M/s Cosme Costa & Sons

Authority for Advance Ruling — Goa

Advance Ruling No. GOA/GAAR/4 of 2019-20/3118, dated 27/02/2020 (the… Dated **28.02.2020**

Q Questions Before the Authority

- Classification of royalty payment made under a mining lease and the rate of GST applicable on royalty for extraction of iron ore.
- Whether payments made towards the National Mineral Exploration Trust (NMET) Fund, the District Mineral Foundation (DMF) Fund and the Goa Mineral Ore Permanent Fund Trust (GMOPFT) are taxable and how they are classified, and if so, the rate of GST payable on them in relation to extraction of iron ore.

F Facts

The applicant is a partnership firm extracting and selling iron ore from a mine at Pissurlem in North Goa under Mining Lease TC No. 110/1953. Under the Mines and Minerals (Development and Regulation) Act, 1957, it pays royalty to the State at 15% of the average sale price, contributes 2% of royalty to NMET, 30% of royalty to DMF, and 10% of sale proceeds to GMOPFT. The applicant argued that the royalty is a supply of licensing services, but that the trust contributions are statutory payments with no reciprocal supply and no business character, so they should not attract GST.

H Ruling

Classification and GST rate on royalty paid for the mining lease	**SAC 997337 (Licensing services for the right to use minerals including its exploration and evaluation). GST at 5% till 31.12.2018 and 18% thereafter, under reverse charge.**	The order treats the royalty as a consideration for a supply and places the GST liability on the applicant as recipient under reverse charge. The 18% rate is shown as CGST 9% plus SGST 9%.
Taxability and classification of contributions to NMET, DMF and GMOPFT	**Classifiable under SAC 997337. Taxable at 5% till 31.12.2018 and 18% thereafter, under reverse charge.**	The order holds that the contributions are made in the course of the applicant's mining business, that the trusts are covered by the 'local authority' definition, and that the payments are compulsory rather than donations.

The authority held that royalty paid for the mining lease is a consideration for licensing services for the right to use minerals and is taxable under reverse charge at 5% until 31.12.2018 and at 18% thereafter. It also held that the contributions to DMF, NMET and GMOPFT fall under the same classification and carry the same rates, because the trusts' activities are part of the applicant's business and are covered by the local authority limb of the definition.

Prepared as a reading aid. Where this summary and the original order differ, the order governs.

R Reasoning

The authority reasoned that royalty is a charge levied by the State in return for the right to extract minerals, so it is consideration for a licensing service under SAC 997337. It relied on the CBIC sectoral FAQ and the IBM note on mineral royalties to support this. On the trust contributions, it held that the applicant's mining is a 'business' under section 2(17), that the contributions are statutorily mandated and not voluntary, and that the trusts fall within the 'local authority' definition in section 2(69). It then applied the residual entry for leasing services in Notification 11/2017-Central Tax (Rate), as amended by Notification 27/2018, which carried the rate of like goods (5%, then 9%+9%).

P Provisions Relied On

- Section 97(2) and Section 98 of the CGST/GGST Act, 2017
- Section 7 of the CGST/GGST Act, 2017 (supply)
- Section 2(17) of the CGST/GGST Act, 2017 (business)
- Section 2(69) of the CGST/GGST Act, 2017 (local authority)
- Section 2(98) of the CGST/GGST Act, 2017 (reverse charge)
- Section 9(3) of the CGST Act, 2017
- Notification No. 13/2017-Central Tax (Rate) dated 28.06.2017, entry 5
- Notification No. 11/2017-Central Tax (Rate) dated 28.06.2017, SAC 997337 and heading 9973 entry 17
- Notification No. 27/2018 (w.e.f. 01.01.2019) amending entry 17
- Sections 9, 9B and 9C of the Mines and Minerals (Development and Regulation) Act, 1957
- Rule 9(1) of the National Mineral Exploration Trust Rules
- CBIC sectoral FAQ on licensing services for natural resources
- Indian Bureau of Mines note on mineral royalties

! For the Practitioner

Practitioners in the Goa mining sector can use this ruling to support reverse-charge GST on royalty and on the NMET, DMF and GMOPFT contributions at the stated rates. It is an advance ruling, so it binds only the applicant. The order does not discuss the Bombay High Court decision or the CBIC donation circular that the applicant relied on, so anyone arguing that statutory trust payments are not consideration should read the full order and test those points against it.

Source

Summary prepared from the published order, which is a scanned document. It is a reading aid and not the authority: where the two differ, the order governs. Verify every provision against the original before relying on it.

Original order: www.gstcouncil.gov.in -> goa_aar_04_2019-20_28.02.2020_ccs.pdf

Prepared 19-11-2026.

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Pune (HQ)
RTC Silver, B4-708, Sai Satyam Park, Wagholi, Pune, Maharashtra 412207

Mumbai
104, Rajshila Building, 597 J.S.S. Road, Marine Lines, Mumbai 400002

Delhi
3rd Floor, B-6/154-155, Sector 5, Rohini, Delhi 110085

Gurugram
Pioneer Urban Square, B109, Golf Course Ext Road, Sector 62, Gurugram…

Ahmedabad
Phoenix Tower, 1107, near Commerce Six Road, Drive In Road, Navrangp…

Talk to us: **+91 94594 56700** | sales@patronaccounting.com | patronaccounting.com