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In The Works: Uniform Stamp Duty for Financial Instruments

Amendment to century-old stamp duty Act likely in winter session

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New Delhi: India will soon have a uniform stamp duty rate across the country on transfer of financial instruments such as debentures and stocks, a key reform that will increase the ease of doing business. Last year India got a nationwide goods and services tax (GST) regime that subsumed various state and central levies.

The Centre and the states have finalised changes to be made to the outdated stamp duty Act that's more than a century old, a top government official told **ET**.

"The proposal is ready — states have been consulted and they have agreed," the official said, adding that the amendment is likely to be moved in the winter session of Parliament. State revenues will be protected, he added.

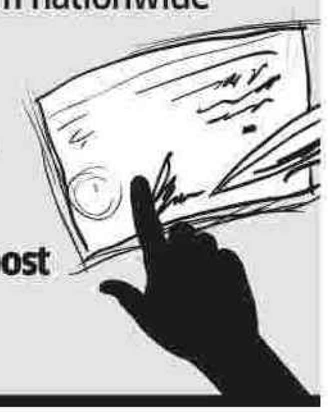
Stamped & Approved

States have come on board and agreed to a single rate

Rates may vary for different states but will be uniform nationwide

Govt to move legislation in winter session to approve reform

Move will help boost corporate bond market



Stamp duty, usually levied on documents and some transactions such as buying and selling of land, has been left out of GST.

Parliament has the powers to prescribe stamp duty rates on instruments such as bills of exchange, cheques, promissory notes, bills of lading, letters of credit, insurance policies, transfer of shares, debentures and proxies. In the case of other instruments, the power to prescribe rates rests with the states.

Differential rates lead to arbitrage, with intermediaries routing transactions through states that offer lower rates than where they originate.

The Securities and Exchange Board of India had earlier asked states to either waive or rationalise stamp duty on financial transactions executed electronically to bring down transaction costs.

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States Reluctant to Give Up Powers

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There have been several attempts to amend the 1899 Act to bring about uniformity but states have been reluctant to give up powers to levy stamp duty.

A high-level expert committee set up by the government had in December 2005 called for addressing the issue of differential stamp duties levied by states on various debt instruments. It had suggested uniform duty rates across states on corporate bonds and debentures.

An expert panel had in Dec 2005 called for addressing the stamp duty issue

The government at the time had proposed the Act's revamp in the FY12 Budget though the exercise had been underway from much earlier. However, it could not make much headway.