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EDITORIAL ANALYSIS

# Do States Lose From the New Mining Law? The MMDR Amendment, 2026

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**INTERVIEW ANGLE**

*"A nine-judge Bench held that states may tax mineral rights. Parliament then restricted that power by statute. Is that a legitimate legislative response to a judgment, or an attempt to overrule one?"*

Source: Original editorial ↗ Hindustan Times

Every fact web-verified against primary sources

> *The author writes in support of a law that three state governments are preparing to challenge in the Supreme Court. That does not make the piece unreliable; its data are checkable and its economic argument is serious. It does mean the constitutional objection has to be supplied from elsewhere, and we supply it below. A Mains answer that reports only this side would be visibly incomplete.*

## THE LIFT LINE

In July 2024 a nine-judge Bench told the states they could tax mineral rights. In August 2026 Parliament passed a law saying they may not, except on the Centre's terms. Both cannot be the last word.

## WHY THIS EDITORIAL MATTERS FOR YOUR EXAM

This is currently the sharpest live Centre-state fiscal dispute in India, and it sits at the intersection of three high-yield areas: **federalism and the division of taxing powers**, **critical mineral security**, and **the limits of Parliament's power to respond to a constitutional judgment**. It is very likely to generate questions in both Papers.

**GS Paper 2:** Functions and responsibilities of the Union and the States; issues and challenges pertaining to the federal structure; Parliament and State legislatures; the judiciary. **GS Paper 3:** Infrastructure and resource mobilisation; conservation; the economics of mineral development.

# BACKGROUND AND CONTEXT

## The judgment that set this up

In **Mineral Area Development Authority vs Steel Authority of India (2024)**, a **nine-judge Constitution Bench** of the Supreme Court held that **royalty is not a tax**, and that **states have legislative competence to tax mineral rights** under **Entry 50 of the State List**, and to tax mineral-bearing land under **Entry 49 of the State List**. The Court subsequently permitted states to recover such dues for periods going back some years.

That reversed a long-standing position and opened a significant new revenue stream for mineral-bearing states.

## The law that responded to it

Legislative background, for context:

| STAGE | DATE |
|---|---|
| Introduced in Lok Sabha | **10 August 2026** |
| Passed by Lok Sabha | **12 August 2026** |
| Passed by Rajya Sabha | **13 August 2026** |
| **Presidential assent** | **17 August 2026** |

The **MMDR Amendment Act, 2026** does two principal things.

**First, it expands the Centre's regulatory field.** It adds the regulation of **"mineral bearing lands"**, defined as land containing minerals meeting centrally prescribed parameters, to the Union's existing powers over mines and mineral development.

**Second, it restricts state levies.** States may not impose **"any tax, cess, or other such levy"** on mineral rights or mineral-bearing lands **except in accordance with conditions prescribed by the Central Government**. The bar covers levies computed on **mineral quantity, value, or royalty**. **Unpaid state levies predating the amendment become invalid**, though amounts already collected need not be refunded.

**Karnataka, Kerala and Telangana** have announced a joint challenge in the Supreme Court, with Jharkhand reportedly being approached to join.

## THE ANALYSIS

### The op-ed's economic case, which is stronger than the federalism debate allows

Strip away the constitutional argument and the author's economic point stands on its own: **for a mineral-bearing state, the return from operationalising more blocks exceeds the return from taxing existing ones harder.**

| MEASURE | FIGURE |
|---|---|
| Mineral blocks identified for auction and development | Over **1,500** |
| Currently operational | **A fraction** |
| Mining's share of India's GDP | Over **2 per cent** |
| Share of mining company payments accruing to **states** | Nearly **96 per cent** |
| Auction premium collected by major mining states, 2020-21 to 2025-26 | Over **Rs 96,000 crore**, from just **100 auctioned mines** |
| Growth in revenue to major mineral states, past 12 years | **16.20 per cent CAGR** |

If 100 auctioned mines produced Rs 96,000 crore in premium alone, and more than 1,500 blocks are identified but mostly unworked, then the unrealised revenue in the pipeline is large relative to anything an additional cess would raise. **The author's claim that the revenue-sharing architecture is untouched is also correct on its own terms**: royalty, District Mineral Foundation contributions and auction premium continue to flow to states. What the Act removes is the **additional** taxing power the 2024 judgment recognised.

**UPSC RELEVANCE**

It states that India imported minerals worth "Rs 10.12 crore" in FY 2025-26. That is implausible by several orders of magnitude for a country of India's size and is almost certainly a units error in the published text. We have not reproduced it as a fact. Do not carry it into an answer.

### The constitutional objection, which the piece does not engage

This is where the op-ed's silence is the point. The Parliamentary Research Service and constitutional commentators have raised four distinct objections, and each is serious.

**1. Legislative competence.** Land is a **State subject** (Entry 18, List II), and taxes on land and buildings fall under **Entry 49, List II**. The 2024 Bench held that Parliament cannot restrict a state's power to tax land under Entry 49. A central law that bars states from levying on **"mineral bearing lands"** appears to do precisely that.

