



Bangalore Chamber of Industry and Commerce

No.1A, Bharat Apartments, 44/1, Fairfield Layout, Race Course Road, Bangalore 560001

Tel: 91-80-22286080-82 Fax: 91-80-22251475 Website : www.bcic.org.in

Stamp Duty implication in Karnataka State in case of amalgamation of Companies holding Property

Annexure

STAMP LEGISLATIONS

The relevant legislation in the State of Karnataka is the Karnataka Stamp Act, 1958. The salient provisions are reproduced hereinbelow:

KARNATAKA STAMP ACT, 1957:

- ❖ Section 3 of the Karnataka Stamp Act, 1957 ("**Karnataka Act**") provides to the effect that *instruments* shall be chargeable with duty of the amount indicated in that schedule as the proper duty therefor.
- ❖ Section 2 (1)(d) defines "Conveyance" as follows:
 - "(i).....
 - (ii).....
 - (iii).....
 - (iv) **every order made by the High Court under Section 394 of the Companies Act, 1956 in respect of amalgamation of companies.**

By which property, whether *moveable or immovable* or any estate is transferred to, or vested in, any other person, and which is not otherwise specifically provided for by the schedule".

- ❖ Article 20 of the Schedule to the Karnataka Act provides as under:
"Art. 20(1) For Conveyance – As defined by clause (d) of Section 2, not being a transfer charged or exempted under No.52, on the market value of the property which is the subject matter of conveyance.
.....
(4) **if relating to an order made by the High Court under Section 394 of the Companies Act, 1956 in respect of:**

(1) Amalgamation of Companies, including a subsidiary amalgamating with parent company	5% on the market value of the property of the transferor company, located within the State of Karnataka and transferred to the transferee company; or
--	--

An amount equal to 0.7% of the aggregate value of shares issued or allotted in exchange, or otherwise and *in case of a subsidiary company, shares merged (or cancelled) with parent company and in addition, the amount of consideration if any, paid for such amalgamation;*

-whichever is higher."

The relevant legislation in the State of Maharashtra is the Bombay Stamp Act, 1958. The salient provisions are reproduced herein below:

BOMBAY STAMP ACT, 1958

- ❖ Section 2(g) of the Bombay Stamps Act, 1958 ("**Bombay Act**") defines "Conveyance", to mean,
 - (g) "Conveyance" includes.-
 - (i) ...
 - (ii) ...
 - (iii) ...
 - (iv) every order made by the High Court under Section 394 of the Companies Act, 1956 in respect of amalgamation or reconstruction of companies; and
by which property, whether movable or immovable, or any estate or interest in any property is transferred to, or vested in, any other person, *inter vivos*, and which is not otherwise specifically provided for by Schedule I."

- ❖ Article 25 of the Schedule provides as under:
 - "25. CONVEYANCE (not being a transfer charged or exempted under Article 59;
.....
(da) if relating to the order of High Court in respect of the amalgamation or reconstruction of companies under Section 394 of the Companies Act, 1956 or 10 percent of the aggregate of the market value of the shares issued or allotted in exchange or otherwise and the amount of consideration paid for such amalgamation;

Provided that, the amount of duty chargeable under this clause shall not exceed,-
 - (i) an amount equal to 5 percent of the true market value of the **immovable property located within the State of Maharashtra of the transferor company**; or
 - (ii) an amount equal to 0.7 percent of the aggregate of the market value of the shares issued or allotted in exchange or otherwise and the amount of consideration paid, for such amalgamation, whichever is higher.
....."