	a) 47% Cr <sub>2</sub> O <sub>3</sub> 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.

S.No	Minerals	Rates w.e.f. 1949	1962	1968	1975	1981	1987	1992	1997	2000	2004
	Chromite (contd.-)	b) Less than 45% Cr <sub>2</sub> O <sub>3</sub> – 5% of the sale price at pit's mouth subject to a minimum of annas 12 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 <sub>2</sub> O <sub>3</sub> – Rs. 6/- per tonne. c) Chromite conc. in prepared through crushing and mining – Rs. 3/- per tonne	b) Above 40% and below 48% Cr <sub>2</sub> O <sub>3</sub> – Rs. 12/- per tonne. c) Less than 40% Cr <sub>2</sub> O <sub>3</sub> – Rs. 6/- per tonne.	b) Above 40% and below 48% Cr <sub>2</sub> O <sub>3</sub> – Rs. 25/- per tonne. c) Less than 40% Cr <sub>2</sub> O <sub>3</sub> – Rs. 15/- per tonne.	b) Above 40% and below 48% Cr <sub>2</sub> O <sub>3</sub> – Rs. 30/- per tonne. c) Less than 40% Cr <sub>2</sub> O <sub>3</sub> – Rs. 20/- per tonne.	b) Above 40% and below 47% Cr <sub>2</sub> O <sub>3</sub> – Rs. 135/- per tonne. c) Above 30% and below 40% Cr <sub>2</sub> O <sub>3</sub> – Rs. 90/- per tonne. d) 30% Cr <sub>2</sub> O <sub>3</sub> – 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 Government	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 London Metal Exchange 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.
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.
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.
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.	-	-

S.No	Minerals	Rates w.e.f. 1949	1962	1968	1975	1981	1987	1992	1997	2000	2004
18	Dolomite	5% of the sale price at pit's mouth, subject to a minimum of 4 annas per tonne.	Rs. 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
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.
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.
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 <sub>2</sub> Rs. 10/- per tonne.	a) 85% or more CaF <sub>2</sub> Rs. 45/- per tonne. b) Less than 85% & above 70% CaF <sub>2</sub> – Rs. 30/- per tonne. c) Less than 70% & above 30% CaF <sub>2</sub> – Rs. 20/- per	a) 85% or more CaF <sub>2</sub> Rs. 70/- per tonne. b) Less than 85% & above 70% CaF <sub>2</sub> – Rs. 50/- per tonne. c) Less than 70% & above 30% CaF <sub>2</sub> – Rs. 35/- per	a) 85% or more CaF <sub>2</sub> Rs. 110/- per tonne. b) Less than 85% & above 70% CaF <sub>2</sub> – Rs. 75/- per tonne. c) Less than 70% & above 30% CaF <sub>2</sub> – Rs. 50/- per tonne.	a) 85% or more CaF <sub>2</sub> Rs. 270/- per tonne. b) Less than 85% & above 70% CaF <sub>2</sub> – Rs. 170/- per tonne. c) Less than 70% & above 30% CaF <sub>2</sub> – Rs. 113/- per tonne.	- - c) Containing more than 30% CaF <sub>2</sub> – 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.

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

S.No	Minerals	Rates w.e.f. 1949	1962	1968	1975	1981	1987	1992	1997	2000	2004
	Graphite (contd.-)			b) With 40% but below 80% fixed carbon – Rs. 12/- per tonne. c) Less than 40% fixed carbon – Rs. 3/- per tonne.	b) With 40% but below 80% fixed carbon – Rs. 11/- per tonne. c) Less than 40% fixed carbon – Rs. 2.50/- per tonne.	b) With 40% but below 80% fixed carbon – Rs. 30/- per tonne. c) Less than 40% fixed carbon – Rs. 12/- per tonne.	b) With 40% but below 80% fixed carbon – Rs. 40/- per tonne. c) Less than 40% fixed carbon – Rs. 15/- per tonne.	b) With 40% but below 80% fixed carbon – Rs. 100/- per tonne. c) Less than 40% fixed carbon – Rs. 40/- per tonne.	b) With 40% but below 80% fixed carbon – Rs. 110/- per tonne. c) With 20% or more but less than 40% fixed carbon – Rs. 45/- per tonne. d) With less than 20% fixed carbon – Rs. 28/- per tonne.	b) With 40% but below 80% fixed carbon – Rs. 130/- per tonne. c) With less than 40% fixed carbon – Rs. 50/- per tonne.	b) With 40% but below 80% fixed carbon – Rs. 130/- per tonne. c) With less than 40% fixed carbon – Rs. 50/- per tonne.
26	Gypsum	5% of the sale price at pit's mouth	a) above 85% CaSO <sub>4</sub> – Rs. 1.25 per tonne. b) below 85% CaSO <sub>4</sub> – Rs. 0.75 per tonne.	a) Fertilizer grade – Rs. 1.50 per tonne. b) below 85% CaSO <sub>4</sub> – Rs. 2.50 per tonne.	a) Fertilizer grade – Rs. 2/- per tonne. b) below 85% CaSO <sub>4</sub> – Rs. 3/- 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.
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.	-	-
28	Iron Ore	1) For extraction of iron annas eight per tonne. 2) Other purposes Rs. 1/- per tonne.	1) 5% of the sale price subject to minimum of 0.50 per tonne. 2) 5% of the sale price subject to minimum of 2/- per tonne.	1) Ore lumps a) More than 62% Fe – Rs. 1.50 per tonne. b) Less than 62% Fe – Rs. 1/- per tonne. 2) Fines – Rs. 0.25 per tonne.	1) Ore lumps a) 65% Fe and above – Rs. 4/- per tonne. b) 62-65% Fe – Rs. 3/- per tonne. c) 60-62% Fe – Rs. 2/- per tonne.	1) Ore lumps a) 65% Fe and above – Rs. 4/- per tonne. b) 62-65% Fe – Rs. 3/- per tonne. c) 60-62% Fe – Rs. 2/- per tonne.	1) Ore lumps a) 65% Fe and above – Rs. 6/- per tonne. b) 62-65% Fe – Rs. 3.50/- per tonne. c) 60-62% Fe – Rs. 2.50/- per tonne.	1) Ore lumps a) 65% Fe and above – Rs. 18/- per tonne. b) 62-65% Fe – Rs. 10/- per tonne. c) 60-62% Fe – Rs. 7/- per tonne.	1) Ore lumps a) 65% Fe and above – Rs. 21.50/- per tonne. b) 62-65% Fe – Rs. 12/- per tonne. c) 60-62% Fe – Rs. 8.50/- per tonne.	1) Ore lumps a) 65% Fe and above – Rs. 24.50/- per tonne. b) 62-65% Fe – Rs. 14.50/- per tonne. c) 60-62% Fe – Rs. 10/- per tonne.	1) Ore lumps a) 65% Fe and above – Rs. 27/- per tonne. b) 62-65% Fe – Rs. 16/- per tonne. c) Less than 62% Fe – Rs. 11/- per tonne.

