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## **Mineral Area Development Authority & Anr. v. M/S Steel Authority of India & Anr Etc.**

**Citation:** 2024 INSC 554

### **Introduction**

This case involves a dispute between two principal parties, namely the Mineral Area Development Authority and the Steel Authority of India Ltd. The Mineral Area Development Authority is a statutory body functioning under the control of the State Government, primarily responsible for the development of mineral-rich areas and for implementing regulatory measures and levies related to such development. On the other hand, the Steel Authority of India Ltd. is a public sector undertaking owned by the Government of India, engaged in mineral extraction as well as in the production of iron and steel across several States. The dispute between the parties arose over the constitutional validity of royalty levied on mineral extraction and the imposition of additional charges thereon.

### **Facts of the Case**

While explaining the facts of this case, I would clarify that Steel Authority of India Ltd. is a public sector undertaking engaged in mineral extraction across various states, whereas the Mineral Area Development Authority is a state-controlled authority responsible for the development of mineral-rich areas. In this case, the concerned authority imposed certain additional charges on mineral extraction over and above royalty, to which SAIL raised an objection. SAIL's primary contention was that royalty already has the character of tax, and therefore the State Government or the authority has no power to levy any additional tax or cess on it. On the other hand, the state Government and the authority argued that royalty is not a tax but a consideration paid for the use of mineral resources. Due to conflicting judicial interpretation in earlier decision on the nature of royalty, issues assumed a constitutional character and ultimately came before a nine-judges Constitutional Bench of the Supreme Court of India.

(MMDR Act, 1957 – Relevant Sections)

**Section 9** – Provision relating to the levy of royalty on mineral extraction

**Section 15(1)** – Empowers State Governments to make rules regarding minor minerals, including the fixation of royalty

(Constitution of India – Seventh Schedule)

Entry 50, List II (state List) – Taxes on mineral rights, subject to limitations imposed by Parliament

Entry 54, list I (Union List) – Regulation of mines and minerals development by Parliament

Entry 49, List II – Taxes on lands and buildings (relevant for understanding the State's argument)

### **Issue**

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1. Whether royalty levied under **Section 9** read with **Section 15(1)** of the Miners and Minerals (Development and Regulation) Act, 1957 constitutes a tax in the constitutional sense.
  2. If royalty is held to be a tax, whether the State Governments or its authorities are competent under Entry 50 of List II of the Seventh Schedule of the Constitution to impose any additional levy, tax, or cess on minerals rights, subject to the limitations imposed by parliaments under Entry 54 of List I.
  3. Whether the powers of Parliament under Entry 54 of List I overrides or limits the taxing power of the States Under Entry 50 of List II in matters relating to mineral development.

### **Arguments (Appellant)**

The State Government and the Mineral Area Development Authority argued that royalty is not a tax but a consideration paid for granting mining rights and for the use of minerals that are owned by the state. They explained that royalty is calculated on the basis of the quantity of minerals extracted and therefore cannot be regarded as a compulsory tax. Relying on the decision in *Kesoram Industries Ltd. (2004)*, they emphasized the conceptual distinction between a tax and royalty, and contended that under Entry 50 of List II, The State possess limited powers, subject to the restrictions imposed by parliament.

### **Arguments (Respondent)**

Steel Authority of India Ltd. contended that royalty possesses all the essential features of a tax because it is a compulsory payment imposed without any direct quid pro quo. According to SAIL, if royalty is regarded as a tax, the State Governments are constitutionally barred from levying any further tax or cess on minerals rights, as this would result in double taxation and disturb the constitutional division of taxing powers. To support these arguments, reliance was placed on the judgment in *India cement Ltd. v. State of Tamil Nadu (1990)*, where royalty was held to be in the nature of a tax.

### **Judgement**

The Supreme Court, through a nine-judge Constitution Bench, by an 8:1 majority, held that royalty levied under the minerals (Development and Regulation) Act, 1957 does not constitute a tax in the constitutional sense. The court overruled the earlier view taken in *India Cement Ltd. v. State of Tamil Nadu (1990)* and reaffirmed the reasoning adopted in *Kesoram Industries Ltd. (2004)*. It was clarified that royalty is a consideration paid to the State for the use extraction of minerals and does not satisfy the essential attribution of a tax. Consequently, the Court delineated the scope, interrelationship, and priority of Entry 50 of List II and Entry 54 of List I of the Seventh Schedule to the Constitution.

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## **Conclusion**

In brief, this judgement has clearly resolved the long-standing debate on whether royalty levied under the MMDR Act, 1957 is not a tax but a consideration paid for the use of mineral resources. As a result, the limits of authority between the union and the State have been clearly defined, and regulation. This decision is therefore of great importance from the perspective of mineral law and constitutional taxation.

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