

25th July Supreme Court Verdict on Mining Rights

In a landmark judgement on 25th July, 2024 in Mineral Area Development Authority (MADA) vs Steel Authority of India (SAIL) a nine-judge bench of the Supreme Court overturned a 1989 judgement with a clear majority of 8:1, upholding the authority of the Indian States to levy taxes on mineral rights. The top court also clarified that royalties are not taxes but contractual payments for mineral rights that arise from mining lease agreements. It ruled that the power to tax mineral rights lies with the State governments under Entry 50 of List II and furthermore allowed them to collect arrears from April 1, 2005 payable over a span of 12 years and stressed that States cannot impose penalties on these payments.

The bench confirmed that States can tax mineral-bearing lands under Entry 49 of List II, and taxation could be measured according to mineral yield. With this ruling, the Supreme Court gives Indian States autonomy in taxation and prevents only the Centre from having the power to impose royalty on minerals and mineral-bearing lands.

In a dissenting opinion to the verdict of the Supreme Court on mining rights, Justice B.V. Nagarathna stated that royalty paid for mining under the MMDR Act 1957 is already of the nature of a tax on mining rights and states cannot impose additional taxes over and above the royalty. She cautioned that allowing states to do so would lead to unhealthy competition, lead to an increase in mineral costs, consequently leading to higher prices of industrial and infrastructure products. She upheld the 1989 India Cement ruling and warned that the verdict of the Supreme Court could eventually lead to a breakdown of the federal system, as envisaged in the Constitution in relation to mineral rights and development.