

District Mineral Foundation (DMF)

September 13, 2021

In news- Around 165 District Mineral Foundation Trusts (DMFs) have been exempted from Income Tax payment recently.

About exemption-

- **The Ministry of Finance has taken measures to get the DMF trust exempted** from Income Tax.
- **Section 10(46) of the Act was amended by Finance Act 2018** so that all the DMF Trusts could be notified as **'Class of Authority'**.
- Accordingly, Department of Revenue in September 2020 notified 151 'District Mineral Foundation Trust' and on 10th September 2021 notified 165 DMFs as 'class of Authority', in respect of the income arising to DMF.
- Hence Total 316 District Mineral Foundation Trusts have been notified as 'class of Authority' in respect of the income arising to DMF on account of contributions by leaseholders to DMF as per the MMDR Act.

About District Mineral Foundation Trusts (DMFs)-

- District Mineral Foundations are statutory bodies in India **established by the State Governments** by notification(as a trust or non-profit body).
- They derive their legal status from section 9B of Mines and Minerals (Development and Regulation) Act, 1957 as amended on 26 March 2015 as Mines and Minerals (Development and Regulation) Amendment Act, 2015.
- In September 2015, the Central Government issued a notification directing states to set up DMF & rates of contribution payable by miners to the DMFs.
- Under the Act of 2015, **a provision was made also to create a National Mineral Exploration Trust** under the

jurisdiction of the central government, **with 2% of royalty as levy**, for boosting detailed exploration of minerals.

- **They are established in all the districts affected by mining works**, to work for the interest and benefit of persons and areas affected by mining related operations.
- It is funded through the contributions from miners (which varies from 10% to 30%).
- **The object of the DMF is** to work for the interest and benefit of persons, and areas affected by mining related operations in such a manner as may be prescribed by the State Government.
- Every holder of a mining lease or a prospecting licence-cum-mining lease shall, in addition to the royalty, pay to the DMF of the district in which their mining operations are carried on.
- If the mining area is spread across several districts, the fund is shared on a pro-rata basis by these districts.
- DMF contribution would not be exceeding one-third of royalty and the Central Government retains the power to prescribe the rates of contribution, though DMF's operation is under state governments.
- DMF funds are treated as **extra-budgetary resources for the State Plan**.
- Further, using the funds generated by this contribution, the **DMFs are expected to implement the Pradhan Mantri Khanij Kshetra Kalyan Yojana (PMKKKY)**, launched on 17 September 2015 for the welfare of mining areas and affected population.
- So far, DMFs have been set up in 600 districts in 22 States in the country which have framed DMF rules.

Pradhan Mantri Khanij Kshetra Kalyan Yojana (PMKKKY)

- This programme is meant to provide for the welfare of

areas and people affected by mining related operations.

- It is implemented by the District Mineral Foundations (DMFs) of the respective districts using the funds accruing to the DMF from miners.

The overall objective of PMKKKY scheme include:

- To implement various developmental and welfare projects/programs in mining affected areas, and these projects/ programs will complement the existing ongoing schemes/projects of the State and Central Government.
- To minimize/mitigate the adverse impacts, during and after mining, on the environment, health and socio-economics of people in mining districts.
- To ensure long-term sustainable livelihoods for the affected people in mining areas.

All areas directly affected by mining related operations as well as those areas indirectly affected by such operations are covered under PMKKKY.