DAILY EDITORIAL ANALYSIS

TOPIC

MINES AND MINERALS (DEVELOPMENT AND REGULATION) AMENDMENT BILL, 2026

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Context

- Recently, the **Lok Sabha** passed the **Mines and Minerals (Development and Regulation) Amendment Bill, 2026,** seeking to centralise taxation of mineral rights **after the Supreme Court's 2024 ruling.**

Mining Landscape in India

- India possesses significant reserves of **coal, iron ore, bauxite, manganese, limestone and several critical minerals**.
    - It is vital for infrastructure, manufacturing, energy security and emerging technologies such as electric vehicles and renewable energy.
- The **mining sector** has acquired strategic importance because access to **critical minerals** is increasingly linked to **global supply-chain resilience.**
- However, mining is geographically concentrated in **mineral-rich regions** such as **Odisha, Jharkhand, Chhattisgarh and eastern-central India**.

MMDR Act, 1957 & Key Amendments

- The **MMDR Act, 1957** is the **principal legislation** governing the development and regulation of mines and minerals.
    - Over time, amendments have sought to improve transparency, auction mineral concessions, increase exploration and attract investment.
- **2015 Amendment:** Shifted mineral concessions towards an **auction-based regime** and introduced mechanisms such as the **District Mineral Foundation (DMF)** and **National Mineral Exploration Trust (NMET)**.
- **2021 Amendment:** Sought to liberalise mineral production, improve utilisation of mining leases and facilitate greater private-sector participation.
- **2023 Amendment:** Focused significantly on **critical and strategic minerals**, reflecting their importance for clean energy, electronics, defence and strategic supply chains.
- These reforms indicate a broader transition from administrative allocation towards **market-oriented, transparent and strategic mineral governance.**

Features of the MMDR Amendment Bill, 2026

- The central thrust of the 2026 legislation is to **alter the fiscal consequences of the 2024 Supreme Court judgment** by restoring a more centralised framework for taxation associated with mineral rights.
- **Potential Benefits:**
    - **Greater tax predictability:** A uniform framework can reduce uncertainty for mining companies.
    - **Investment climate:** Predictable taxation can support long-term capital-intensive investments.
    - **Strategic minerals:** Central coordination can help secure supplies of critical minerals important for clean energy, defence and advanced manufacturing.
    - **Avoidance of overlapping levies:** A more standardised regime may reduce the possibility of multiple or inconsistent state-level fiscal burdens.

