

M/s. Ramandeep Upkarsingh Bindra (Black Rock Crusher)

Authority for Advance Ruling — Maharashtra

GST-ARA-06/2020-21/B-626

Dated **28.11.2025**

Q Questions Before the Authority

- Whether the services of leasing of mines of which royalty is charged by government merits classification under the heading No. 9973 specifically under sub heading no 997337 (licensing services for the right to use minerals including its exploration and evaluation)?
- Whether the said service can be classified under SL No. 17(iii) of notification no 11/2017 central tax (rate) dated 28/06/2017 attracting rate of 5 percent (same rate of central tax as on supply of like goods involving transfer of title goods)?

F Facts

The applicant is engaged in mining and quarrying activities and entered into a lease agreement with the State Government for the exploration and extraction of minerals. In consideration for these mining rights, the applicant pays royalty or dead rent to the State Government. The applicant sought a ruling on the correct classification and applicable GST rate for these royalty payments.

H Ruling

Classification under heading 997337

Yes, it is part of the consideration for licensing services for the right to use minerals.

Taxable at 9% CGST and 9% SGST under Serial No. 17(viii) of Notification No. 11/2017-Central Tax (Rate).

Classification under SL No. 17(iii) at 5% rate

Answered in the negative.

The service is not a transfer of right to use goods but a licensing service for mineral extraction.

The Authority ruled that the royalty paid for mining leases is consideration for licensing services for the right to use minerals, classified under SAC 997337. It held that this service is taxable at 18% under the Reverse Charge Mechanism, rejecting the applicant's contention that it should be taxed at 5% under the entry for transfer of right to use goods.

R Reasoning

The Authority determined that the mining lease does not involve the transfer of specific tangible goods, but rather the grant of a license to explore and extract natural resources. Consequently, it does not fall under the entry for the transfer of the right to use goods, but rather under the **residual entry 17(viii)** for services under SAC 9973. Relying on the Supreme Court judgment in Mineral Area Development Authority vs. Steel Authority of India Ltd., the Authority concluded that royalty is a **consideration for a taxable supply of service** rather than a tax.

Therefore, the service is subject to GST at 18% under the Reverse Charge Mechanism as per Notification No. 13/2017-Central Tax (Rate).

P Provisions Relied On

Section 97 of the CGST Act and MGST Act

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

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

SAC 997337

! For the Practitioner

This ruling confirms that royalty payments for mining leases are **taxable at 18%** under the Reverse Charge Mechanism. It settles the debate by classifying these payments as licensing services for the right to use minerals rather than a transfer of goods. Practitioners should note that this aligns with the **Supreme Court's recent interpretation** that royalty is a consideration for a service.

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 -> [gst ara order in case of ramandeep upkarsingh bindra 1 compressed.pdf](#)

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Pune (HQ)

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

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

Ahmedabad

Phoenix Tower, 1107, near Commerce Six Road, Drive In Road, Navrangp...

Mumbai

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

Gurugram

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

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