S.No	Minerals	Rates w.e.f. 1949	1962	1968	1975	1981	1987	1992	1997	2000	2004
	Iron Ore (contd.-)			3) Red Oxide – Rs. 2/- per tonne.	d) Less than 60% Fe – Rs. 1.50/- per tonne.  2) <u>Fines</u> a) 65% Fe and above – Rs. 2.50/- per tonne. b) 62-65% Fe – Rs. 1.50/- per tonne. c) Less than 62% Fe – Rs. 1/- per tonne. d) Beneficiated ores containing 40% Fe – Rs. 0.50 per tonne. 3) Red Oxide – Rs. 2/- per tonne.	d) Less than 60% Fe – Rs. 1/- per tonne.  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. b) 62-65% Fe – Rs. 1.50/- per tonne. c) Less than 62% Fe – Rs. 1/- per tonne. B) Concentrate prepared by beneficiation and/ or concentrate of low grade ore, containing 40% Fe or less – Rs. 0.50 per tonne	d) Less than 60% Fe – Rs. 2/- per tonne.  2) <u>Fines</u> A) Fine including natural fines produced incidental to mining and sizing of ore. a) 65% Fe and above – Rs. 3.50/- per tonne. b) 62-65% Fe – Rs. 2/- per tonne. c) Less than 62% Fe – Rs. 1.50/- per tonne. B) Concentrate prepared by beneficiation and/ or concentrate of low grade ore, containing 40% Fe or less – Rs. 0.50 per tonne	d) Less than 60% Fe – Rs. 5/- per tonne.  2) <u>Fines</u> A) Fine including natural fines produced incidental to mining and sizing of ore. a) 65% Fe and above – Rs. 13/- per tonne. b) 62-65% Fe – Rs. 7/- per tonne. c) Less than 62% Fe – Rs. 5/- per tonne B) Concentrate prepared by beneficiation and/ or concentrate of low grade ore, containing 40% Fe or less – Rs. 2.25 per tonne	d) Less than 60% Fe – Rs. 6/- per tonne.  2) <u>Fines</u> A) Fine including natural fines produced incidental to mining and sizing of ore. a) 65% Fe and above – Rs. 15.50/- per tonne. b) 62-65% Fe – Rs. 8.50/- per tonne. c) Less than 62% Fe – Rs. 6/- per tonne. B) Concentrate prepared by beneficiation and/ or concentrate of low grade ore, containing 40% Fe or less – Rs. 2.50 per tonne	d) Less than 60% Fe – Rs. 7/- per tonne.  2) <u>Fines</u> A) Fine including natural fines produced incidental to mining and sizing of ore. a) 65% Fe and above – Rs. 17/- per tonne. b) 62-65% Fe – Rs. 10/- per tonne. c) Less than 62% Fe – Rs. 7/- per tonne. B) Concentrate prepared by beneficiation and/ or concentrate of low grade ore, containing 40% Fe or less – Rs. 3/- per tonne	-  2) <u>Fines</u> A) Fine including natural fines produced incidental to mining and sizing of ore. a) 65% Fe and above – Rs. 19/- per tonne. b) 62-65% Fe – Rs. 11/- per tonne. c) Less than 62% Fe – Rs. 8/- per tonne. B) Concentrate prepared by beneficiation and/ or concentrate of low grade ore, containing 40% Fe or less – Rs. 4/- per tonne

