

Stamp Act revamp to benefit treasury

Cap on offences in 115-year-old law to be raised to Rs 1 lakh; FinMin circulates draft

The proposed Bill to amend the Indian Stamp Act of 1899 has sought to increase the maximum penalty to Rs 1 lakh for various offences, compared with a few hundred rupees at present.

According to the draft, circulated by the Union finance ministry for comment, if a share warrant is issued without being duly stamped, the penalty on those executing or signing it will increase from Rs 500 at present to Rs 1 lakh. In the case of any other instrument chargeable with duty, such as debentures or preferential shares, the fine will be Rs 10,000.

A new section is proposed to be inserted which provides for a fine up to Rs 1 lakh on any person or association which fails to file a duly stamped clearance list to the state government within a prescribed time and manner or makes a false declaration.

A ministry official said once the Bill was enacted, stamp revenue would double to about Rs 60,000 crore a year, as penalties for various offences under the Act are proposed to be increased substantially.

“These penalty rates were introduced in 1899. We have tried to rationalise the amounts,” said the official, who did not wish to be identified.

In the draft Bill, now likely to be taken up by the next government, a provision has also been made to levy a penalty of up to Rs 1 lakh for failure to provide the required cooperation in inspection of private and government premises and providing the required information and records (paper as well as electronic).

The fine has also been increased substantially for stamp duty evasion. Currently, the maximum penalty for this is Rs 5,000. It has been proposed that for an evasion up to Rs 10 lakh, the fine can be increased to Rs 50,000 or 20 per cent of the duty evaded, whichever is more. If the evaded amount is more than Rs 10 lakh, the punishment will involve imprisonment of up to a year or a fine of at least Rs 50,000 or both.

“There has to be some deterrent to stop stamp duty evasion and the higher penalty is fair in that sense. It will also add to government coffers,” said Rakesh Nangia, managing partner, Nangia & Co. He said the increase would also bring uniformity and rationalisation in penalties across states.

Currently, many states levy stamp duty under their own laws. Some such as Assam, Bihar, Odisha and Kerala have adopted the national law. The increase in penalty, if it happens, will be applicable to these states. Some such as Maharashtra, Delhi and Karnataka, which have their own Stamp Acts, had already increased the penalties over the years.

“The penalties we have proposed in the draft Bill is in line with what these states have already enforced,” added the ministry official.

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