

## Supreme Court Ruling on Mining Cess Karnataka Government proposal to Levy Tax: Impact on SME Industry in Iron Ore and Steel segment and Bank SME portfolio in impacted company

Saket Suman<sup>1</sup>, Dr. Neha Choudhary<sup>2</sup>

<sup>1</sup>Research Scholar, Amity University Mumbai

<sup>2</sup>Assistant Professor II, Amity University Mumbai

*Cite this paper as:* Saket Suman, Dr. Neha Choudhary, (2025) Supreme Court Ruling on Mining Cess Karnataka Government proposal to Levy Tax: Impact on SME Industry in Iron Ore and Steel segment and Bank SME portfolio in impacted company. *Journal of Neonatal Surgery*, 14 (27s), 967-973.

### ABSTRACT

On 16 th December, 2024, The Karnataka government has proposed a bill to levy tax on various minerals including Iron Ore, Bauxite, Manganese, Copper Ore etc. This is after Supreme Court (SC) ruling on 25th Jul-2024, wherein it ruled that States could collect taxes on mineral-bearing land and mineral rights w.e.f. 1st Apr-2005. Karnataka is one of the major producers of Iron Ore, accounting for 15% of India's total Iron Ore production. In the current study, we have analysed the impact of proposed cess by Karnataka Government on major Metal & Mining companies only in case of Iron Ore.

This research paper will briefly describe what will be impact on SME Industry mainly in Iron Ore and steel segment due to increase in taxes in the form of mineral bearing land. Which all are the major payer who get impacted and is there any kind of Credit at Risk at bank level. How Bank Portfolio will behave in these impacted company.

**Keywords:** *SME Loan, Iron Industry, Steel Industry, Iron Industry, SME Credit, Bank , Karnataka, Supreme Court and Fintech*

### 1. INTRODUCTION

On 16 th December, 2024, The Karnataka government has proposed a bill to levy tax on various minerals including Iron Ore, Bauxite, Manganese, Copper Ore etc. This is after Supreme Court (SC) ruling on 25th Jul-2024, wherein it ruled that States could collect taxes on mineral-bearing land and mineral rights w.e.f. 1st Apr-2005.

Post SC ruling, Jharkhand assembly had passed 'Jharkhand Mineral-Bearing Land Cess Bill 2024' on 2nd Aug-2024, which proposed varying cess for different minerals on a per metric tonne basis i.e. Rs. 100 / tonne for Coal and Iron Ore, Re.70 / tonne for Bauxite and Rs. 50 / tonne on Manganese & other minerals.

In view of Supreme Court ruling and proposed cess by Jharkhand, RMD had analysed the impact of various sectors such as Iron & Steel, Aluminium, Other Metals & Mining and potential liabilities on major companies operating in these sectors.

Karnataka is one of the major producers of Iron Ore, accounting for 15% of India's total Iron Ore production. In the current study, we have analysed the impact of proposed cess by Karnataka Government on major Metal & Mining companies only in case of Iron Ore.

We have excluded other minerals mainly because Karnataka does not have major share in mining of other minerals or Bank does not have large exposure to companies mining other minerals (except Iron Ore) in Karnataka.

#### Research Methodology:

Research is based on quantitative research.

This research paper is based on qualitative research which Explore ideas, thoughts, and meanings on the decision given by Supreme Court Ruling on Mining Cess Karnataka Government proposal to Levy Tax its Impact on SME Industry in Iron Ore and Steel segment and Bank SME portfolio in impacted company

#### Population and Sample:

Data is collected only from existing SME Customer having business related to Iron ore and Steel segment

**Sampling Technique**

Probability Sampling

**Sample Size:**

80

**Data Collection Method**

Survey, Observation, Literature Review

**Geography:**

Mumbai Suburban, Mumbai City and Thane

**Data Analysis and Interpretation:****2. DETAILS KARNATAKA'S PROPOSED BILL ON MINERAL CESS ON IRON ORE****i) Proposed Tax on Mineral Bearing Land (w.e.f. from 01.04.2005):**

Mineral	Proposed (Rs/tonne)	Cess
Iron Ore	100	

**ii) Additionally taxes on Mineral Rights in respect of leases on Iron Ore (w.e.f. from 12.01.2015)**

Types of Mines	Proposed Levy	Impacted Companies
Auctioned Mines	Rs.1/tonne	JSW (8-9 MT per annum Iron Ore mined in Karnataka)
Non-auctioned Mines	3 times Royalty rates* = 45%	Vedanta (5.6 MT) / Sandur Manganese & Iron Ores Ltd (3.8 MT)
PSUs whose lease was renewed after 12.01.2015	1.5 times of royalty rates* = 22.5%	NMDC (13-14 MT)
PSUs whose lease was renewed before 12.01.2015 and completed lease period of 50 years	1.5 times of royalty rates* = 22.5%	NA
PSUs whose lease was renewed before 12.01.2015 and till 50 years of the lease period	3 times Royalty rates* = 45%	NA

