



The Central Government notified the **Indian Stamp (Collection of Stamp Duty through Stock Exchanges, Clearing Corporations and Depositories) Rules, 2019** with effect from **1st July 2020**. Through this amendment there was a revolutionary change in the Indian Stamp Act 1899.

Key Highlights of the Amendment:

1) Uniformity in Stamp Duty across the country:

The Amendment in the act has brought a level of uniformity in the Stamp Duty across the country. The amendments relate not only to the rates of stamp duty but also to the process of levying and collecting stamp duty.

2) Transfer of Securities in Physical mode:

The stamp duty payable of transfer of shares in physical form shall be 0.015% of the total market value of the shares. Market Value means Price /consideration mentioned in the particular instrument i.e. share certificate.

3) Stamp duty on issue of bonus shares:

In case of bonus issue, there is no consideration involved. The Stamp duty is to be collected on market value which is based on price or consideration involved.

4) Stamp duty on Issue of Shares on exercise of ESOP:

Stamp duty will be paid on the exercise price as the Exercise price will be the price/ consideration mentioned in the allotment list for allotment of shares pursuant to exercise of ESOP.

5) Stamp duty on issue of duplicate share certificates

Issue of duplicate share certificates is neither a case of issue or sale or transfer of securities. Hence, no stamp duty is to be paid.

6) No exemption for transfer of securities in dematerialized form

Section 8A of the Act has now been amended and stamp duty exemption available for transfer of shares in dematerialized form has been done away with.

7) In case of transfer of shares by way of gift

In case of transfer of shares by gift, although there is no consideration involved, a gif deed should be executed and stamp duty paid on market value of shares as on the date of gift.

Rates of Stamp Duty:

Following are the pre and post amendment rates of stamp duty on issue of share certificates and transfer of shares as per schedule I of the Stamp Duty Act, 1899 (“the Act”):

| Sr. No | Particulars | Pre- Amendment Rates | Post Amendment Rates |
|---------------|--|---|-----------------------------|
| 1. | Issue of Share Certificates | Varies from state to state | 0.005% for all the states |
| 2. | Transfer of Shares in physical Form | 0.25% | 0.015% |
| 3. | Transfer of Demat Shares | NIL (earlier, it is was exempt to duty) | 0.015% |

It may be pertinent to note that any shares issued or transferred by the Company prior to effective date of this amendment i.e 1st July 2020 shall be subject to old rates of stamp duty.

Timeline to pay stamp duty

As per Indian Stamp Act, timeline to pay stamp duty is within 30 days from event date.

Importance of correct stamp duty on share certificates

Share certificates are conclusive evidence of shareholding of a person. Therefore, it is essential that correct stamp duty within the time frame require by law is paid on the share certificates.

Conclusion:

The Central Government has introduced the new centralized mechanism in order to streamline the process of payment and collection of stamp duty on the securities. Further the stamp duty has been considerably reduced thereby facilitating ease of doing business.