

Steel ministry may bring royalty under GST ambit

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In a move that could make accounting simple for calculating royalties and auction prices of mines, the ministry of steel has made a case for subsuming both in the goods and services tax (GST).

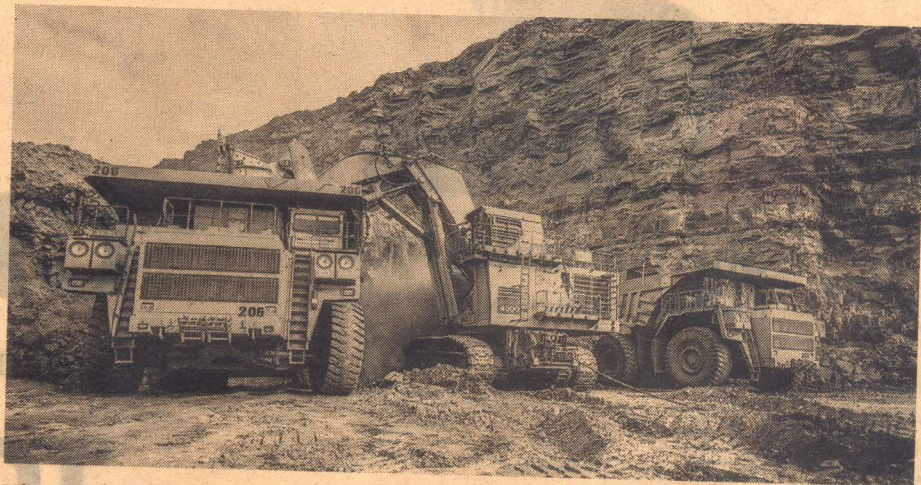
“Royalty is a big concern (for industry) and we need to rationalise royalty and auction money, which can then become part of input credit,” Union Steel Secretary Aruna Sharma said on Friday at the National Conclave on Mines and Minerals.

Currently, minerals like iron ore and manganese, used to make steel, are taxed at 5 per cent under GST, while finished steel is in the 18 per cent bracket.

There is a need to rationalise auction prices and royalties paid on minerals, and to subsume royalties, auction prices and the district mineral fund to ease the mining business, she said.

The ministry is preparing a draft proposal on this and, once done, will be sent to the Department of Revenue in the Ministry of Finance.

Satish Pai, managing director, Hindalco, said: “Many tax



Minerals like iron ore and manganese, used to make steel, are taxed at 5 per cent under GST

and duties are charged (on mining). It is a better idea that all of them are subsumed under one umbrella tax.” Currently, royalty on iron ore in India is levied at 15 per cent ad valorem.

According to Pratik Jain, partner, indirect tax, PwC, India, reduction in the GST rate on steel per se from 18 per cent to 12 per cent is feasible.

“Mining royalty comes under the purview of states and they will have to come on board if it is to be subsumed in the GST. They might ask the Centre to compensate them for this loss as well. Therefore, this

would need a detailed deliberation and consensus building, which is likely to take time.”

States received ₹148.95 billion in 2017-18 as royalty revenue. “We have won three limestone blocks in the past two years and are looking for more to meet our cement expansion plan but the government needs to resolve issues of high transfer charges and forest clearances for mines,” said Mahendra Singhi, group chief executive officer, Dalmia Bharat Cement.

In his address, Union

Mines Minister Narendra Singh Tomar said 45 mineral blocks auctioned earned ₹1.55 trillion, and work on 11 of those blocks would commence soon. He added 102 fresh mineral blocks were ready for auction. The mines ministry has asked states to approach potential investors.

Prafull Patnaik, president, Federation of Indian Mineral Industries, said in the upcoming auction of mining blocks, all approvals such as environment clearance and forest clearance should be given quickly.