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The Mines and Minerals (Development and Regulation) Amendment Act, 2026 Receives Presidential Assent

21 August 2026

The Mines and Minerals (Development and Regulation) Amendment Act, 2026 (Amendment) received Presidential assent on 18 August 2026. The Amendment restricts State Governments from levying taxes on mineral rights and mineral-bearing lands. It also brings the regulation of mineral-bearing lands containing minerals under Union control.

Background

In 2024, a 9-judge bench of the Supreme Court, in *Mineral Area Development Authority v Steel Authority of India Limited,* 2024 INSC 554 (the MADA judgment), overruled the 35-year-old position in *India Cement v State of Tamil Nadu,* which had characterised royalty as a tax, and upheld the power of State Governments to tax mineral rights. The Court held that, under Entry 50 of List II, such power can only be limited by an Act of Parliament. Finding no such restriction in the Mines and Minerals (Development and Regulation) Act, 1957 (the MMDR Act), the Court held that the States' power was unrestrained, permitting them to raise or revive past tax and cess demands retrospectively for a period extending to 1 April 2005.

What followed was a wave of local mineral levies, fresh cesses and demands for recovery of past arrears by State Governments. By some estimates, the total recoverable past tax arrears owed by mining companies to States stood roughly at INR 1,50,000 crore.

Addressing this fiscal uncertainty, the Amendment's Statement of Objects and Reasons states that the fiscal burden imposed on mineral extraction should be uniform and balanced across the country, cautioning that the "*cumulative incidence of different levies should not become disproportionate to the economic value and profitability of mining operations*".

The Amendments Introduced

The Amendment is fiscal-focused and introduces three changes. First, Section 2 of the MMDR Act is amended to bring the regulation of 'mineral bearing lands', in addition to 'mines', under Union control. 'Mineral-bearing land' is defined through a new clause in Section 3 as "any land having the mineral contents in accordance with the parameters prescribed under clause (a) of sub-section (2) of section 5."

Second, a new Section 9D restricts State Governments from imposing any tax, cess or levy on mineral rights or mineral-bearing lands, whether based on mineral quantity, mineral value, royalty payable or otherwise, except in accordance with conditions or restrictions prescribed by the Central Government.

Third, sub-section (2) of Section 9D invalidates any such State-imposed levy that has not been deposited with or recovered by the State before the commencement of the Amendment. Levies already deposited or recovered are, however, protected and will not be liable to be refunded.

The Statement of Objects and Reasons clarifies that the Amendment aims to provide "*certainty, stability and predictability*" in the fiscal regime for the mineral sector, give impetus to national economic growth and encourage investment in mining.

Impact and Consequences

Litigation around invalidated levies

The most immediate impact of the Amendment is the invalidation of levies, potentially wiping huge contingent liabilities from the balance sheets of mining companies.

Separately, it is likely to trigger potential transitional litigation around the invalidation of existing State levies. The Amendment uses 'deposited' or 'recovered' as the gateway test: levies that cross this threshold survive and those that do not are deemed invalid. The interpretation of these terms is likely to be heavily litigated across multiple High Courts.

Consider a common scenario: a demand has been received, challenged and paid under protest in the interim. The mining company may argue that the levy stands invalidated. The State, however, may counter that payment under protest qualifies as a 'deposit' or 'recovery', placing it beyond the Amendment's reach. This could lead to a spate of recovery and refund proceedings by mining companies.

There is also an Article 14 dimension. The Amendment shields amounts already collected by State Governments from refund. Mining companies that have paid such amounts but are unable to recover them may challenge the classification between those who paid and those who did not as arbitrary and unreasonable.

The legislative competence challenge

The Amendment curbs the power of State Governments to impose levies on mineral rights and mineral-bearing lands, which has historically been a significant revenue source for mineral-rich States. The Statement of Objects and Reasons positions it as a measure to ensure uniformity, acknowledging the "uneven imposition of taxes or other levies on mineral rights and mineral bearing lands by State Governments".

The resulting revenue loss could potentially become a ground for challenging the Amendment as an encroachment of the taxing powers of States under Entry 49 (Taxes on lands and buildings) and Entry 50 (Taxes on mineral rights subject to limitations imposed by Parliament by law relating to mineral development) of List II. States are likely to contend that the Amendment is purely in the nature of fiscal control and is not a law "relating to mineral development" within the meaning of Entry 50.

Compounding this issue, the Amendment delegates the substance of the conditions or restrictions governing permissible State taxation to the Central Government. The Amendment itself contains no guidance on how these conditions are to be framed. If substantive restrictions are introduced through delegated rules, this could invite a challenge on the ground of excessive delegation. Ironically, litigation over these rules could reintroduce the very fiscal uncertainty that the Amendment was designed to eliminate.

There is an additional dimension. The Amendment retrospectively invalidates levies that the Supreme Court, in the MADA judgment, expressly permitted States to raise. The Centre will likely argue that the MADA judgment permitted State Governments to levy taxes on mineral rights only because it found that no restrictions on such imposition existed under the MMDR Act, and that Section 9D is precisely the "limitation by Parliament" contemplated under Entry 50. The harder question, however, is whether Parliament can retrospectively fill this gap and undo a power that the Court upheld on the basis of the law as it then stood.

The mineral bearing land classification

The Amendment defines "mineral-bearing land" as land having mineral contents in accordance with parameters prescribed under Section 5. Separately, Section 2 has been amended to extend Union control to the regulation of "mineral-bearing lands", in addition to "mines".

The extension of Union control to "mineral-bearing lands" could be tested by States, particularly on the "public interest" rationale. A challenge is also possible on the basis that the Centre lacks legislative competence to regulate mineral-bearing land as distinct from mines.

What constitutes 'mineral-bearing land' will now depend entirely on parameters prescribed by the Central Government. Land that does not host mineral activity but contains mineral deposits could fall within this expanded definition. The practical limits of this classification and the scope of Central Government regulation over such lands remain a matter of speculation.

Conclusion

The Amendment’s objective of fiscal predictability is significant for the mining sector. Post-MADA, mining companies faced huge contingent liabilities in the form of pending or potential State levy demands. Section 9D (2) effectively wipes these off the balance sheets of mining companies that had not yet paid such demands, making mineral assets considerably cleaner for M&A and project financing. However, the Amendment could face challenges to its validity and if these succeed, the liabilities could revive.

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