



THE EVOLUTION AND CONTEMPORARY RELEVANCE OF THE INDIAN STAMP ACT

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ABSTRACT

The Indian Stamp Act, 1899, is a foundational fiscal statute in India originating from earlier colonial-era laws to integrate a unified system for levying stamp duties on various legal and financial documents. Its fundamental goal is the generation of revenue for the government as well as the conferring of legal validity of instruments, such as sale deeds, mortgages, leases, and other transactional documents. The Act guarantees that these documents are admissible in the court of law and enforces this compliance by penalties and provisions, preventing the use of unstamped or insufficiently stamped papers. This guarantee is made by the mandating of stamp duty payment. Over time, the Act has evolved to keep pace with India's developing economic and administrative landscape by incorporating amendments that broaden its scope and address the emerging needs. In recent years, technological innovations like e-stamping have also emerged, thus modernising the process, allowing faster, more transparent, and secure validation of documents. Today, the Indian Stamp Act is highly relevant, balancing the dual objectives of revenue generation and legal authentication. It enables efficient fraud-resistant transactions within India's contemporary legal and commercial environment.

Keywords: Stamp Duty, Legal Validity, Government Revenue, Administrative Evolution, Modernisation.

INTRODUCTION

Since the earliest days of civilisation, the capacity to exchange information and move goods and documents has been requisite to human society. Trade and commerce have been dependent on the exchange of crucial documents and physical items, including invoices, delivery challans and other records that enable a safer and proper legal transfer of goods. These exchanges are

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crucial for individuals, businesses, and the state. The government had introduced many laws and regulations for the maintenance of accountability and generation of revenue, the Indian Stamp Act, 1899, being one of them.

The Indian Stamp Act, 1899, imposes a duty to pay stamp duty on particular documents, to ensure the legality and enforceability of the document. Also, it must be noted that, by levying duties on certain instruments, the Indian Stamp Act serves as a key fiscal measure. It helps the state in regulating transactions while collecting revenue through stamp duties.

HISTORICAL BACKGROUND

Stamp duties were first introduced in Bengal in 1797 as a way to enhance public resources. Over time, their scope expanded nationally, culminating in the Indian Stamp Act of 1899, which standardised the stamp duty levied on various legal documents and transactions. Notably, stamp duties, excluding the stamp duties collected through judicial stamps or court fees, are included in the concurrent list of the Seventh Schedule of the Indian Constitution, enabling the central and state governments to legislate and collect stamp duties, thus ensuring systematic revenue generation and regulatory oversight.

According to Article 246(1) of the Indian Constitution, when read alongside Entry 91 of the Union List, the Parliament holds an exclusive authority to legislate on matters related to the stamp duty for specific financial and commercial instruments. These instruments include bills of exchange, cheques, promissory notes, bills of lading, insurance policies, as well as the transfer of shares and debentures. This provision ensures uniformity and central oversight in the regulation and taxation of vital financial documents across the country.¹

The Indian Stamp Act, 1899, is a fiscal statute enacted primarily for the collection of revenue by the government and to confer legal authenticity on certain instruments. It mandates the payment of stamp duty on a variety of transactions, especially those related to property and financial agreements, thereby making these documents legally binding and enforceable. Non-compliance with the Act's provisions can result in the documents being declared invalid in the court of law and may also attract penalties, thus emphasising the importance of adhering to its requirements.

¹ Indian Constitution, Article 246(1)

PURPOSE, SCOPE, AND APPLICABILITY

The primary objective of the Indian Stamp Act, 1899, is to secure a reliable and continuous source of revenue for the Indian government. This revenue, so generated, can be utilised by the government to fund various public services and infrastructure development. It acts as a valid legal proof that the stamp duty payable has been paid, thus making it an admissible document in the court of law. The act tries to prevent and eliminate the evasion of taxes. The Stamp Act covers a broad array of instruments, such as agreements, conveyances, mortgages, leases, and various other legal documents used in both commercial and personal dealings. The Indian Stamp Act is applicable across the entire country, despite the fact that certain rules and rates may vary from state to state.

STAMP DUTY LIABILITY, VALUATION, AND EXEMPTIONS ON CHARGEABLE INSTRUMENTS

Chargeable instruments are the legal documents that are subject to taxation by the payment of stamp duties. These include sale deeds, mortgages, promissory notes, leases, bills of exchange and various other financial documents. These documents, upon execution, trigger the obligation to pay stamp duties on the represented transaction. The two main questions are whether the instrument is chargeable or not. And how much duty should be payable upon the document? -depends upon the provisions of the stamp law and the nature of the transaction involved.

The valuation is often done based on *ad valorem*, based on the value of the property or the subject matter specified within the instruments' transaction. In the scenario where the amount is stated in any foreign currency, the exchange rate prevailing on the date of the instrument is used for the valuation.

The Indian Stamp Act also provides for the cancellation of instruments that are insufficiently stamped or are not duly stamped, ensuring that there is compliance and proper enforcement of the law, as instruments that are not properly stamped may be inadmissible evidence in the court of law and can attract penalties. In spite of this, the Indian Stamp Act also specifies certain exemptions from stamp duty, either fully or partially, depending upon the circumstances. These exemptions are particularly applicable to government-issued instruments, certain types of agreements, and transactions involving non-profit organisations, helping to balance revenue generation with practical considerations in specific sectors.

