

M/s P.K. Mahapatra, Assistant General Manager (Finance) NMDC Limited

Authority for Advance Ruling — Chhattisgarh

No.STC/AAR/09/2018, dated 22/02/2019

Q Questions Before the Authority

- Whether royalty paid in respect of mining lease can be classified under Licensing for the right to use minerals including its exploration and evaluation falling under the heading 9973 attracting GST at the same rate of tax as applicable on supply of like goods involving transfer of title in goods.
- Determination of the liability to pay tax on contributions made to District Mineral Foundation (DMF) and National Mineral Exploration trust (NMET) as per MMDR Act, 1957.

F Facts

The applicant is a state-controlled mineral producer engaged in iron ore extraction under mining leases granted by the State Government. Pursuant to the Mines and Minerals (Development & Regulation) Act, 1957, the applicant is required to pay royalty to the State Government and mandatory contributions to the District Mineral Foundation (DMF) and National Mineral Exploration Trust (NMET). The applicant sought an advance ruling on the GST classification of the royalty and the taxability of the statutory contributions.

H Ruling

Royalty on mining lease	Taxable under reverse charge	Classified under HSN 997337 at the rate applicable to the underlying mineral
Contributions to DMF and NMET	Taxable under reverse charge	Deemed as supply in the course of business

The authority held that royalty paid for mining leases is classifiable under sub-heading 997337 and attracts GST under the reverse charge mechanism at the same rate as the supply of like goods. Furthermore, it ruled that the mandatory contributions made to DMF and NMET are also liable to GST under the reverse charge basis.

R Reasoning

The authority determined that the mining lease constitutes a supply of service under the heading 997337, specifically 'Licensing services for the right to use minerals'. Regarding DMF and NMET, the authority concluded that these trusts qualify as 'local authorities' under section 2(69) of the CGST Act, as their activities align with the functions enumerated in the 11th and 12th schedules of the Constitution. Consequently, the mandatory contributions are not voluntary donations but are payments made in the course of business, rendering them liable to GST under the reverse charge mechanism as per Notification No. 13/2017-Central Tax (Rate).

P Provisions Relied On

Section 9 of the Mines and Minerals (Development & Regulation) Act, 1957

Section 9B and 9C of the Mines and Minerals (Development & Regulation) Act, 1957

Section 2(69) of the CGST Act, 2017

Section 2(98) of the CGST Act, 2017

Notification No. 11/2017-Central Tax (Rate) dated 28.06.2017

Notification No. 13/2017-Central Tax (Rate) dated 28.06.2017

! For the Practitioner

This ruling confirms that mining royalty and statutory contributions to DMF and NMET are **subject to GST under reverse charge**. It settles the debate on the taxability of these contributions by classifying the trusts as local authorities. Practitioners should note that this ruling is specific to the applicant's operations in Chhattisgarh and may be contested in higher forums given the ongoing litigation regarding the nature of royalty as a tax versus consideration.

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 -> [chhtgrh-09 2018-22.02.19-nmdc.pdf](#)

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