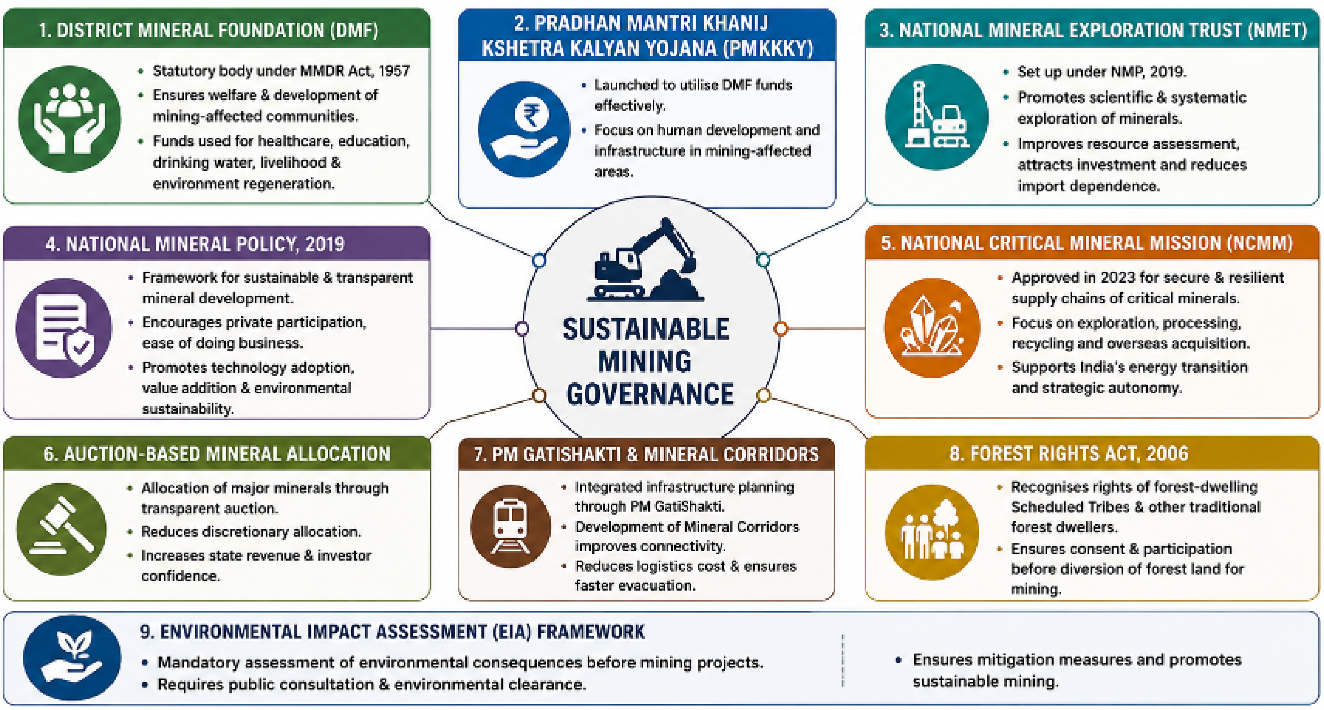
Impact of the Bill

- **Before:**
    - Mineral-bearing lands were outside the Union's regulatory reach.

  - Mining was taxed differently in every State.
  - New levies could be introduced even after mining operations started.
  - Retrospective tax demands could be raised at any time.
  - The maximum burden fell on small and medium miners.
- **After:**
  - Mineral-bearing lands are brought under Union regulation.
  - A single, Centre-directed tax framework will apply under **New Section 9D.**
  - States cannot impose new levies except under conditions set by the Central Government.
  - All pending retrospective dues are now declared invalid.
  - Every miner now benefits from a fair and equal framework.

Issues & Concerns in India's Mining Sector

- **Environmental and social asymmetry:** Mining can cause **deforestation, habitat fragmentation, water pollution, displacement and livelihood losses**.
  - Tribal and forest-dependent communities often bear these costs despite receiving only a fraction of the economic gains.
  - Centralising fiscal authority could weaken the bargaining position of mineral-bearing States unless revenue-sharing and local benefit mechanisms are strengthened.
- **Fiscal federalism:** The decision comes against the backdrop of **shrinking State fiscal autonomy**, particularly after GST subsumed several State taxation powers.
  - States already depend substantially on tax devolution and grants.
  - Using legislation to override the fiscal consequences of a significant judicial ruling therefore raises questions about the balance between **Union authority and State autonomy**.
- **Development versus sustainability:** A narrow focus on 'ease of doing business' may encourage extraction without adequately pricing ecological and social externalities.
  - Sustainable mining requires that economic efficiency be accompanied by **environmental justice and inter-generational equity**.



Related Constitutional & Legal Provisions

- **Article 246 and Seventh Schedule:** Legislative powers are divided between the Union and States.
- **Entry 54, Union List:** Parliament can regulate mines and mineral development in the public interest.
- **Entry 50, State List:** States can impose taxes on mineral rights, subject to limitations imposed by Parliament.
    - The Supreme Court of India, in **Mineral Area Development Authority v. Steel Authority of India Ltd. (2024)**, held that **royalty is not a tax** and that States possess constitutional authority to tax mineral rights, subject to **Parliament's power under Entry 50.**
- **Article 243G:** Provides for devolution of powers to Panchayats, relevant to participatory local governance.
- **Fifth Schedule:** Provides special governance arrangements for Scheduled Areas and tribal communities.
- **PESA Act, 1996:** Strengthens Gram Sabha participation in Scheduled Areas, including matters affecting community resources.

Way Forward: Strengthening Measures

- The objective should not be to choose between **investment and federalism**, but to reconcile them.
- Establish a **predictable and transparent national fiscal framework** while protecting legitimate State interests.
- Strengthen **DMF and PMKKKY implementation**, with greater community participation and outcome-based monitoring.
- Ensure effective implementation of **PESA, Forest Rights Act and environmental safeguards**.
- Consider mechanisms for **equitable sharing of mineral revenues** with producing States and affected communities.
- Make environmental restoration, mine closure and rehabilitation integral to mining economics.
- Institutionalise **Centre-State consultation** on major changes affecting mineral revenues.

Conclusion

- The MMDR Amendment Bill, 2026 highlights a larger constitutional dilemma: **economic efficiency cannot come at the cost of democratic accountability and fiscal federalism**.
- A predictable mining regime is essential for India's strategic and economic ambitions, but its legitimacy will ultimately depend on whether mineral-rich States and affected communities receive a fair share of the benefits.

Source: HT

Daily Mains Practice Question

[Q] **Critically examine the implications of the Mines and Minerals (Development and Regulation) Amendment Bill, 2026 for Centre–State relations, mining-affected communities and sustainable mineral development in India.**

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