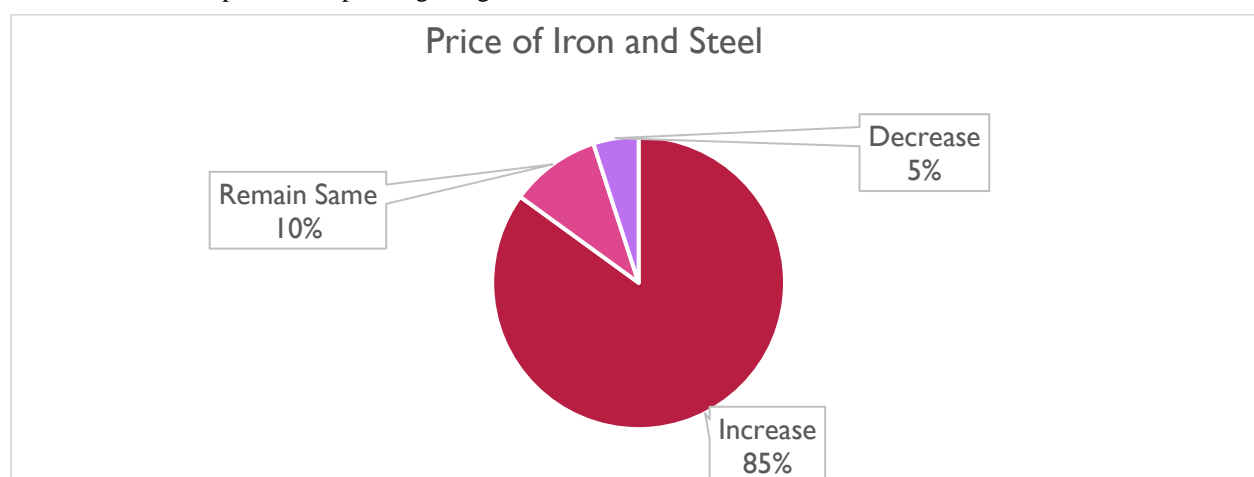
\* Royalty rate on Iron Ore in Karnataka is 15%, which is paid as percentage of Indian Bureau of Mines (IBM) prices.

### 3. ESTIMATED IMPACT ON MAJOR METAL & MINING COMPANIES AS BELOW

Company Name & Exposure	Expected impact	Est. retrospective liabilities	Prospective tax / year	Remarks
Vedanta (Exp: 8,396 Cr.)	High	5,498	1,342	Rs.100/tonne tax on mineral bearing land w.e.f. 01.04.05 + 45% as additional tax on mineral rights w.e.f. 12.01.15.
NMDC Ltd. (Exp: Rs.8,656 Cr.)	High	9,904	1,910	Rs.100/tonne tax on mineral bearing land w.e.f. 01.04.05 + 22.5% as additional tax on mineral rights w.e.f. 12.01.15.
JSW Steel (Rs.14,549 Cr.)	Low	354	101	Rs.100/tonne tax on Iron Ore w.e.f. 01.04.05 + Rs.1/tonne as additional tax on mineral rights w.e.f. 12.01.15. JSW Steel also sources significant quantities of Iron Ore from NMDC. Any pass through of prices by NMDC will have negative impact on JSW Steel.

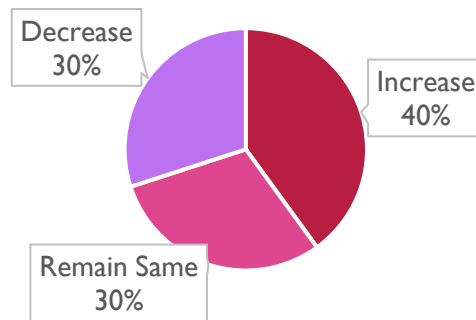
Source: Broker reports

- Private companies like Vedanta and Sandur Manganese & Iron Ores Ltd (SMIOL) are one of the largest operators of non-auctioned mines in Karnataka. Imposition of mining cess will lead to rise in mining cost for these companies and will increase the cost of Iron Ore. SMIOL is a listed player but not banking with us
- Expected rise in Iron Ore cost will impact the production cost of Steel players, which may lead to cost-driven increase in domestic Steel prices.
- If impact of additional cess is not completely passed by Miners and Steel companies to their respective consumers, this would impact their operating margins.



