



LATEST STATUTORY SNAPSHOT

SATURDAY, 09 FEBRUARY 2019



BUDGET 2019: AMENDMENTS TO THE INDIAN STAMP ACT, 1899 RELATING TO ISSUE OF DEBENTURES

The Finance Bill 2019, proposes to amend the Article 27 of Schedule I to Indian Stamp Act, 1899 (Stamp Act).

The Amendment will bring substantial reduction on the stamp duty payable on issue of debentures.

In terms of Section 2(10A), proposed to be inserted in the Stamp Act through the Finance Act, 2019, “debenture” includes the following: -

- (i) Debenture stock, bonds or any other instrument of a company evidencing a debt, whether constituting a charge on the assets of the company or not;
- (ii) Bonds in the nature of debenture issued by any incorporated company or body corporate;
- (iii) Certificate of deposit, commercial usance bill, commercial paper and such other debt instrument of original or initial maturity upto one year as the Reserve Bank of India may specify from time to time;
- (iv) Securitised debt instruments; and
- (v) any other debt instruments specified by the Securities and Exchange Board of India from time to time;

Presently, Article 27 of the Stamp Act prescribes a stamp duty of 0.05% of the face value of debenture per year subject to a maximum of 0.25% of the face value of debentures or Rs.25,00,000/- (Rupees Twenty-Five Lakhs), whichever is less. However, the Finance Act, 2019 proposes to amend the said Article as a result of which a flat rate of 0.005% of the face value on issue of debentures, regardless of the tenor of the Debenture shall be levied.

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Let us consider a simple illustration to understand the benefit arising from this proposal. If a company issues non-convertible unsecured debenture for a value of Rs.1,00,00,000/- redeemable in 5 years, the stamp duty would be as follows: -

S. No.	Particulars	Stamp Duty as in force presently	After the amendment of Stamp Act through the Finance Act 2019
1	Rate	0.05%	0.005%
2	Tenor	5 years	5 years
3	Duty	Rs.25,000/-	Rs.500/- only

Cautionary Note: Raising money by issuing debentures amounts to borrowing and it will be treated as deposits under the Companies (Acceptance of Deposits) Rules, 2014, unless the debentures are fully secured.

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