

M/s PINKCITY DEVELOPERS

Authority for Advance Ruling — Rajasthan

RAJ/AAR/2026-27/14

Dated 04.08.2026

Q Questions Before the Authority

- Whether the royalty paid or payable by M/s Pink City Developers, as a Short-Term Permit holder in a mining area in Rajasthan, to the Government of Rajasthan is 'consideration for a service of granting the right to use minerals or mineral resources', taxable under SAC 997337, and liable to GST under the Reverse Charge Mechanism?
- Whether the GST position applicable to a Quarry Lease or Mining Lease holder under the RMMCR, 2017 and the MMDR Act, 1957, in relation to payment of GST on royalty under RCM, also applies to M/s Pink City Developers as a Short-Term Permit holder?

F Facts

The applicant intends to obtain a Short-Term Permit (STP) under the Rajasthan Minor Mineral Concession Rules, 2017 to engage in the extraction of minor minerals. Under this arrangement, the applicant is required to pay royalty to the State Government for the minerals extracted. The applicant sought a ruling on whether this royalty payment constitutes a taxable supply of service under the Reverse Charge Mechanism.

H Ruling

Taxability of royalty under RCM for STP holder	Yes, it is consideration for a service of granting the right to use minerals, taxable under SAC 997337, and liable to GST under RCM.	None
Applicability of RCM position to STP holder	Yes, the legal position applicable to a Quarry Lease/Mining Lease holder is equally applicable to the applicant.	None

The Authority ruled that the royalty paid by the applicant to the State Government constitutes consideration for a taxable supply of service. Consequently, the applicant is liable to discharge GST on the royalty amount under the Reverse Charge Mechanism. The Authority further held that the legal position applicable to Quarry Lease or Mining Lease holders regarding RCM liability is equally applicable to Short-Term Permit holders.

R Reasoning

The Authority determined that the grant of the right to use minerals by the State Government for a consideration (royalty) constitutes a supply of service under Section 7(1) of the CGST Act. This service is classified under SAC 997337 and is covered under the Reverse Charge Mechanism pursuant to Notification No. 13/2017-Central Tax (Rate). The Authority reasoned that the nature of the transaction—granting the right to use minerals—remains the same regardless of whether the instrument is a Quarry Lease or a Short-Term Permit. It relied on the Supreme Court decision in Mineral Area Development Authority v. Steel Authority of India to characterize royalty as contractual consideration rather than a tax.

P Provisions Relied On

Section 7(1) of the CGST Act, 2017	Section 9(3) of the CGST Act, 2017
Notification No. 13/2017-Central Tax (Rate)	Notification No. 11/2017-Central Tax (Rate)
Notification No. 27/2018-Central Tax (Rate)	CBIC Circular No. 164/20/2021-GST
Rule 51 of the Rajasthan Minor Mineral Concession Rules, 2017	

! For the Practitioner

This ruling confirms that **royalty paid by Short-Term Permit holders** is subject to GST under the **Reverse Charge Mechanism** at the same rate as regular mining lease holders. It provides clarity for STP holders in Rajasthan to ensure compliance with their tax obligations. However, it notes that the ruling is issued without prejudice to the outcome of any pending litigation regarding the general levability of GST on mining royalty.

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 -> 3-order_14_pinkcity_developers.pdf

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