S.No	Minerals	Rates w.e.f. 1949	1962	1968	1975	1981	1987	1992	1997	2000	2004
29	Kyanite	5% of the sale price at pit's mouth	w.e.f. 1963 – Rs. 16/- per tonne.	a) 60% Al <sub>2</sub> O <sub>3</sub> & above - Rs. 35/- per tonne. b) Above 50% & below 60% Al <sub>2</sub> O <sub>3</sub> – Rs. 8/- per tonne. c) 50% Al <sub>2</sub> O <sub>3</sub> & below Rs. 4/- per tonne.	a) 60% Al <sub>2</sub> O <sub>3</sub> & above - Rs. 30/- per tonne. b) Above 50% & below 60% Al <sub>2</sub> O <sub>3</sub> – Rs. 10/- per tonne. c) 50% Al <sub>2</sub> O <sub>3</sub> & below Rs. 4/- per tonne.	Rs. 30/- per tonne.	Rs. 40/- per tonne.	a) Containing 40% Al <sub>2</sub> O <sub>3</sub> and above - Rs. 85/- per tonne. b) Containing less than 40% Al <sub>2</sub> O <sub>3</sub> – Rs. 40/- 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.
30	Lead	6.25% of the sale price at pit's mouth	w.e.f. 1963 – Lead Conc. 7% of sale price at pit's mouth	Rs. 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.
31	Lime stone (including lime kankar)	5% of the sale price at pit's mouth	Rs. 0.75 per tonne subject to rebate of Rs. 0.38 per tonne for beneficiated by froth floatation.	Rs. 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. b) Others – Rs. 25/- per tonne.	a) L.D. grade (less than 1.5% silica content) – Rs. 50/- per tonne. b) Others – Rs. 32/- per tonne.	a) L.D. grade (less than 1.5% silica content) – Rs. 50/- per tonne. b) Others – Rs. 40/- per tonne.	a) L.D. grade (less than 1.5% silica content) – Rs. 55/- per tonne. b) Others – Rs. 45/- per tonne.
32	a) Lime shell (including calcareous sand & chalk)  b) Lime Kankar	5% of the sale price at pit's mouth	Rs. 0.75/- per tonne.	a) 45% & above CaO - Rs. 1.25 per tonne. b) Below 45% CaO – Rs. 0.75 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. 40/- per tonne.	Rs. 45/- per tonne.  Rs. 45/- per tonne.

S.No	Minerals	Rates w.e.f. 1949	1962	1968	1975	1981	1987	1992	1997	2000	2004
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. b) Inferior quality with more than 2.5% Si - Rs. 2.50/- per tonne.	a) Superior quality with less than 2.5% Si - Rs. 3/- per tonne. b) Inferior quality with more than 2.5% Si - Rs. 2.50/- 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.
34	Manganese ore	a) High grade (45% Mn & above - 5% of the sale value at pit's head subject to minimum of annas eight. b) Low grade (below 45% Mn) - 5% of the sale value at pit's head subject to minimum of annas eight.	a) MnO <sub>2</sub> - Rs. 15/- per tonne. b) High grade - (45% Mn & above) - Rs. 6/- per tonne. c) Low grade (below 45% Mn) - Rs. 3/- per tonne. d) Below 35% Mn - Rs. 2/- per tonne.	a) 46% Mn & above - Rs. 6/- per tonne. b) High grade - (45% & above) - Rs. 3/- per tonne. c) Below 35% Mn but above 25% Mn - Rs. 2/- per tonne. d) 25% Mn or below - Rs. 1/- per tonne.	w.e.f. 1979: a) ) MnO <sub>2</sub> (containing 78% or more MnO <sub>2</sub> & above 4% or below Fe) - Rs. 30/- per tonne. b) 46% Mn & above - Rs. 12/- per tonne. c) Below 46% Mn but 35% Mn or above - Rs. 7.50/- per tonne. d) Below 35% Mn but above 25% Mn - Rs. 5/- per tonne. e) 25% Mn or below - Rs. 2/- per tonne.	a) ) MnO <sub>2</sub> (containing 78% or more MnO <sub>2</sub> & above 4% or below Fe) - Rs. 30/- per tonne. b) 46% Mn & above - Rs. 12/- per tonne. c) Below 46% Mn but 35% Mn or above - Rs. 7.50/- per tonne. d) Below 35% Mn but above 25% Mn - Rs. 5/- per tonne. e) 25% Mn or below - Rs. 2/- per tonne.	a) ) MnO <sub>2</sub> (containing 78% or more MnO <sub>2</sub> & above 4% or below Fe) - Rs. 45/- per tonne. b) 46% Mn & above - Rs. 15/- per tonne. c) Below 46% Mn but 35% Mn or above - Rs. 9/- per tonne. d) Below 35% Mn but above 25% Mn - Rs. 6/- per tonne. e) 25% Mn or below - Rs. 2/- per tonne.	a) MnO <sub>2</sub> (containing 78% or more MnO <sub>2</sub> & above 4% or below Fe) - Rs. 101/- per tonne. b) 46% Mn & above - Rs. 40/- per tonne. c) Below 46% Mn but 35% Mn or above - Rs. 23/- per tonne. d) Below 35% Mn but above 25% Mn - Rs. 17/- per tonne. e) 25% Mn or below - Rs. 7/- per tonne.	a) MnO <sub>2</sub> (containing 78% or more MnO <sub>2</sub> & above 4% or below Fe) - Rs. 112/- per tonne. b) 46% Mn & above - Rs. 42/- per tonne. c) Below 46% Mn but 35% Mn or above - Rs. 25/- per tonne. d) Below 35% Mn but above 25% Mn - Rs. 17/- per tonne. e) 25% Mn or below - Rs. 7/- per tonne. f) Concentrates - Rs. 2/- per tonne.	a) Ore of all grades - 3% of Sale Price on ad valorem basis. b) Concentrate 1% of sale price on ad valorem basis.	a) Ore of all grades - 3% of Sale Price on ad valorem basis. b) Concentrate 1% of sale price on ad valorem basis.



