

Maharashtra Tenancy and Agricultural Lands Laws (Amendment) Act, 2026: Attempt to encourage genuine industrial projects

In Maharashtra, purchasers acquiring agricultural land for industrial projects frequently encounter delays arising from land aggregation challenges, regulatory hurdles, litigation, and other factors beyond their control.

The Government of Maharashtra (“**GoM**”) has recently notified the Maharashtra Tenancy and Agricultural Lands Laws (Amendment) Act, 2026 (“**Amendment Act**”) aligning several provisions of the tenancy legislations with the recently amended Maharashtra Land Revenue Code, 1966 (“**MLRC**”), particularly in relation to conversion premium payable for non-agricultural use, with effect from April 15, 2026.

The Amendment Act, makes consequential amendments to the Maharashtra Tenancy and Agricultural Lands Act, 1948 (“**MTAL Act**”), the Hyderabad Tenancy and Agricultural Lands Act, 1950 (“**Hyderabad Tenancy Act**”) and the Maharashtra Tenancy and Agricultural Lands (Vidarbha Region) Act, 1958 (“**Vidarbha Tenancy Act**”).

This prism provides an overview of the legal framework governing the acquisition of agricultural land for industrial use in Maharashtra, including the key changes introduced by the Amendment Act.

Overview of the existing framework

Under the existing framework of the MTAL Act, the Hyderabad Tenancy Act and the Vidarbha Tenancy Act, transfer of agricultural lands purchased by tenants is subject to various conditions, including prior sanction of the Collector and payment of *nazarana* fee.

Further, agricultural land purchased for bona fide industrial use was required to be utilised for industrial purposes within prescribed timelines, failing which the purchaser could face regulatory consequences, including exposure to penalties and restrictions on continued holding of such land.

Overview of the provisions introduced under the Amendment Act

Simplification of transfer framework

Prior to the amendment, under Section 43 of the MTAL Act, transfer of agricultural land purchased by a tenant under the tenancy laws could be transferred only with the prior sanction of the Collector. However, such transfer was permitted without Collector’s prior sanction if 10 (ten) years had elapsed from the date of purchase of such land by the tenant. Further, any sale under this Section 43 of the MTAL Act was subject to the following conditions:

1. payment of *nazarana* fee calculated at 40 (forty) times the land revenue assessment;

2. the purchaser must be an agriculturist;
3. the purchaser must not hold land in excess of the ceiling area permissible under the Maharashtra Agricultural Lands (Ceiling on Holdings) Act, 1961; and
4. the provisions of the Bombay Prevention of Fragmentation and Consolidation of Holdings Act, 1947 must not be violated.

In practice, since the land revenue assessments were typically nominal, the *nazarana* fee payable was minimal and had limited practical significance from a revenue collection or regulatory perspective.

The Amendment Act deletes the requirement of payment of *nazarana* fee under Section 43(1) of the MTAL Act and the corresponding provisions under the Hyderabad Tenancy Act and the Vidarbha Tenancy Act. This removes the requirement for payment of *nazarana* fee prior to transfer and intends to simplify the transfer framework and reduce procedural requirements.

Occupancy class-I land restriction

The Amendment Act substitutes the existing provisions under the relevant tenancy legislations to clarify that only land held as occupancy class-I¹ land will be eligible to be purchased for bona fide industrial use. Additionally, the purchaser of such land is now required to pay one-time conversion premium in accordance with Section 47 of the MLRC.

The amendment intends to align the tenancy legislation with the revised non-agricultural conversion framework introduced under the MLRC whereby recurring non-agricultural assessment has been replaced with a one-time conversion premium payment.

Overview of the revised penalty framework for failure to inform the Collector of the industrial use of agricultural land

Under Section 63-1A of the MTAL Act, purchase of agricultural land by non-agriculturists for bona fide industrial use is permitted without obtaining the Collector's permission. The purchaser acquiring agricultural land for bona fide industrial use is to put such land to bonafide industrial use and inform the Collector within the prescribed period upon commencement of such industrial use in order to demonstrate compliance with the conditions of purchase under the relevant tenancy legislations. Under the erstwhile provisions failure to intimate the Collector within the stipulated timeline attracted liability to pay the applicable non-agricultural assessment under the MLRC together with a penalty which could extend up to 20 (twenty) times the amount of such non-agricultural assessment, as determined by the Collector in accordance with the applicable rules.

While the requirement to intimate the Collector is retained, the Amendment Act now requires the purchaser to pay one time conversion premium which may be leviable under Section 47 of MLRC, together with such penalty which may not exceed 5 (five) times the amount of such conversion premium on failure to put the land to bona fide industrial use and failure to intimate the Collector within 30 (thirty) days from the date of acquisition and upon commencement of such industrial use.

¹ Sub- Section (2) of Section 29 in Maharashtra Land Revenue Code, 1966 – “Occupants—Class I shall consist of persons who— (a) hold unalienated land in perpetuity and without any restrictions on the right to transfer, (b) immediately before the commencement of this Code hold land in full occupancy or Bhumiswami rights without any restrictions on the right to transfer in accordance with the provisions of any law relating to land revenue in force in any part of the State immediately before such commencement, and (c) on the 21st April 2018, being the date of commencement of the Maharashtra Land Revenue Code (Amendment) and the Maharashtra Land Revenue (Inclusion of certain Bhumidharis in Occupants—Class I Permission) Rules (Repeal) Act, 2018, were holding the land in Vidarbha in Bhumiswami rights with restrictions on right to transfer, or in Bhumidhari rights in any local area in Vidarbha.”