CHARGEABILITY OF INSTRUMENTS AND EXEMPTIONS

Section 3 of the Indian Stamp Act, 1899, is the charging section that specifies which instruments are liable to pay stamp duty.² Subject to the provisions of the Act and exemptions listed in Schedule I, certain instruments executed in India on or after July 1, 1899, are chargeable with the duty amount indicated in that schedule.³ This includes instruments not previously executed by any person and those executed out of India but relating to property or matters connected to India and received within the country.

The section covers specific instruments such as bills of exchange payable otherwise than on demand, promissory notes made outside India but accepted, paid, endorsed, or transferred in India. Additionally, instruments executed outside India but related to property or transactions in India are also chargeable under this section. However, some exemptions apply, such as instruments executed by or on behalf of the government, where otherwise the government would have been liable to pay the duty, and instruments related to the sale or transfer of ships registered under certain shipping laws.

Furthermore, Section 3 exempts instruments executed by or in favour of developers or units connected with the Special Economic Zones (SEZ) as defined under the Special Economic Zones Act, 2005. This exemption specifically supports the purposes of SEZs, encouraging development under the regime set forth by the Act. Overall, Section 3 outlines the framework for charging stamp duty on various important commercial and legal instruments while also providing defined exemptions.

RESPONSIBILITY FOR STAMP DUTY PAYMENT

The Indian Stamp Act, 1899, outline the parties who are responsible for paying stamp duty on the various instruments in its section 29. In the absence of any agreement, the party for every type of instrument must bear the duty. Parties may share the cost equally for some of the instruments. However, section 29 is not exhaustive. For documents not mentioned, the person executing the instrument must ensure proper stamping, which is required at or before execution to keep the document legally valid. This section applies only if there is no special agreement between the parties about payment responsibility.⁴

² Section 3 of the Indian Stamp Act, 1899

³ Constitution of India, schedule I

⁴ Section 29 of the Indian Stamp Act, 1899

MODES OF STAMP DUTY PAYMENT AND LEGAL IMPLICATIONS OF NON-COMPLIANCE

Stamp duty payment is ordinarily shown by attaching stamp paper, proof that the required duty has been paid for the particular instrument, on the very first page of the document. The stamp papers must be defaced, i.e. be physically marked to tie them to the specific document, to ensure that they cannot be used for multiple instruments. There are three main methods to pay stamp duty: physical stamping, digital stamping, and other prescribed ways. They are explained as follows-

Physical Stamping: A physical stamp is a tangible mark on any instrument which indicates that the required stamp duty has been paid for the particular instrument or to show that the instrument has been authenticated. Thus, confirming the legal validity of the document.

E-Stamping / Digital Stamping: It is a digital alternative to the traditional method of stamping the instruments. It allows the stamp duty to be paid online, with the document receiving a digital stamp as proof of payment and authenticity. It simplifies the payment process and prevents excess paper usage, reduces costs and storage issues.

The non-payment of the stamp duties may attract serious legal and financial penalties. Instruments whose duties are not paid are not valid evidence in the court of law, thus incapacitating the person from seeking a legal remedy. The late payments can be cleared at any point in time, but they attract a sanction of about ten times the original duty, emphasising the importance of timely payments. Furthermore, the government officials have the power to confiscate the instruments that are improperly stamped, thus limiting the usability of instruments.

In extreme scenarios, the non-payment of stamp duties may give rise to criminal charges against the particular individual. It is done in order to ensure full compliance with the protection of government revenue and the enforcement of crucial documents and their legal validity.

IMPACT OF STAMP DUTIES AND DIGITAL INNOVATIONS IN PROPERTY REGISTRATION

To the present time, stamp duties play a crucial role in the development of the country, helping in legally validating transactions and maintaining rights on various instruments and documents,

by providing valid evidence for the court of law and preserving legal disputes. These duties are also a crucial source of revenue generation for the government, thus helping in public infrastructure development.

The latest amendments, such as the Registration Bill 2025, have initiated the use of digital processes such as e-stamping and e-signature, making the registration process faster, more transparent, and user-friendly, reducing transaction delays, reducing errors and promoting efficiency. Thus, making the financial transactions smoother and more efficient. This shift to e-stamping signals the significant modernisation of laws- benefiting not only buyers and sellers but also government authorities and other related industries.

The Registration Bill 2025 and the revolution to e-stamping have modernised the property registration process by permitting fully digital online processes, thus enabling faster, transparent and more efficient property transactions with secure digital records. Government benefits from improved accountability, reduced corruption, and better data management, thereby creating a more transparent and user-friendly system. As for legal professionals, it reduces paperwork and speeds up document verification, resulting in the minimisation of fraud and disputes.

CONCLUSION

The Indian Stamp Act, 1899, since its enactment, has been a key in the legal and fiscal architecture of India. It ensures a steady revenue stream for the government of India, and along with it affirms the legal authenticity of documents, thereby safeguarding transactional integrity and providing evidence in judicial proceedings. Over time, the Act has been regularly amended to keep pace with changing economic conditions and legal requirements, thus reflecting its dynamic nature.

Its broad applicability across various financial and property instruments, merged with provisions for exemptions and penalties, strikes a balance between revenue collection and practical enforcement. The Act's evolution, particularly the integration of digital innovations like e-stamping and the recent Registration Bill 2025, exemplifies India's commitment to modernising its legal framework while promoting efficiency, transparency, and user convenience. Thus, in the final analysis, the Indian Stamp Act remains a vital instrument in upholding legal certainty, protecting government revenue, and fostering economic development of the country.