S.No	Minerals	Rates w.e.f. 1949	1962	1968	1975	1981	1987	1992	1997	2000	2004
35	Mica (crude waste & scrap)	a) Crude – Rs. 1/- per md. b) Trimmed – Rs. 3/- per md. c) Other than (b) – Rs. 1.50/- per md. d) Waste & scrap – 5% of sale value at pit's mouth – 2 annas per md.	a) Crude – Rs. 4/- per 100 kg. b) Trimmed – Rs. 5/- per 100 kg (other than heavy stain). c) Trimmed (heavy stains) – Rs. 10/- per 100 kg. d) Waste & scrap – Rs. 0.50/- per 100 kg. e) Waste round - Rs. 2.50/- per 100 kg.	a) Crude – Rs. 6/- per 100 kg. b) Trimmed – Rs. 10/- per 100 kg (other than heavy stain). c) Trimmed (heavy stains) – Rs. 5/- per 100 kg. d) Waste & scrap – Rs. 2/- per 100 kg. e) Waste round - Rs. 2.50/- per 100 kg.	a) Crude – Rs. 8/- per 100 kg. b) Trimmed – Rs. 16/- per 100 kg (other than heavy stain). c) Trimmed (heavy stains) – Rs. 8.40/- per 100 kg. d) Waste & scrap – Rs. 2.80/- per 100 kg. e) Waste round - Rs. 3.50/- per 100 kg.	a) Crude – Rs. 8/- per 100 kg. b) Trimmed – Rs. 16/- per 100 kg (other than heavy stain). c) Trimmed (heavy stains) – Rs. 8.40/- per 100 kg. d) Waste & scrap – Rs. 2.80/- per 100 kg. e) Waste round - Rs. 3.50/- per 100 kg.	a) Crude – Rs. 10/- per 100 kg. b) Trimmed – Rs. 60/- per 100 kg (other than heavy stain). c) Trimmed (heavy stains) – Rs. 30/- per 100 kg. d) Waste & scrap – Rs. 4/- per 100 kg. e) Waste round - Rs. 5/- per 100 kg.	a) Crude – Rs. 34/- per 100 kg. d) Waste & scrap Mica – Rs. 14/- 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.
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.
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.
38	Ochre	5% of the sale value at pit's	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.

S.No	Minerals	mouth. Rates w.e.f. 1949	1962	1968	1975	1981	1987	1992	1997	2000	2004
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.	Rs. 0.12 per unit percent of sulphur per tonne of ore and on pro-rata basis.	Rs. 0.25 per unit percent of sulphur per tonne of ore and on pro-rata basis.	Rs. 0.60 per unit percent of sulphur per tonne of ore and on pro-rata basis.	Rs. 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.
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. b) Inferior grade used in insecticide industry – Rs. 1.50/- per tonne.	a) For all grades except inferior grade used in insecticide industry – Rs. 3/- per tonne. b) Inferior grade used in insecticide industry – Rs. 1.50/- 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.
41	Quartz, Silica Sand, Moulding Sand, Quartzite	5% of the sale price at pit's mouth	w.e.f. 1963 : Rs. 0.50/- per tonne.	a) Quartz & Quartzite – Rs. 1/- per tonne. b) Sand for stowing – Rs. 0.20 per tonne.	a) Quartz & Quartzite – Rs. 1.25/- per tonne. c) Sand for stowing – Rs. 0.20 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.
42	Quartzite	-	-	-	-	Rs. 2.50 per tonne.	Rs. 5/- per tonne.	Rs. 12/- per tonne.	-	-	-
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	-	-	-	-	-	-	Rs. 0.40/- per tonne.	Rs. 3/- per tonne.	Rs. 3/- per tonne.	** Rs. 3/- per tonne.
45	Selenite	-	-	-	-	-	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.

S.No	Minerals	Rates w.e.f. 1949	1962	1968	1975	1981	1987	1992	1997	2000	2004
46	Sillimanite	5% of the sale price at pit's mouth	w.e.f. 1963 : Rs. 18/- per tonne.	a) 58% Al <sub>2</sub> O <sub>3</sub> or more Rs. 30/- per tonne. b) Below 58% Al <sub>2</sub> O <sub>3</sub> Rs. 18/- per tonne.	a) 58% Al <sub>2</sub> O <sub>3</sub> or more Rs. 35/- per tonne. b) Below 58% Al <sub>2</sub> O <sub>3</sub> 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.
47	Silver	To be fixed by Central Government.	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. b) Primary silver – 5% of LME silver metal price chargeable on the contained silver metal in ore produced.	a) By product – 5% 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.
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.
49	Talc, Steatite & Soap Stone	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. b) Inferior grade used in insecticide industry – Rs. 2/- per tonne.	a) all grades except inferior grade used in insecticide industry – Rs. 4.50/- per tonne. b) Inferior grade used in insecticide industry – Rs. 2.25/- per tonne.	Rs. 8/- per tonne.	a) all grades except inferior grade used in insecticide industry – Rs. 30/- per tonne. b) Inferior grade used in insecticide industry – Rs. 10/- per tonne.	a) all grades except inferior grade used in insecticide industry – Rs. 56/- per tonne. b) Inferior grade used in insecticide industry – Rs. 23/- per tonne.	a) Insecticide grade – Rs. 25/- per tonne. b) Other than insecticide grade – Rs. 65/- per tonne.	15% of sale price on ad valorem basis.	15% of sale price on ad valorem basis.

