Indian Stamp Bill 2023

Why in news?

The Centre has proposed repealing the Indian Stamp Act, 1899 and bringing in a new law for the stamp duty regime in the country.

India Stamp Act 1899
• It is a fiscal or money related statute that imposes a tax on documents that record transactions involving rights or liabilities. • **Definition-** The law defines the terms instruments and stamps which are the main subjects of the law. • **Instruments-** It includes every document by which any right or liability is or purports to be, created, transferred, limited, extended, extinguished or recorded. • **Stamps-** It has been defined as "any mark, seal or endorsement by any agency or person duly authorised by the State Government, and includes an adhesive or impressed stamp, for the purposes of duty chargeable under this Act" • **Rate of tax-** The law specifies the rate of tax for different types of instruments such as bills of exchange or promissory notes. • **Amendment in 2020**- ***Clearing Corporation of India Limited*** has been appointed as collecting agent for foreign exchange, interest rate and credit derivative transactions which are reported to it.

What is a stamp duty?

- It is essentially a *government tax*, which is levied to register documents, like an agreement or transaction paper between two or more parties, with the registrar.
- **Fixed duty**- The amount specified is fixed based on the document's nature.
- **Ad valorem duty-** It is charged at a certain percentage of the agreement value stated in the document.
- **Coverage**- Stamp duties can be levied on bills of exchange, cheques, promissory notes, bills of lading, letters of credit, policies of insurance, transfer of shares, debentures, proxies and receipts.

  Stamp duties are accepted as a valid evidence in a court of law.

- **Article 268-** Stamp duties are levied by the Centre but appropriated by the concerned states within their territories.

Why is the Indian Stamp Bill, 2023 being proposed?

- **Pre-constitution Act**- The Act was enacted during the British era, though amendments have been made over time, several provisions have become redundant or

inoperative in the face of the current situation and evolving digital era.

- **Lack of clarity**- There are many complexities and ambiguities in the Act's language and its structure can be complex and convoluted, making it difficult for users to understand and comply with its requirements.
- **Time consuming**- Due to complexities in the Act it may lead to confusion, inconsistencies in interpretation, lead to inefficient procedures which is prone to errors and delays.
- **Tax evasion**- The loopholes can be exploited for tax evasion which can lead to revenue loss for the government and unfairness to compliant taxpayers which indirectly hinders economic activity.
- **Stagnant rates**- The stamp duty rates haven't been regularly reviewed or revised leading to distortions and inequities in the system.
- **Technology gaps-** The Act doesn't address the use of technology in financial transactions making it less relevant to the digital age.
- **Regional divide**- There are variations in the stamp duty rates and procedures across different States which would create market distortions and hinders inter-state commerce.

What are the key provisions of the Bill?

- **Aim**- To simplify procedures by simplifying the language, structure, and processes for stamp duty payment and administration.
- **Digital e-stamping**-"Electronic stamp" or "e-stamp" means an electronically generated impression denoting the payment of stamp duty through online means.
- **Digital signatures**- The words "executed" and "execution", used for instruments, will mean "signed" and "signature" and include attribution of electronic records and electronic signatures, as defined under the Information Technology (IT) Act, 2000.
- **Electronic records-** The IT Act defines "electronic records" as "data, record or data generated, image or sound stored, received or sent in an electronic form or micro film or computer generated microfiche."
- **Authenticity**- Digital or electronic signature refers to the authentication of any electronic record by a subscriber through an electronic method or procedure.
- **Penalty**-It seeks to increase the maximum penalty amount from Rs 5,000 to Rs 25,000 for contravening any provisions of the law and impose Rs 1,000 per day for repeated offences.

References

1. Indian Express- Indian stamp act 1899
2. Department of Revenue- Indian Stamp Bill 2023

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