**2. Retrospective negation of a judgment.** Invalidating unpaid state levies that predate the amendment reverses, by statute, the recovery the Supreme Court permitted. Parliament may **remove the basis** of a judgment by changing the law prospectively. It may **not simply annul** the judgment's result. Where this Act falls on that line is the central question in the coming litigation.

**3. Article 14.** A company that paid its state dues gets no refund. A company that did not pay has its liability extinguished. **Compliance is penalised and non-compliance rewarded**, on no discernible rational basis.

**4. Excessive delegation.** The Act does not prohibit state levies outright. It permits them **on conditions the Centre prescribes**, without laying down principles to guide that prescription. Delegating the terms on which a state may exercise a constitutional taxing power, with no statutory standard, is a textbook excessive-delegation challenge.

## Reading the two arguments together

The honest position is that **both sides are substantially correct about different things.**

The Centre's case is about **investment behaviour**: a mining project has a 20 to 30 year life, capital is sunk before revenue begins, and unpredictable new levies mid-operation change project economics after the point of no return. Fiscal uniformity genuinely does lower the cost of capital and speed up block operationalisation.

The states' case is about **constitutional entitlement**: mineral wealth is physically located in some states and not others, those states bear the environmental, displacement and health costs of extraction, and a nine-judge Bench has held they have the power to tax it. That power does not become less real because exercising it is economically inconvenient.

**The real question is not who is right about mining. It is who decides.** If a state's recognised taxing power can be restricted by ordinary central legislation whenever its exercise is judged bad for investment, the division of powers in the Seventh Schedule becomes advisory. That is the constitutional stake, and it is much larger than minerals.

# DATA AND INSTITUTIONS VAULT

## PRELIMS-GRADE FACTS:

MMDR Amendment Act, 2026, legislative background: introduced 10 August 2026, passed by Lok Sabha 12 August, Rajya Sabha 13 August, assented 17 August 2026.

It bars states from levying any tax, cess or other levy on mineral rights or mineral bearing lands except on conditions prescribed by the Centre; covers levies on quantity, value or royalty; invalidates unpaid pre-amendment levies without requiring refund of amounts already collected.

Mineral Area Development Authority vs Steel Authority of India (2024): nine-judge Bench; held royalty is not a tax, and states may tax mineral rights (Entry 50, List II) and mineral-bearing land (Entry 49, List II).

Karnataka, Kerala and Telangana are challenging the Act in the Supreme Court.

Parent statute: Mines and Minerals (Development and Regulation) Act, 1957.

Entry 54, Union List: regulation of mines and mineral development, to the extent declared by Parliament by law to be expedient in the public interest.

Entry 23, State List: regulation of mines and mineral development, subject to Entry 54 of the Union List.

Entry 50, State List: taxes on mineral rights, subject to limitations imposed by Parliament by law relating to mineral development.

District Mineral Foundation (DMF), created by the 2015 MMDR amendment, is funded by contributions from leaseholders and financed through the Pradhan Mantri Khanij Kshetra Kalyan Yojana (PMKKKY).

National Mineral Exploration Trust (NMET), also from the 2015 amendment, funds exploration.

Nearly 96 per cent of mining company payments accrue to state governments; mining contributes over 2 per cent of GDP.

Over Rs 96,000 crore in auction premium collected by major mining states from 100 mines, 2020-21 to 2025-26.

The MMDR Amendment Act, 2023 introduced exploration licences and opened critical and atomic minerals (lithium, beryllium, niobium, titanium, tantalum, zirconium) to private-sector auction by removing them from the fully reserved list.

The National Critical Mineral Mission was announced in the 2024-25 Budget and approved by the Cabinet in January 2025.

> **royalty is not a tax.** *This is the holding of the 2024 nine-judge Bench and it overruled the earlier position in India Cement vs State of Tamil Nadu (1990). Royalty is a* **contractual or statutory payment for the right to extract***, made by a lessee to the lessor. A tax is an* **imposition by sovereign authority***. Because royalty is not a tax, a state's power to tax mineral rights is a* **separate and additional** *power, which is exactly what the 2026 Act restricts.*

> **Entry 50, List II is expressly subject to limitations imposed by Parliament** *by a law relating to mineral development. So Parliament does have some power here, and the states cannot simply assert exclusive competence. The contested question is whether a blanket restriction, delegated to executive prescription and applied retrospectively, is a* **limitation relating to mineral development** *or a* **negation of the entry itself***. Understanding this is what makes a good answer.*

> **DMF and NMET are different.** *DMF is a* **district-level trust** *for people and areas affected by mining, financed through PMKKKY. NMET is a* **national trust for exploration***. Both came from the* **2015** *amendment. Neither is affected by the 2026 amendment's restriction, since both are contributions rather than state taxes.*

## THE DEBATE

**For the amendment:** mining projects are long-lived and capital-intensive, and unpredictable levies imposed after capital is sunk change project economics irreversibly; multiple overlapping levies at non-uniform rates across states fragment a national mineral market; retrospective demands are the single most damaging signal a jurisdiction can send to long-horizon investors; and states capture 96 per cent of the revenue anyway, so their gain lies in volume rather than in rate.