S.No	Minerals	Rates w.e.f. 1949	1962	1968	1975	1981	1987	1992	1997	2000	2004
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.
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 <sub>3</sub> and on prorata basis.	Rs. 5/- per tonne of ore with 1% WO <sub>3</sub> and on prorata basis.	Tungsten: Rs 10/- per unit percent of WO <sub>3</sub> per tonne of ore and on prorata basis.	Tungsten: Rs. 12/- per unit percent of WO <sub>3</sub> per tonne of ore and on prorata basis.	Tungsten: Rs. 30/- per unit percent of WO <sub>3</sub> per tonne of ore and on prorata basis.	Tungsten ore: Rs. 20/- per unit percent of WO <sub>3</sub> per tonne of ore and on prorata basis.	Tungsten ore: Rs. 20/- per unit percent of WO <sub>3</sub> per tonne of ore and on prorata basis.	Tungsten ore: Rs. 20/- per unit percent of WO <sub>3</sub> per tonne of ore and on prorata basis.
52	Uranium	-	-	-	-	10% of the sale price at pit's mouth.	Rs. 2.52 for dry ore with 0.05% U <sub>3</sub> O <sub>8</sub> with pro-rata for ore above & below 0.05% U <sub>3</sub> O <sub>8</sub>	Rs. 3.50 for dry ore with U <sub>3</sub> O <sub>8</sub> 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 <sub>3</sub> O <sub>8</sub> 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 <sub>3</sub> O <sub>8</sub> 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 <sub>3</sub> O <sub>8</sub> content of 0.05% with pro-rata increase/decrease Re. 1.50 per metric tonne of ore for 0.01% increase/decrease.
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.
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.
55	Zinc	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.
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 stone	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.

\* Rate of royalty for all other minerals not specified.

\*\* Rates of Royalty in respect of Sand for stowing as revised vide notification number GSR 214(E) dt 11<sup>th</sup> April 1997 will remain in force until revised through a separate notification by Department of Coal.

## Selected Fiscal Jurisdictions and their Royalty Tax Valuation Methods

Country	Description of valuation methods
<b>Sierra Leone</b>	<p><b>Mining act:</b></p> <ul style="list-style-type: none"> <li>- simple unit-based royalty,</li> <li>- ad valorem royalty with valuation based on refiner's certificate and a daily international reference price quotation.</li> <li>- graduated royalty based on quarterly quoted international price.</li> </ul> <p><b>Agreements:</b></p> <ul style="list-style-type: none"> <li>- simple unit-based royalty (in an agreement),</li> <li>- tax limitations clause,</li> <li>- unit-based royalty with a provision for stabilisation,</li> <li>- graduated, unit-based, sliding-scale royalty,</li> <li>- unit-based royalty for a mixed mineral product.</li> </ul>
<b>Ghana</b>	<p><b>Mining act:</b></p> <ul style="list-style-type: none"> <li>- ad valorem royalty based on a operating ratio that accounts for certain costs.</li> </ul> <p><b>Agreement:</b></p> <ul style="list-style-type: none"> <li>- ad valorem royalty, with an official to determine the value.</li> </ul>
<b>Nigeria</b>	<p><b>Mining act:</b></p> <ul style="list-style-type: none"> <li>- use of a valuation expert,</li> <li>- use of an international reference price,</li> <li>- ad valorem tax based on gazette price,</li> <li>- chief inspector to set price,</li> <li>- gross sales price.</li> </ul>

Country	Description of valuation methods
Kenya	<b>Agreement:</b> - best price available within an agreed range.
New Brunswick, Canada	<b>Mining act:</b> - agreement may set valuation method.
Western Australia, Australia	<b>Agreement:</b> - excerpt from a mineral agreement that provided for royalty to be assessed as under the mining act, - excerpt from a mineral agreement act that directly provides for royalty assessment based on product invoice.
Tanzania	<b>Mining act:</b> - royalty liability based on net value.
Botswana	<b>Mining act:</b> - royalty expressed as percentage of gross market value, - minister may remit the royalty.
South Australia, Australia	<b>Mining act:</b> - minister to calculate the amount due.
Indonesia	<b>Agreement:</b> - Agreement reference price used in conjunction with International reference price to adjust the royalty rate.
Malaysia	<b>Draft mining act:</b> - stage of processing for valuation.
Peru	<b>Mining Royalty Law :</b> - 1-3% royalty on the value of concentrates or their equivalent and according to certain categories.

ANNEXURE-IV

## Royalty Rates Applicable to Mineral Production in Important Mineral Producing Countries

Country	Mineral Type	Rate	Basis of Valuation
<b>1. North America</b> <b>U.S.A.</b> (Source: (Embassy))	Customary royalty rates on mineral leases on Federal lands vary from 5% of value of production on lead, zinc, copper concentrates and other hard rock leases, range between 2 to 8% of value of production on potassium, sodium and phosphate leases and 12.5% of value of production for sulphur. For garnet, gypsum, iron ore, limestone, sand, gravel and other solid mineral leases, the customary royalty rate ranging from 0.50 to 5.0 \$ per unit varies by commodities and lease terms. Some leases are subject to ad valorem royalty rates. Other mineral leases on Federal lands attract 2 to 10% royalty depending upon commodities which include coal, gypsum, gemstone (non-precious), fossils, limestones and common clay.		
<b>2. Canada</b> <b>Ontario</b> (Source: Colorado School of Mines)	No royalties		
<b>3. Latin America</b> <b>Argentina</b> (Source: Colorado School of Mines)	All minerals	Upto 3%	Mine head value
<b>4. Brazil</b> (Source: World Bank Group)	Gold	1%	Levied on net invoice value
	Copper	2%	
<b>5. Bolivia</b> (Source: Colorado School of Mines)	Gold	7%	Gross sales when price/ounce >US\$700 LME value of contained metal when price/ounce US\$400-700 Gross sales when price/ounce <US\$400
		1%	
		4%	
	Copper	1%	Gross sales
	Iron ore	1%	Gross sales
	Nickel	1%	Gross sales