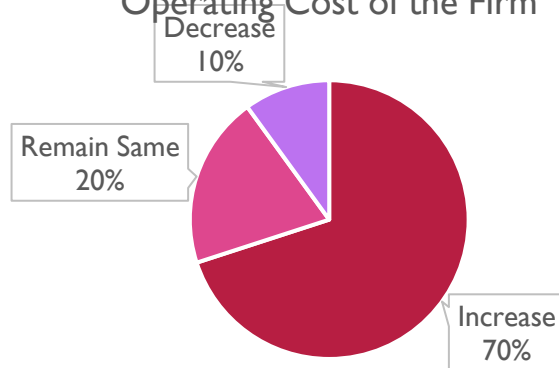
**Interpretation: 85% of the firm says price of Iron and steel will increase**

### Profit of the Firm



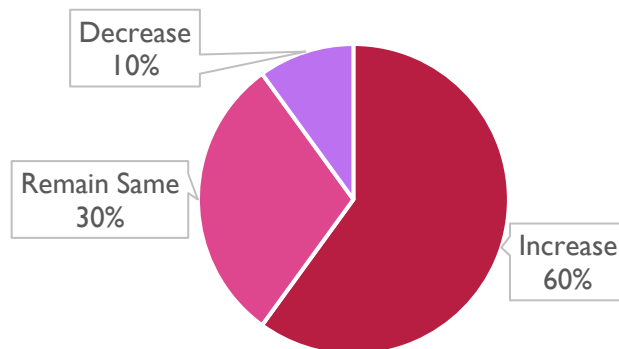
**Interpretation: 30% of the firm says their profit will decrease**

### Operating Cost of the Firm



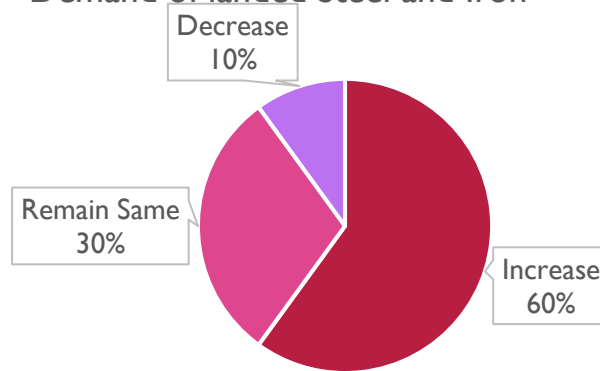
**Interpretation: 70% of the firm says their operating cost will Increase**

### Import of Iron and Steel



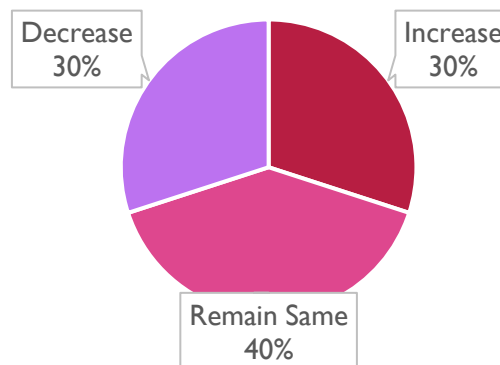
**Interpretation: 60% of the firm says import of Iron and steel will increase**

### Demand of landed Steel and Iron



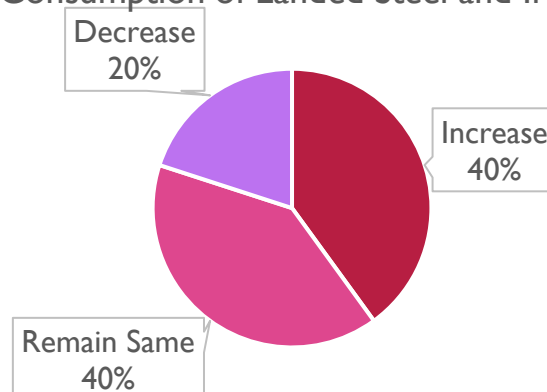
**Interpretation:** 60% of the firm says that demand of landed steel and Iron will increase

### Consumption of Domestic Steel and Iron



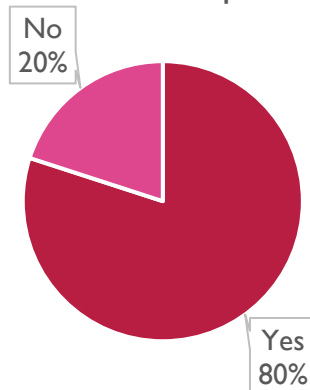
**Interpretation:** 30% of the firm says consumption of domestic Iron and steel will decrease

