

INCREASE IN STAMP DUTY PAYABLE ON ARBITRAL AWARDS IN THE STATE OF MAHARASHTRA

Pursuant to Articles 348 (3) and 213 of the Constitution of India, the Governor of Maharashtra has promulgated an ordinance, being the Maharashtra Stamp (Amendment) Ordinance dated 14th October 2024 (“**Ordinance**”) to amend Schedule -1 to the Maharashtra Stamp Act, 1958 (“**Act**”). Under the amendment, the stamp duty applicable to awards passed in arbitration proceedings arising out of written arbitration agreements (“**Awards**”), has increased drastically. This Ordinance has been brought into force with immediate effect.

Prior to the Ordinance, the stamp duty applicable on Awards was Rs. 500/- (Rupees Five Hundred only); however, pursuant to the amendment under the Ordinance, going forward the stamp duty applicable on Awards shall be calculated as follows:

Particulars	Stamp Duty
Where the Award relates to immovable property	The same duty as leviable to a conveyance as per article 25 clause b of Schedule I of the Act. Article 25 clause b of Schedule I of the Act specifies that the stamp duty would be 3% of the market value of the property.
Where the Award relates to movable property: -	
i. Where the amount granted in the award does not exceed Rs. 50,00,000/-	0.75 % of the amount granted in the Award.
ii. Where the amount granted in the Award exceeds Rs. 50,00,000/- but does not exceed Rs. 500,00,000/-	Rs. 37,500/- + 0.5% of the amount granted in the Award
iii. Where the amount granted in the Award exceeds Rs. 500,00,000/-	Rs. 2,62,500 + 0.25% of the amount granted in the Award

The Ordinance does not cover Awards directing partition. The Ordinance has also increased the stamp duty on other documents. The stamp duty on Affidavits, apprenticeship deeds and other related documents has increased from Rs. 100/- to Rs. 500/-. The stamp duty as applicable to Articles of Association of companies has increased from a maximum of Rs. 50,00,000/- to a maximum of Rs. 100,00,000/-. The stamp duty applicable to works contracts has also increased. A comparative chart reflecting the increase in stamp duty on various instruments is annexed herewith for ease of reference.

This drastic increase in stamp duty has been imposed on the lines of the Karnataka Stamp (Amendment) Act, 2023. According to government authorities, the reason for the increase in stamp duty is to increase the revenue of the state government. Stamp duty is a major source of revenue for many state governments after the State Goods and Service Tax (GST); this move is predicted to increase the revenue generated from stamp duty to almost Rs. 2000 crores.

While this move has been effected on the lines of the Karnataka Stamp (Amendment) Act, 2023, if one were to compare the stamp duty that is imposed in the state of Karnataka after the amendment with the stamp duty that will now be imposed in Maharashtra, it would be evident that the stamp duty as payable in Karnataka is far higher. Even so, this move may disincentivize parties to choose Maharashtra as the venue for arbitration proceedings. Parties may also think twice before choosing arbitration as a preferred mode of dispute resolution where the majority assets of one or more contracting parties are situated in the state of Maharashtra.

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