	Zinc	5%	When gross sales >US\$0.94
		8.43%(LME) -3%	When gross sales US\$ 475-0.94
		1%	When gross sales <US\$ 475
<b>Bolivia</b> (Source: World Bank Group)	All minerals	1-5%	Gross sales
<b>6. Chile</b> (Source: Embassy, Colorado School of Mines and World Bank Group)	All minerals	Nil	
<b>7. Columbia</b> (Source: World Bank Group)	Gold and Silver	4%	Sale Value
	Metallic Minerals	5%	Sale value
	Non-metallic Minerals	3%	Sale Value
<b>8. Mexico</b> (Source: Colorado School of Mines and World Bank Group)	All minerals	Nil	
<b>9. Peru</b> (Source: Embassy and Colorado School of Mines)	All Minerals	Nil	
<b>10. Asia &amp; the Pacific</b> <b>China</b> (Source: Embassy, World Bank Group and Colorado School of Minēs)	Gold	4%	Sale value
	Copper	2%	-do-
	Iron ore	2%	-do-
	Nickel	2%	-do-
	Zinc	2%	-do-
	Diamond	Ind. 2% Gem 4%	-do-
	Limestone	2%	-do-
	Other minerals	2-4%	-do-
<b>11. Indonesia</b> (Source: Embassy)	Nickel ore (Garnieritic) (metal)	5%	Sale price
	Nickel ore (Limonitic) (metal)	4%	-do-
	Tin (metal)	3%	-do-



	Cobalt (metal)	5%	-do-
	Copper (metal)	4%	-do-
	Zinc (metal)	3%	-do-
	Iron (metal)	3%	-do-
	Gold (metal)	3.75%	-do-
	Silver (metal)	3.25%	-do-
	Platinum (metal)	3.75%	-do-
	Quick silver (metal)	3.75%	-do-
	Antimony (metal)	4.50%	-do-
	Bismuth (metal)	4.50%	-do-
	Wolfram (metal)	4.50%	Sale price
	Vanadium(metal)	4.50%	-do-
	Molybdenite (metal)	4.50%	-do-
	Titanium (metal)	3.50%	-do-
	Chromite (conc.)	3.50%	-do-
	Monazite (conc.)	4.50%	-do-
	Xenotim (conc.)	4.50%	-do-
	Ilmenite (conc.)	2.50%	-do-
	Zircon (conc.)	4.50%	-do-
	Rutile (conc)	4.50%	-do-
	Iron sand (conc.)	3.75%	-do-
	Sulphur (conc.)	3.50%	-do-
	Bauxite (ore)	3.75%	-do-
	Manganese (ore)	3.25%	-do-
	Barite (ore)	3.25%	-do-
	Yodium (ore)	3.75%	-do-
	Sea sand (ore)	3.75%	-do-
	Quartz Crystal (ore)	3.75%	-do-
	Diamond	6.50%	-do-
	Granite block	4.00%	-do-
<b>Indonesia</b> (Source: Colorado School of Mines) (Quantity: tonnes, : rate: US\$ per tonne)	Nickel ore (Garnieritic)	US\$ 70 US\$ 78	<1250 t >1250 t
	Nickel ore (limonitic)	US\$ 62 US\$ 63	<750 t >750 t
	Zinc metal	US\$ 12 US\$ 12.5	<4000 t >4000 t
	Limestone	US\$ 14 US\$ 16	<500000 t >500000 t
	Diamond	10%	Sale value

<b>12. Kazakhstan</b> (Source: Colorado School of Mines)  (Source: Embassy)	Rates are established through negotiation for each single contract depending on the project economics based on the cost and technical estimates, in accordance with Government defined procedures, as above; except in case of widespread minerals e.g. non-metallic raw material for metallurgy, casting sand, limestone, dolomite, refractory clays, kaolin, vermiculite, building materials, chalk, marl, perlite, granite, etc. for which the rate varies from 1 to 4.5%		
<b>13. Kyrgystan</b> (Source: World Bank Group)	All minerals	2-5%	Sale value
<b>14. Laos</b> (Source: World Bank Group)	All minerals	2-5%	F.O.B. price
<b>15. Mangolia</b> (Source: World Bank Group)	All minerals	2-5%	Sale value
<b>16. Myanmar</b> (Source: World Bank Group)	Metallic minerals	3-5%	Sales revenue
<b>17. Philippines</b> (Source: Embassy, Colorado School of Mines and World Bank Group)	Metallic minerals or Non-metallic minerals	2%	Actual market value of Gross output
<b>18. Papua New Guinea</b> (Source: Embassy, Colorado School of Mines and World Bank Group)	All minerals	2%	Realised F.O.B. or net smelter returns
<b>19. Uzbekistan</b> (Source: Embassy and Colorado School of Mines)	Gold	2.8%	Gross sales
	Copper	7.9%	Sale price of refined Copper
	Iron ore	3%	Gross sales
	Zinc	1%	Sales price
	Diamond	24%	-do-
	Limestone	2.5%	-do-
	Molybdenum	1%	-do-
	Lead (conc.)	1%	-do-
	Tungsten (conc.)	8%	-do-
	Gold	2.8%	-do-
	Silver	2%	-do-
	Rock salt	1.3%	-do-
Potassium salt	0.3%	-do-	
Sodium sulphate	0.3%	-do-	