**Against it:** a nine-judge Bench recognised a constitutional power that ordinary legislation is now restricting; mineral-bearing states bear concentrated environmental, health and displacement costs that the national economy does not; invalidating unpaid dues while keeping collected ones is arbitrary on its face; and delegating the conditions of a state's taxing power to central rules, with no statutory standard, hands the executive control over a constitutional allocation.

**The unresolved question:** whether **Entry 50's** subjection to "limitations imposed by Parliament by law relating to mineral development" is broad enough to sustain a near-total restriction administered by executive rules. That is what the Supreme Court will decide, and neither answer is obviously correct.

## HOW TO THINK ABOUT THIS

The transferable frame: **when a legislature responds to a constitutional judgment, ask whether it changed the law or changed the result.** Parliament may validly remove the **basis** of a judgment, by amending the provision the Court construed or by curing the defect the Court identified. It may not simply **declare the judgment ineffective**, because that is an exercise of judicial power. The distinction is well settled; applying it to a specific statute rarely is.

Test it here. The Act does not amend the Seventh Schedule, which would require a constitutional amendment ratified by half the state legislatures. It legislates under an existing entry to limit a power the Court located in another entry. Whether that is curing a basis or annulling a result is precisely the litigation.

The second frame: **uniformity and federalism trade off, and neither is a free-standing good.** Uniformity lowers transaction costs and helps national markets. Federalism ensures that those who bear a policy's costs have a say in its terms. Whenever you meet a centralising reform justified by uniformity, ask who bore the cost of the diversity being eliminated.

## WAY FORWARD

1. **Let the constitutional question be settled rather than managed**, since a law of this significance operating under a cloud serves neither investors nor states.
2. **Supply statutory standards for the prescribed conditions**, so that the Centre's power to permit state levies is guided by stated principles rather than left at large. This is the most fixable of the four objections.
3. **Fix the retrospective anomaly**, since extinguishing unpaid dues while retaining collected ones cannot be defended and is the weakest link in the Act.
4. **Compensate mineral-bearing states through the transfer architecture** if their taxing power is to be curtailed, using the Finance Commission or a dedicated mineral-state transfer rather than leaving them to argue in court.
5. **Attack the operationalisation lag directly**, since the author's strongest point is that cutting the identification-to-production cycle by 30 to 40 per cent would raise state revenues faster than any levy. That gain requires no constitutional dispute at all.

## PYQ LINKAGE AND PRACTICE

Connects to standing themes on **fiscal federalism**, **the Seventh Schedule and legislative competence**, and **critical mineral security**. Practice question: *"Parliament may remove the basis of a judgment; it may not annul the judgment itself. Examine this principle with reference to recent central legislation on state taxing powers over minerals."*

Source: Do States Lose From the New Mining Law? The MMDR Amendment, 2026 — Ujiyari.com | Free UPSC & State PCS Editorial Analysis

**KEY ARGUMENTS AT A GLANCE**

**Writing in Hindustan Times, Dheeraj Kumar of IIT (ISM) Dhanbad argues that the Mines and Minerals (Development and Regulation) Amendment Act, 2026 should be read not as a fiscal or regulatory adjustment but as preparation for a mineral-security future, that mineral-bearing states do not lose from it because nearly 96 per cent of what mining companies pay already accrues directly to state governments and that revenue-sharing structure is untouched by the amendment, and that the larger opportunity for states lies in bringing more of India's 1,500-plus identified mineral blocks into production rather than in adding further taxes on minerals.**

✓ **SUPPORTING**

- The binding constraint on the sector is not resources or talent but the gap between available technology and its deployment at scale, and investment in artificial intelligence, automation, digital exploration and advanced processing follows only where policy provides confidence and long-term visibility.
- The auction regime has already delivered for states, with major mining states collecting more than Rs 96,000 crore in auction premium from just 100 auctioned mines between 2020-21 and 2025-26, and revenue to major mineral states growing at a compound annual rate of 16.20 per cent over twelve years.
- The time lag from resource identification to operational mining currently runs to several years, and cutting it by 30 to 40 per cent through better data systems, digital approvals and institutional capacity would raise state revenues faster than new levies would.

## ✍️ MAINS ANSWER FRAMEWORK

**QUESTION**

*The Mines and Minerals (Development and Regulation) Amendment Act, 2026 restricts state levies on mineral rights and mineral-bearing lands. Examine the constitutional questions it raises in the light of the Mineral Area Development Authority judgment, and assess the case for fiscal uniformity in the mineral sector. (250 words)*

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