M/s. Quality Earth Minerals Pvt. Ltd., V-32/30, DLF, PH-III, Gurugram

Authority for Advance Ruling — Haryana

Advance Ruling No. HAR/HAAR/R/2018-19/43 (In Application No. 43/2018… Dated **01.03.2019**

Q Questions Before the Authority

- What is the classification of the service provided in accordance with Notification No. 11/2017-CT (Rate) dated 28.06.2017, read with its annexure, by the State of Haryana to M/s Quality Earth Minerals Pvt. Ltd. for which royalty is being paid? Can the service be classified under heading 9973, specifically 997337, as licensing services for the right to use minerals including its exploration and evaluation, or as some other service?
- What is the rate of GST on the services provided by the State of Haryana to M/s Quality Earth Minerals Pvt. Ltd. for which royalty is being paid?

F Facts

The applicant holds a mining lease from the Haryana Government for extracting stone and associated minor minerals at village Kheri Battar, District Bhiwani, under an LOI and lease deed. It pays annual dead rent or royalty, whichever is higher, on minerals excavated and dispatched, and files monthly (MMP1) and annual (MMP2) returns on quantities raised. The applicant mines boulders classifiable under tariff heading 2517, taxable at 5%, and asked what service the State provides in return for the royalty and at what GST rate.

H Ruling

Classification of royalty/dead rent for right to use minerals (heading 9973, 997337)	**Licensing services for right to use minerals, within group 99733 under heading 9973 (Serial No. 257 of annexure to Notification 11/2017-CT (Rate))**	The ruling rests on the royalty being consideration for transfer of the right to use minerals under the lease. The ruling text refers to group 99733; the sub-heading 997337 appears in the discussion of Serial No. 257.
Rate of GST on the royalty/dead rent services	**18% (9% CGST + 9% SGST)**	Applies under residual Serial No. 17(viii) as amended by Notification 27/2018-CT (Rate) dated 31.12.2018, effective 01.01.2019. The applicant's claim of 5% (rate on like goods) was rejected.

The authority held that the royalty and dead rent paid to the State are consideration for the transfer of the right to use minerals. Such licensing services fall under group 99733 under heading 9973, covered by Serial No. 257 of the annexure to Notification 11/2017-CT (Rate). Because the service is not leasing or renting of goods, it does not fall under Serial No. 17(vii) or (viia) and attracts the residual entry at Serial No. 17(viii), taxed at 18% (9% CGST and 9% SGST) from 01.01.2019.

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

R Reasoning

The authority reasoned that royalty is paid on the quantity of mineral extracted and removed, as shown in the MMP1 return, so it is consideration for transferring the right to use minerals rather than a rent for goods. It relied on Serial No. 257 of the annexure to Notification 11/2017-CT (Rate), which places licensing services for the right to use minerals in group 99733 under heading 9973. It held that Serial No. 17(vii), (viia) and the other entries describing leasing or renting of goods do not cover such licensing services, so the residual entry at Serial No. 17(viii) applies after the amendment by Notification 27/2018-CT (Rate). The applicant's reliance on the 5% rate for the minerals themselves was not accepted.

P Provisions Relied On

- Section 9(1) of the CGST Act, 2017 (charge of central tax on intra-State supplies)
- Section 2(102) of the CGST Act, 2017 (definition of services)
- Section 97(2)(a) and Section 98 of the CGST/HGST Act, 2017 (advance ruling)
- Notification No. 11/2017-CT (Rate) dated 28.06.2017, Serial No. 17 and Serial No. 257 of the annexure
- Notification No. 27/2018-CT (Rate) dated 31.12.2018 (amendment adding Serial No. 17(viia))

! For the Practitioner

Mining lessees in Haryana paying royalty or dead rent to the State can use this order to support classifying those payments as **licensing services for the right to use minerals under heading 9973, taxable at 18%** . It settles the point for the applicant, and the reasoning on Serial No. 17(viii) versus 17(viia) is useful for other lessees. It does not decide the treatment of the minerals supplied by the lessee, which stay at their own rate, or the position in other States or under different lease terms. Practitioners should check the notifications as amended, since the order relies on the amendment effective from 01.01.2019.

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 -> har_aar_43_2018-19_01.03.2019_qempl.pdf

Prepared 30-10-2026.

About Patron Accounting LLP

Patron Accounting LLP is a CA and CS-led accounting and compliance firm working with businesses across India since 2019 — bookkeeping, GST, income tax, payroll, company and LLP compliance, audit and the certificates banks and regulators ask for.

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

Patron Accounting LLP