	Phosphorite	3.7%	-do-
	Limestone & dolomite	2.5%	-do-
	Glauconite	2.5%	-do-
	Mineral pigments	3.7%	-do-
	Graphite (natural)	6%	-do-
	Kaolin	7.9%	-do-
	Quartz	5%	-do-
	Bentonite	3.7%	-do-
	Talc/soapstone	3%	-do-
	Wollastonite	3%	-do-
	Asbestos	3%	-do-
<b>20. Africa</b>			
<b>Botswana</b> (Source: Embassy and World Bank Group)	Precious stones	10%	Gross market value
	Precious- metals	5%	-do-
	Other minerals	3%	-do-
<b>21. Burkina Faso</b> (Source: Colorado School of Mines)	Gold	3%	F.O.B. value
	Iron ore	N.A.	N.A.
	Nickel	4%	F.O.B. value
	Zinc	4%	F.O.B. value
	Diamond	7%	F.O.B. value
	Limestone	4%	F.O.B. value
<b>22. Ghana</b> (Source: World Bank Group and Colorado School of Mines)	Gold	3-12%	Gross value
	Diamond	3-12%	Profit margin
	Other minerals	3-12%	Total revenue
<b>23. Kenya</b> (Source: Embassy)	Salt	2 shillings	Per tonne
	Gold	2.5%	Sale value
<b>24. Ivory Coast</b> (Source: Colorado School of Mines)	Nickel	2.5%	Revenue less cost of transportation and processing
	Zinc	2.5%	-do-
	Diamond	3%	-do-
	Limestone	2.5%	-do-
<b>25. Madagascar</b> (Source: World Bank Group)	All minerals	2%	Sale value

<b>26. Morocco</b> (Source: Embassy)	Rock phosphate	\$3	Tonnage
	No royalty for other minerals		
<b>27. Mozambique</b> (Source: World Bank Group)	All minerals	3-5%	F.O.B.
<b>28. Namibia</b> (Source: World Bank Group and Embassy)	All minerals	Upto 5%	Sale value
	Diamonds, and other precious stones	10%	Sale value
<b>29. South Africa</b> (Source: Colorado School of Mines)	No royalty due to the state; state is not the inherent owner of the minerals and mining rights. If the state has acquired the ownership of minerals in the past, it can negotiate a royalty rate with the company wishing to make use of these rights. The terms will tend to vary with the anticipated profitability.		
<b>30. Tanzania</b> (Source: World Bank Group, Embassy and Colorado School of Mines)	Diamond	5%	Net back value
	All other minerals	3%	Net back value
<b>31. Uganda</b> (Source: Embassy)	Base metals	5%	Gross value
	Precious metals	5%	Gross value
	Limestone or chalk	3000 U.S.Hs	Per tonne
	Gypsum	5000 U.S.Hs	Per tonne
	Marble, granite and other dimensional stones	10000 U.S.Hs	Per tonne
<b>32. Zimbabwe</b> (Source: Embassy)	Precious stones	10%	Gross fair market value
	Precious metals	3%	
	Base metals	2%	
	Industrial Minerals	2%	

<b>Australia</b> <b>33. Western Australia</b> (Source: Embassy, FIMI and Colorado School of Mines)	Antimony, arsenic, attapulgitite, barytes, beryl, bismuth chromite, copper, diatomaceous earth, felspar, fluorite, fuller's earth, graphite, kaolin, kyanite, lead, leucoxene, lithium minerals, magnesite, mica, molybdenite, neobium, ochre, quartzite pyrites, rare earth minerals, rutile, zinc, zircon, ilmenite,	5%	
	manganese (beneficiated) and minerals not otherwise specified by the producers Iron ore: Lump ore Fine ore Beneficiated ore  Garnet: Usual grade Higher technology grade Gold Cobalt, mercury, platinoids, silver Tantalum tin Vanadium  Nickel	7.5% 5.625% 5%  5% 2.5% 1.25% 2.5%  1.5% (vanadium pentoxide) 5% (Vanadium concentrate)  $\frac{P \times U \times 2.5}{100 \times 100} = \$R$ per tonne, where p = the gross nickel metal price per tonne f.o.b. or its computed equivalent use for the purpose of calculating the actual sale price of the nickel containing product; where U = the number of units per hundred of nickel metal in the nickel containing products sold, where, R = the royalty	Realised value -do- -do-  -do- F.O.B. price Realised value -do- -do-  -do- -do-

	Bauxite, manganese, diamond, gem and precious stones and semi-precious stones (including specimen stones)	7.5%	Realised value
	Clay, construction limestone, dolomite, gypsum, rock salt, sand	A\$ 0.30	Tonnage
	Metallurgical limestone (including limesands and shell sands), silica, talc	A\$ 0.50	Tonnage
<b>34. New South Wales</b> (Source: Embassy and FIMI)	Agate, antimony, apatite, arsenic, pyrite, asbestos, beryllium and its ores, bismuth, cadmium, caesium, chalcedony, chromite, cinnabar, cobalt, columbium, copper, corundum, cryolite, diamond, diatomite, emerald, emery, galena, garnet, germanium, gold, graphite, icelandspar, ilmenite, indium, jade, lead, lithium, manganese, mercury, mica, molybdenum, nephrite, nickel, opal, osmiridium, pitchblende, platinoid minerals, platinum, planbago, quartz crystals, radioactive elements, rare earth minerals, rhodonite, rock salt, rubidium, ruby, sapphire, scheelite, selenium, silver, slate, sulphur, tantalum, thorium, tin, titanium, topaz, tourmaline, tungsten and its ores, turquoise, vanadium, wolfram, zeolites, zinc, zirconia	4%	Ex-mine value (realised price less costs of transport and treatment)