### Consumption of Landed Steel and Iron



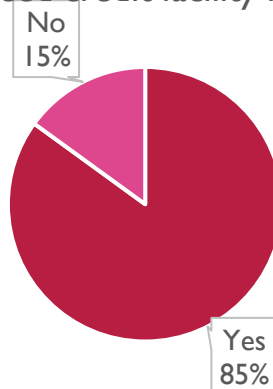
**Interpretation:** 40% of the firm says consumption of landed Iron and steel will Increase

Does Distributor of finished Steel and Iron Product need more time to sell the product



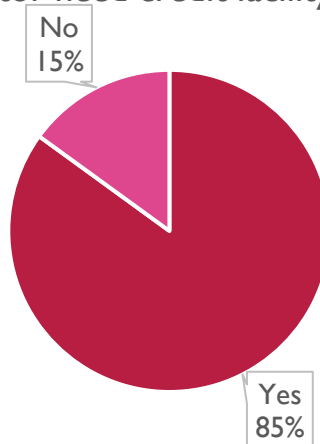
**Interpretation: 80% of the firm says distributor needs more time to sell the finished goods**

Does Firm need credit facility from the bank



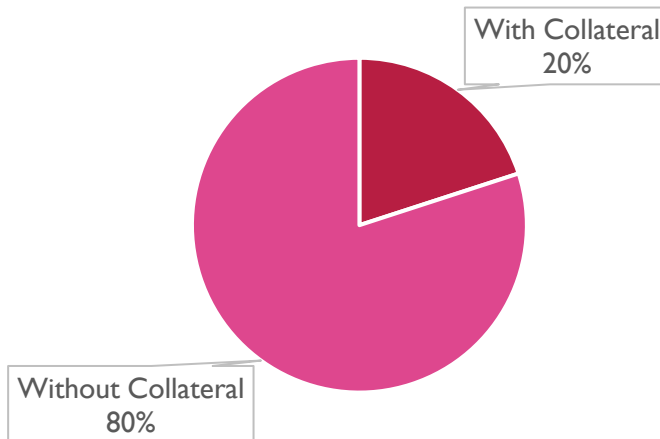
**Interpretation: 85% of the firm says they need credit facility from the bank**

Does Distributor need credit facility from the bank



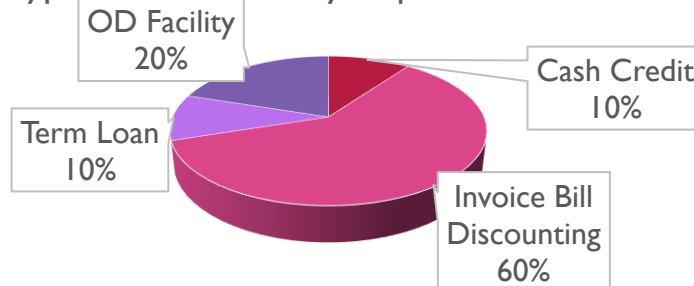
**Interpretation: 85% of the firm says their distributor need credit facility from the bank**

### What kind of Credit facility required by Distributor



**Interpretation:** 80% of the firm says their distributor need credit facility from the bank without collateral

### Type of Credit Facility required from bank



**Interpretation:** 60% of the Firm required Invoice Bill discounting Credit facility from bank

## 4. CONCLUSION AND FINDINGS

- Proposed cess on Iron Ore by Karnataka Government is expected to have negative impact on Iron Ore miners as well as Steel companies sourcing the mineral from Karnataka and same may trigger increase in Iron Ore prices by other miners.
- Any rise in Steel prices owing to the mineral cess would further make domestic Steel less competitive as compared to cheaper imports. Indian Steelmakers are already grappling with rising Steel imports and any increase in raw material cost will adversely impact Indian Steel makers.
- If other mineral rich states such as Odisha, Chhattisgarh, Madhya Pradesh etc. follow the suit of Karnataka and Jharkhand, it will lead to rise in raw material across all the States and impact the operating margins of domestic Steel Industry.

## REFERENCES

- [1] Broker reports
- [2] National Mineral Policy
- [3] <https://www.scopus.com/sourceid/16348>
- [4] <https://cbic-gst.gov.in/hindi/sectoral-faq.html>
- [5] <https://www.scoobserver.in/reports/states-power-to-tax-mines-and-minerals-judgement-matrix/#:~:text=On%2025%20July%202024%2C%20a,Nagarathna%20dissented.>