

Strategic Land Conversion: Navigating the Shift from Agricultural to Non-Agricultural Use

Prospective land buyers face significant challenges by reason of several legislation that govern land sales in India. In Maharashtra, a significant obstacle for those seeking to develop or utilize agricultural land for non-agricultural (“NA”) purposes is the comprehension of the exact laws and regulations governing the conversion of agricultural land to NA land. The Government of Maharashtra (“GoM”) has recently notified the Maharashtra Land Revenue Code (Second Amendment) Act, 2025 (“MLRC Amendment”) bringing in a simplified framework governing land-use and conversion of use, with effect from December 31, 2025. Pursuant to the MLRC Amendment, the Revenue and Forest Department has issued a government resolution dated February 10, 2026 bearing government decision no. NP-2025/Pra.Kra.177/Jamin-01A (“Government Resolution”) giving directions to facilitate the implementation of the MLRC Amendment.

This note aims to provide an overview of the current legal framework and practical considerations involved in obtaining NA status for land parcels in Maharashtra.

OVERVIEW OF PROVISIONS OF MAHARASHTRA LAND REVENUE CODE, 1966 (“MLRC”) PRIOR TO MLRC AMENDMENT

- There were progressive amendments made to the MLRC through Sections 42, 42A, 42B, 42C, 42D and 44-A thereof from time to time in the years 1994, 2014, 2017 and 2018. Prior to the MLRC Amendment, no permission was required from the Collector for change in land from agricultural to NA in cases where land was situated in an area covered under development plans or regional plans or where lands were being utilized for bonafide industrial purposes. However, land owners were still required to obtain NA use certificates/sanad and pay conversion premium along with annual payment of NA tax. This process turned out to be as cumbersome

as obtaining permission from Collector for NA use in cases where exemptions were not available.

- Land owners were also required to obtain permission for development from the concerned authority in accordance with Section 18 of Maharashtra Regional Town Planning Act, 1966 (“**MRTP Act**”) over and above the NA use certificates/sanad required to be obtained under the provisions of MLRC.

OVERVIEW OF PROVISIONS OF MLRC AS AMENDED BY MLRC AMENDMENT

- Section 42 of the MLRC (as amended by the MLRC Amendment) provides that no permission from the Collector is required for change in use of land from agricultural to NA land, provided such use is permissible under the draft or final development plan or regional plan, or as per Development Control Regulations or other relevant rules. The concerned planning authority may grant development permission or approve building plans directly. However, the occupancy status of land (other than Class-I occupancy) will not be altered merely due to such permission or approval.
- Section 47 of MLRC has been substituted to introduce a one-time premium for NA use of land, replacing the earlier system of annual NA assessment. The premium rates are to be calculated on the market value of land as per Annual Statement of Rates (“**ASR**”)¹ in the following manner:
 - a. Area of land up to 1,000 square meters: 0.1% of current market value;
 - b. Area of land above 1,000 square meters up to 4,000 square meters: 0.25% of current market value; and
 - c. Area of land above 4,000 square meters: 0.5% of current market value.

For lands converted on or before December 31, 2001, the one-time premium is to be calculated as per the ASR rates for the year 2001. For lands converted between January 1, 2002 and the commencement of the MLRC Amendment (December 31, 2025), the applicable year’s ASR rates will be considered. The GoM retains the power to grant exemptions from payment of premium for public purpose projects. The Government Resolution clarifies that for converted lands as set out above, the

¹ “Annual Statement of Rates” means the Annual Statement of Rates published under the provisions of the Maharashtra Stamp (Determination of True Market Value of Property) Rules, 1995 or any other rules for the time being in force in this regard.

one time premium is to be paid within one year from the date of issue of the Government Resolution.

- As a consequence of the amendments mentioned above, several sections of MLRC relating to permissions, procedures and assessments for NA use have been deleted including Sections 42A, 42B, 42C, 42D, 44, 44A, 45, 46, 47A and Chapter VII (Sections 108 to 120).

STEPS INVOLVED IN CONVERSION OF AGRICULTURAL LAND TO NA LAND

- The landowner may directly apply to the concerned authority (municipal corporation/municipal council/nagar panchayat/special planning authority etc. depending on the where the land is situated) under Section 18 of the MRTP Act.
- The landowner may make an application online through the building permission management system (BPMS)/ Auto DCR developed by the Urban Development Department. In places where no online computer system is in use, the application can be made offline as per the procedure prescribed by the Urban Development Department.
- One time conversion premium will have to be paid to the GoM, Revenue Department through Government Receipt Accounting System (GRAS) portal as per the rates mentioned above as per Section 47 of MLRC.
- After the concerned authority grants development permission in relation to the land, action will be taken to record the conversion of relevant land in the revenue records (including digital revenue records) through BPMS/Auto DCR or any other system as may be directed by the GoM from time to time. In places where online facility is not available, the concerned authority shall separately inform the concerned Tehsildar.

Once the concerned authority approves the application and grants development permission, there is no requirement for obtaining separate NA permission or NA use certificate/sanad under the MLRC.

KEY TAKEAWAYS

The amendments introduced by the MLRC Amendment are a welcome change for a prospective buyer wherein no separate permission is required from Collector if such NA use is permitted under the development plan or regional plan or other relevant

rules. The land buyer can directly obtain development permission under the provisions of MRTP Act and pay one time conversion premium leading to ease of doing business.

In the event, NA use in relation to the land intended to be purchased is not permitted under the development plan or regional plan or if the land is not covered under the development plan or regional plan, permission may be required from the Collector for conversion of land for NA use. Also, for lands which are classified as Class-II lands (i.e. lands which are subject to certain transfer restrictions), the land buyer will still be required to obtain the permission of Collector and pay the prescribed amount of grant / premium as per the applicable law to change the tenure of land and utilize the land for intended purpose. The buyer should also ensure that post obtaining the NA permission, the revenue records are updated to reflect the nature of land as NA land.

The MLRC Amendment aims to simplify land transactions and development by allowing planning authorities to directly grant development permissions and introducing a clear, market-value-based one-time conversion premium. However, for the amendment to be clear, necessary changes are required to be carried out in the Maharashtra Land Revenue (Conversion of Use of Land and Non-Agriculture Assessment) Rules, 1969 to ensure that the rules are integrated with the new simplified conversion process.

*This insight has been authored by **Avikshit Moral** (Partner) and **Preeti Dhar** (Counsel). They can be reached on avikshit@snrlaw.in and pdhar@snrlaw.in, respectively, for any questions. This insight is intended only as a general discussion of issues and is not intended for any solicitation of work. It should not be regarded as legal advice and no legal or business decision should be based on its content.*

© 2026 S&R Associates

S&R
ASSOCIATES
ADVOCATES



NEW DELHI
Max House
Tower C, 4th Floor
Okhla Industrial Estate Phase III
New Delhi 110 020
Tel: +91 11 4069 8000

MUMBAI
One World Center
1403 Tower 2 B
841 Senapati Bapat Marg, Lower Parel
Mumbai 400 013
Tel: +91 22 4302 8000