Acara Insights – Mining & Natural Resources

Dear Reader,

In a judgement dated 23.07.2026, the Hon'ble Supreme Court in ***Birla Corporation Ltd. vs State of Madhya Pradesh & Ors; SLP (C) No. 14468 of 2022***[1], has upheld stamp duty assessment on anticipated royalty in mining leases in accordance with the proviso of Section 26 of the Stamp Act. The Supreme Court has further held that dead rent cannot be the sole basis for valuation where statutory provisions and lease terms prescribe anticipated royalty.

"At the outset, we record our rejection of the case put forward by the appellant that the proviso is inconsistent with the main provision. The section, as is obvious, deals with Stamp duty to be paid in cases of indeterminate value. Since, with respect to mining, actual value can only be determined once mining operations commence, it is undisputed that on the date of the execution of the agreement, the value is indeed indeterminate. This appears by way of plain reading and general understanding. It is difficult to conceive otherwise."

Hon'ble Supreme Court

Facts:

The Appellant was granted a mining lease for extraction of limestone over an area of 56.27 hectares in District Satna, Madhya Pradesh. At the time of execution of the lease deed, the District Collector demanded stamp duty calculated on the basis of anticipated royalty payable under the lease. The appellant challenged the demand, contending that stamp duty ought to be calculated on the basis of "dead rent", which according to it was the only fixed and ascertainable amount available at the time of execution.

The challenge was dismissed by the Madhya Pradesh High Court, which held that the proviso to Section 26 of the Indian Stamp Act, 1899 specifically governed mining leases and permitted calculation of stamp duty on royalty. Aggrieved by the decision, the appellant approached the Supreme Court.

The State Government's Stand:

The State Government argued *inter-alia*, that Section 26 of the Stamp Act provides a comprehensive mechanism to deal with instruments where value of the subject matter cannot be determined at the time of execution and the proviso thereto, specifically deals with situations involving mining leases.

Findings:

Applicability of Section 26 of the Stamp Act: The Court held that mining leases fall within the scope of Section 26 of the Indian Stamp Act because the value of the subject matter is indeterminate at the time of execution. The proviso to Section 26 specifically permits estimation of royalty for the purpose of determining stamp duty in mining leases granted by the Government.

Validity of Royalty-Based Assessment: Rejecting the appellant's contention that only dead rent should be considered, the Court observed that the statutory framework expressly contemplates valuation on anticipated royalty. The proviso to Section 26 was held to be consistent with the main provision and not ultra vires.

Significance of Form K under the Mineral Concession Rules, 1960: The Court noted that Form K, which is the prescribed statutory format for mining lease deeds, specifically records anticipated royalty for stamp duty purposes. Since the lease between the parties was executed in the statutory form, the parties were bound by its terms.

Fiscal Statutes to be Strictly Interpreted: While reiterating the established principle that fiscal statutes must be construed strictly, the Court held that a plain

[1] 2026 SCC OnLine SC 1376

reading of Section 26 and the applicable statutory framework clearly supported stamp duty assessment on anticipated royalty in mining lease transactions.

Relief:

The Supreme Court dismissed the appeal and upheld the demand of stamp duty assessed on the basis of anticipated royalty, affirming the judgment of the Madhya Pradesh High Court

Conclusion:

The decision is significant for the mining sector as it affirms that Section 26 of the Stamp Act is applicable for calculation of stamp duty on mining leases and as per the proviso thereto, stamp duty is to be calculated on the basis of the estimated royalty.

The decision comes in the background of the stand taken by the States of Jharkhand and Madhya Pradesh that while calculating stamp duty on mining leases for coal, the entire economic transaction between the assessee and the Central Government including the revenue share bid that the assessee had offered during the competitive auction for the coal mine held by the Central Government and recorded in their Development Agreements with the Central Government, must also be considered. The issue is presently before the Hon'ble Supreme Court and Hon'ble High Court of Madhya Pradesh.

Yours Truly,
Acara Law LLP