

No. 28019/1/2009-CA-II

Government of India

Ministry of Coal

New Delhi, dated the 21ST July, 2014

OFFICE MEMORANDUM

Sub: Study Group to consider revision of rates of royalty on coal –reg.

Under Section 9(3) of the Mines and Mineral (Development and Regulation) Act, 1957, the Central Government is empowered to amend the Second Schedule to the Act so as to enhance or reduce, once in three years, the rates of royalty on minerals specified in Schedule-I of the said Act including coal.

2. The rates of royalty on coal and lignite were revised on 01.08.2007 on a hybrid formula, based on the recommendation of Committees, namely, the Economic Advisory Council to Prime Minister (EAC) and the Committee on Royalty set up by the Ministry of Coal. The formula stipulated is, R (Royalty Rupees/tonne) = $a + bP$, where 'P' (price) shall mean basic pithead price of ROM (run-of-mine) coal and lignite as reflected in the invoice, excluding taxes, levies and other charges and the values of 'a' (fixed component) and 'b' (variable or ad-valorem component). The rates of royalty was again revised w.e.f. 10.05.2012 on the recommendation of a study group constituted under the Chairmanship of Additional Secretary, MOC with due consultation with all the stake holders. As per the Gazette notification issued, the rate of royalty on coal has been revised @ 14% ad-valorem on the price of coal, as reflected in the invoice, excluding taxes, levies and other changes and the rate of royalty on lignite has been revised @ 6% ad-valorem on transfer price of lignite as ratified by the Central Electricity Regulation Commission and if lignite sold to other consumers the royalty shall be 6% ad-valorem on the price of lignite as reflected in the invoice excluding taxes, levies and other charges.

2. In order to consider the question of revision of rates of royalty on coal and lignite in all its aspects, a Study Group consisting of the following is hereby constituted:

i)	Additional Secretary, Ministry of Coal	Chairman
ii)	Joint Secretary, Ministry of Coal	Member
iii)	Representative of Ministry of Mines	Member
iv)	Representative of Ministry of Power	Member
v)	CMD, CMPDIL	Member
vi)	Representative of CIL	Member
vii)	Representative of FICCI	Member
viii)	Representative of FIMI	Member
ix)	Director, Ministry of Coal	Convener

3. The terms of reference of the Study Group will be as under:

- i) Whether the present rates of royalty on coal and lignite should be revised keeping in view the impact, if any, of such rates on the consumers of coal, revenue accruals to coal producing states and other relevant factors?
- ii) What should be the percentage hike or otherwise in the rates of royalty on coal from the present 14% ad-valorem on price of coal?
- iii) What should be the percentage hike or otherwise in the rates of royalty on lignite from the present 6% ad-valorem on transfer price of lignite?
- iv) Any other recommendations as the Committee may deem fit.

4. The Study Group will submit its report to the Ministry of Coal within six months from the date of issue of this Memorandum.


(Anurag Kapil)
Director

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To

1. All the Members of the Committee.
2. Chief Secretaries of Uttar Pradesh, Madhya Pradesh, Jharkhand, West Bengal, Orissa, Chhattisgarh, Maharashtra, Assam, Meghalaya, Andhra Pradesh, Gujarat, Kerala and Rajasthan.
3. Chairman, CIL, Kolkata.
4. CMD, NLC, Neyveli.

5. NIC for uploading it in the website of MOC. 