Enhanced regulatory scrutiny

In addition to the significant changes discussed above, the Amendment Act now provides that the Collector can permit subsequent sale of land purchased for industrial use, or for any alternative non-agricultural purpose only with the prior approval from GoM. This increases regulatory scrutiny in transactions involving industrial lands and may have implications for future restructuring, transfer and repurposing of industrial land holdings.

Steps involved in acquisition of agricultural land for bona fide industrial use under the amended regime

1. The purchaser at the outset is required to verify that the subject land is held as occupancy class-I land by verifying the revenue records, including the 7/12 extract of such land.
2. The parties would thereafter proceed with execution and registration of the conveyance/lease documentation. From a transactional perspective, the transfer documentation should appropriately record the proposed bona fide industrial use and status of the land as occupancy class-I land.
3. The purchaser is required to pay the applicable one-time conversion premium under Section 47 of MLRC to the Collector within the prescribed period following acquisition instead of the earlier *nazarana* fee payment.
4. The purchaser would thereafter be required to obtain the necessary planning permissions, layout approvals, building permissions, environmental approvals and other project-specific regulatory approvals from the relevant planning and sectoral authorities.
5. The purchaser is required to put the land to bona fide industrial use within 5 (five) years from the date of acquisition. Upon commencement of such industrial use, the purchaser is further required to inform the Collector within 30 (thirty) days regarding utilisation of the land for the approved industrial purpose (For lands acquired between May 17, 2004 and January 1, 2016, the Amendment Act introduces a relief provision extending the overall timeline for commencement of bona fide industrial use to 15 (fifteen) years from the date of acquisition).
6. Upon failure of the purchaser to put the land to bona fide industrial use, the purchaser must inform the Collector within the prescribed timelines. The Collector may grant extension for a further period of up to 5 (five) years, subject to payment of non-utilisation charges calculated at 2% per annum of the market value of the land as per the applicable Annual Statement of Rates. Additionally, where delays arise due to litigation, land aggregation challenges or other circumstances beyond the control of the purchaser, the GoM may grant a further extension of up to 3 (three) years upon payment of premium equivalent to 10% of the prevailing market value of the land.
7. Permission for sale of lands acquired for industrial purposes or use thereof for any alternative non-agricultural purpose requires approval of the Collector together with prior approval of the GoM.
8. In cases of non-compliance with the statutory conditions governing industrial use, the land may become liable for resumption by the Collector and vesting in the GoM in accordance with the applicable provisions of the tenancy legislation. The framework further contemplates preferential re-transfer to the original transferor, failing which the land may be disposed of through public auction in accordance with the prescribed procedure.
9. Apart from compliance under the tenancy legislation, purchasers would also be required to undertake consequential mutation entries in the revenue records and comply with applicable planning, environmental, factory laws and sector-specific regulatory requirements throughout the implementation and operational phases of the project.

Legal and practical implications

The Amendment Act is likely to provide substantial relief to industrial purchasers and developers who acquired agricultural land for industrial purposes but were unable to operate projects within earlier timelines due to regulatory or commercial constraints.

The extension of timelines and introduction of a statutory extension mechanism may improve implementation certainty for large industrial, logistics, warehousing, manufacturing and infrastructure projects where land aggregation and approvals typically require extended timelines.

By linking industrial land conversion to the one-time conversion premium mechanism under Section 47 of the MLRC, the State of Maharashtra appears to be moving towards a more consolidated and uniform framework governing agricultural land conversion and industrial use across legislations. Although the Amendment Act streamlines the regulatory framework for industrial acquisition of agricultural lands, the shift from assessment-based charges to market value-linked conversion premiums may increase the overall cost of acquisition and conversion. Since the conversion premium is now determined with reference to the market value of the land under MLRC, the financial burden on industrial purchasers may be significantly higher than under the earlier regime, where charges were linked to comparatively nominal land revenue assessments.

The enhanced supervisory role of the GoM may also have procedural implications for ongoing and future industrial land transactions, particularly in cases involving restructuring, assignment or change in proposed land use.

Conclusion

The Amendment Act represents another significant step in Maharashtra's broader effort to rationalise land regulation and facilitate industrial development in the State. Recent measures, including the amendments to MLRC eliminating the requirement of obtaining separate non-agricultural permissions and replacing recurring non-agricultural assessments with a one-time conversion premium, reflect a policy shift towards simplifying land administration and reducing procedural bottlenecks.

By removing outdated procedural requirements such as *nazarana*, extending implementation timelines for industrial projects, and aligning the tenancy legislations with the revised conversion premium regime under MLRC, the Amendment Act seeks to address several practical concerns faced by industrial purchasers and developers. Overall, the reforms are likely to improve commercial certainty and implementation flexibility for industrial and infrastructure projects across Maharashtra, while continuing to preserve regulatory oversight through tenancy and land revenue framework.

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We are primarily involved in legal and regulatory issues for various types of real estate projects, including in relation to the construction and development of hotels, malls, residential and commercial complexes, warehouses, IT and industrial parks, and Special Economic Zones.

We have been involved in conducting legal due diligence in relation to such projects and have drafted and reviewed various types of documents, including transaction documents such as (a) shareholders', subscription and share purchase agreements; (b) development agreements; and (c) joint venture agreements and other related documents and agreements.

During the course of our practice, we have also been involved in the drafting and reviewing of (a) agreements for sale; (b) conveyance deeds; and (c) lease deeds.

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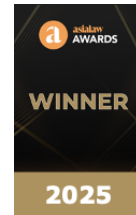
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