

States Response over the Mining Amendment

Mains: GSII - Polity| Governance

Why in News?

The Mines and Minerals (Development and Regulation) Amendment Act, 2026 has triggered a fresh Centre-State debate over mining regulation, taxation powers and fiscal federalism.

What are the Key Provisions of the Amendment?

- **Centre powers** - The Centre's regulatory powers have been expanded to cover mines, mineral development and mineral-bearing lands.
- **State powers** - States are restricted from imposing new taxes on mineral rights and mineral-bearing lands, except as permitted by the Union government.
- Certain uncollected mineral-related taxes imposed before the amendment are rendered invalid.
- This can reduce the future mineral-linked revenue available to mineral-rich States.
- **Constitutional Framework** - Mining and mineral taxation involve overlapping constitutional powers -
 - **Entry 23, State List** - States can regulate mines and mineral development, subject to Union legislation.
 - **Entry 54, Union List** - Parliament can regulate mines and mineral development in the public interest.
 - **Entry 50, State List** - States can tax mineral rights, subject to limitations imposed by Parliament.
 - **Entry 49, State List** - States can tax lands and buildings, including mineral-bearing land.
- Thus, the amendment has expanded the Centre-State debate from regulation of mineral development to the fiscal autonomy of States.
- **Supreme Court's Position** - The Supreme Court's 2024 judgment held that
 - States possess the power to tax mineral rights, subject to Parliament's power to impose limitations in public interest.
 - Parliament cannot use its powers under Entry 54 to curtail the State's power to tax mineral-bearing land.
 - The 2026 amendment has therefore raised questions about its compatibility with the constitutional distribution of powers.

Table 1

Mineral-related receipts as a share of States' non-tax revenue
2024-25

State	Mineral-related non-tax receipts (₹ crore)	Total SNTR (₹ crore)	Mineral-related non-tax receipts as % of SNTR
Jharkhand	12,086	14,231	85%
Odisha	41,052	51,221	80%
Karnataka	7,700	16,148	48%
Madhya Pradesh	9,230	22,392	41%
Rajasthan	9,228	23,502	39%
Telangana	2,528	23,607	11%
Chhattisgarh	1,097	17,421	6%

Source: CAG, State Finances Audit Reports, 2024–25, for the respective States; CAG, Finance Accounts, Telangana, 2024–25, for Telangana

Why is the Issue Important for States?

- **Impact on Fiscal Autonomy** - Mineral-rich States depend significantly on mineral-related receipts.
 - Jharkhand and Odisha - Mineral receipts constitute around 80% of non-tax revenue.
 - Karnataka - Around 48%.
 - Madhya Pradesh - Around 41%.
 - Rajasthan - Around 39%.
 - Chhattisgarh - Around 6%.
 - Telangana - Around 11%.
- Therefore, the fiscal impact of the amendment varies considerably across States.
- **Impact on Welfare Expenditure** - States may use mineral revenues to finance, Social-security programmes, Infrastructure, Local development.
- For instance, Jharkhand has argued that loss of mineral-tax revenue could affect social-security programmes.
- **Federalism Concerns** - States challenging the law argue that restrictions on their taxation powers could weaken -
 - Fiscal federalism
 - State autonomy
 - Constitutional division of taxation powers
 - Cooperative federalism.

Why are States Responding Differently?

- **Economic Factors** – States with greater dependence on mineral revenues have a stronger direct fiscal stake in the issue.
 - Jharkhand has raised concerns over revenue losses.
- **Political Alignment** – Political alignment between the Centre and State governments can influence whether fiscal concerns become an organised Centre-State federal dispute.
 - Karnataka, Telangana, Himachal Pradesh and Kerala are planning legal challenges.
- **Others** – Odisha presents a mixed response, with the Opposition demanding a special Assembly session while the State government has rejected the demand.
 - Madhya Pradesh, Rajasthan and Chhattisgarh have not launched comparable State-government challenges so far.
 - Thus, material economic interests and political factors interact in shaping State responses.

Larger Issues in Indian Fiscal Federalism

- India has an asymmetric fiscal federal structure –
 - The Centre has relatively greater taxation powers.
 - States have substantial expenditure responsibilities, particularly in areas such as health, education and welfare.
- States also depend significantly on tax devolution, grants and other transfers.
- Union control over certain aspects of State borrowing further affects fiscal autonomy.
- Consequently, disputes can emerge over –
 - GST compensation
 - Finance Commission terms of reference
 - Borrowing limits
 - Centrally sponsored schemes
 - Resource allocation
 - Legislative jurisdiction
- The mining amendment adds mineral taxation to this wider debate.

What are the Challenges to Cooperative Federalism?

- **Unclear legislative powers** – Overlapping legislative powers can create jurisdictional disputes.
- **State limitations** – Central restrictions may be perceived as reducing State fiscal space.
- **Mixed political opinions** – Different political alignments can make federal negotiations more difficult.
- **Increased dependence on centre** – Excessive dependence on transfers can weaken States' bargaining capacity.
- **Cascading levies** – Multiple State-level mineral levies can also increase costs for industries, as argued by the Centre.

What can be Improved?

- **Constitutional clarity** – Ensure that the amendment respects the federal distribution

of legislative and taxation powers.

- **Centre-State consultation** - Institutionalise consultation with mineral-rich States before major changes.
- **Cooperative fiscal framework** - Develop mechanisms that protect State revenues while avoiding excessive and overlapping levies.
- **Transparent revenue-sharing** - Ensure predictable compensation or alternative revenue mechanisms where State revenues are affected.
- **Judicial resolution** - Constitutional questions should be settled through an authoritative judicial interpretation.
- **Strengthen institutions** - Use the Inter-State Council, GST Council and Finance Commission mechanisms to facilitate dialogue on broader fiscal federal issues.

What lies ahead?

- The mining amendment illustrates the continuing push and pull between Union authority and State autonomy in India.
- The key challenge is to balance the Centre's objective of creating a predictable and competitive mineral regime with the States' constitutional and fiscal interests.
- A consultative and constitutionally grounded approach is essential to preserve both economic efficiency and cooperative federalism.

Reference

[The Hindu| Why are States divided over the mining amendment?](#)