	Chlorite, pyrophyllite, soapstone, steatite and talc	A\$ 0.85	Tonnage
	Alunite, bentonite, fuller's earth, magnesite, mineral pigments	A\$ 0.70	Tonnage
	Barytes, diatomaceous earth, dolomite, felspar, fireclay, fluorspar, kaolin, phosphate, pipeclay, pottery clay, serpentine, wollastonite	A\$ 0.50	Tonnage
	Quartzite, reef quartz	A\$ 0.45	Tonnage
	Bauxite, borates, calcite, gypsum, halite, iron ore, ironstone, laterite, limestone, oxide of iron ore, perlite, shale	A\$ 0.35	Tonnage
	Brickclay, bloating clay, chert, clay shale	A\$ 0.25	Tonnage
	Ilmenite, monazite, rutile, zircon	4%	F.O.B. value
<b>35. Queensland</b> (Source: Embassy)	Base metals (copper, lead & zinc) and precious metals (gold and silver) attract royalty according to a fixed or variable ad valorem rate at the election of the company, such election applying for a period of five years. The fixed rate is 2.7% and the variable rates range from a minimum of 1.5% to a maximum of 4.5% depending on ruling LME prices.		
	Other minerals		
	Silica	5%	Sale value
	Sands	5%	-do-
	Bauxite	10%	F.O.B. value
	Gem stones	5%	Sale value exceeded \$ 10,000
	Bentonite Graphite Mica & salt	A\$ 1.00	Tonnage
	Chromite, diatomite, feldspar, fuller's earth, kaolin, magnesite, marble, oxide of iron, pottery clay, talc, vermiculite and wollastonite	A\$ 0.50	-do-
Barytes, fluorspar, iron ore, mineral pigments	A\$ 0.35	-do-	
Limestone	A\$ 0.30	-do-	

	Fireclay, calcite, shale, dolomite, gypsum, olivine, perlite and serpentine	A\$ 0.25	-do-
<b>36. South Australia</b> (Source: Embassy)	Clay, sand, gravel, limestone, quartzite, etc. (extractive minerals, construction material)	2.5%	Assessed value
	All other minerals except opel	2.5%	-do-
<b>37. Northern Territory</b> (Source: Embassy)	The basis of the royalty calculation is a net realisation (which can be approximated as operating profit) remaining after deducting the cost of production (including administration cost) that can be attributed to the operation of the mine from mineral sales income (gross realisation).		
<b>38. Tasmania</b> (Source: Embassy)	Clay		
	Kaolin		
	Dolomite (chemical and metallurgical grade)	A\$ 1.20	Tonnage
	Limestone (chemical and metallurgical grade)		
	Sand	A\$ 1.20	-do-
	Limestone (other)	A\$ 0.60	-do-
<b>39. Victoria</b> (Source: Embassy)	Silica (other)	A\$ 0.60	-do-
	Silica (metallurgical)	A\$ 2.00	-do-
<b>40. Greenland</b> (Source: Colorado School of Mines and Embassy)	Victoria employs an ad valorem royalty system for all minerals, except gold which is exempt. Gypsum used fore agriculture, which has a specific rate of A\$ 0.40 per cubic metre.		
<b>Europe</b>	No royalties levied		
<b>41. Hungary</b> (Source: Embassy)	Precious metals	5%	Sale value
	Other minerals	2%	Sale value
<b>42. Poland</b> (Source: Colorado School of Mines and Embassy)	Gold	10%	Value of contained metal
	Copper	3%	L.M.E. price basis
	Iron ore	N.A.	N.A.
	Zinc	3%	Sale value
	Diamond	15%	Sale value
	Limestone	6%	Sale value
	Alabaster	PLN 2.53	Tonnage
	Amphibole	PLN 0.82	-do-



	Anhydrite	PLN 3.01	-do-
	Barytes	PLN 4.57	-do-
	Dolomite	PLN 0.69	-do-
	Gypsum	PLN 1.27	-do-
	Refractory & ceramic clays	PLN 2.82	-do-
	Chalk	PLN 0.11	-do-
	Quartz	PLN 1.53	-do-
	Quartzite	PLN 0.76	-do-
	Shale	PLN 1.02	-do-
	Zinc & lead ores	PLN 0.99	-do-
	Copper	PLN 2.38	-do-
	Gold ore	PLN 0.31	-do-
	Rock sale	PLN 1.25	-do-
	Kaolin	PLN 2.53	-do-
	Feldspar	PLN 2.03	-do-
	Limestone	PLN 0.60	-do-
	Silicious earth	PLN 5.08	-do-
	Other minerals	PLN 3.04	-do-
<b>43. Sweden</b> (Source: Colorado School of Mines)	All minerals		Nil

# Current Rates of Dead Rent

(APPLICABLE FOR ALL STATES AND UNION TERRITORIES  
EXCEPT THE STATE OF WEST BENGAL)

1. Rate 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

First two years of lease	3 <sup>rd</sup> year onwards
100/-	400/-

2. Two times the rate specified under (1) above in case of lease granted for medium value mineral(s).
3. Three times the rates specified under (1) above in case of lease granted for high value mineral(s).
4. Four times the rates specified under (1) above 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, alexandrite and opal;
- (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, 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;

2. The rates of dead rent for the State of West Bengal shall remain the same as specified in the notification of the Government of India in the Ministry of Steel and Mines, (Department of Mines) No. G.S.R. 458(E), dated the 5<sup>th</sup> May, 1987.