MMDR BILL 2011 TO DISINCENTIVISE INVESTMENT IN MINING: FICCI TO SECRETARY- MINES SHRI VISHWAPATI TRIVEDI

100% ROYALTY CONTRIBUTION FOR DISTRICT MINERAL FUND NOT Viable FOR THE MINING INDUSTRY

FICCI RAISES CONCERN OVER PROVISIONS RELATED TO MULTIPLE AUTHORITIES, TRANSITORY PROVISIONS IN MMDR BILL

11 January 2012, New Delhi- In an interactive meeting with Shri Vishwapati Trivedi, Secretary, Ministry of Mines on MMDR Bill, FICCI today expressed its unhappiness over the current Bill. FICCI emphasized the need for reviewing the provision of contribution of 100% royalty in case of non-coal minerals and 26% of profits in case of coal by mining companies towards District Mineral Development Fund. In addition, FICCI also suggested the need to relook at provisions related to Centre-State relations, Moratorium on grant of mining lease, transitory provisions, existence of multiple authorities etc. which would further adversely impact the development of the mining industry.

Mining industry in India currently contributes only 1.2% to the GDP (excluding oil) which is very low as compared 5-6% share of mining in major mining economies. This is indeed much below India’s potential. It is possible to unlock the potential of Indian mining sector in India and add around $ 210 billion to $ 250 billion to the GDP by 2025 provided appropriate framework is in place. With current provisions of the MMDR Bill it is unlikely to achieve this potential output, noted FICCI.

FICCI said that at current rates of royalties the proposed changes in the Bill would make India the highest taxed country in the mineral sector. The tax incidence would rise from the current 47.7% in case of Coal to over 61%; in case of iron ore it would rise from current 43% to 55%; and in the case of Bauxite it would be an exorbitant 110% (Note tax incidence is calculated on profit before taxes). Mining in India is already one of the most highly taxed sector globally, with an estimated effective tax rate of around 43% (for iron ore), as compared to 35-40% for most of the major mining countries like Brazil, South Africa, Australia, Canada etc. The tax incidence on mining in various countries is as follows: Australia - 39%, Brazil - 35%, Chile 28%, Congo 36%, Russia - 35% and China 32%, In India it will be more than 60% in case of coal and 55% in case of iron ore after these new provisions are implemented.

The GOM approved the MMDR bill which primarily proposes 26% of Profits in case of coal and 100% royalty in case of non-coal mineral as the contribution towards the District Mineral Fund (DMF). FICCI suggested uniform policy for coal and non-coal minerals with the royalty based payment be applicable to coal as well.

FICCI also suggested the need for streamlining the whole process of registration for the mining sector. The Bill proposes many authorities like National Mining Regulatory Authority, State Mining Regulatory Authority, Central Co-ordination cum Empowered Committee, State Co-ordination cum Empowered Committee, National Mining Tribunal, State Mining Tribunal, Special Courts, existing mineral administration agencies IBM (Indian Bureau of Mines), State Directorates and GSI. Overlapping
authorities and responsibilities of statutory bodies would delay the development of mineral industry, noted FICCI.

Further, the scope of the transitory provisions of this Bill that requires fresh applications for many applications which are under process need to be expanded. It does not address all applications which are under process. It leaves out many situations where the mining companies have applied for grant of mining concessions and have spent on operations, but their applications are still pending. In such situations if the mining companies are asked to begin afresh, it would cause them undue loss and damage, noted FICCI.

Media Division

Taresh Arora
Media Relations Officer
FICCI
Industry's Voice for Policy Change
Federation House, Tansen Marg, New Delhi 110 001
T: +91-11- 23357392, 23753117
M: +91-9899115719
F: +91-11-23753119
W: www.ficci.com