



CIVIL

Clarifying Stamp Authorities' Jurisdiction Amid Arbitration Proceedings

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Introduction

The intersection between arbitration law and the Indian Stamp Act has long sparked legal debate and uncertainty. This complex interplay recently gained renewed clarity following the Supreme Court's landmark seven-judge ruling in *Interplay between Arbitration Agreements under the Arbitration and Conciliation Act, 1996 and the Indian Stamp Act, 1899*^[1]. However, practical challenges remain particularly when stamp duty deficiency proceedings arise concurrently with arbitration.

In this context, the Allahabad High Court's recent decision in *M/s. DLF Home Developers Pvt. Ltd. v. State of U.P. and Others*^[2] (May 9, 2025) provides critical guidance. The Court clarified that the mere pendency of arbitration does not bar stamp authorities from initiating proceedings under the Indian Stamp Act.

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Legal Background: Arbitration Act vs. Indian Stamp Act

The Arbitration and Conciliation Act, 1996 aims to facilitate speedy, efficient dispute resolution with minimal judicial interference. But issues arise when arbitration agreements are unstamped or insufficiently stamped.

In *Interplay* (2024), the Supreme Court held that an unstamped arbitration agreement is not automatically void. Arbitration proceedings should not be halted merely due to insufficient stamping. The Court empowered arbitrators to impound such documents and refer them to stamp authorities, maintaining a balance between arbitral autonomy and statutory compliance.

Case Overview

M/s. DLF Home Developers Pvt. Ltd. faced stamp deficiency proceedings initiated by the District Magistrate of Gautam Buddha Nagar (Stamp Case No. D202211270001599). The company sought judicial intervention via:

- A writ of mandamus to adjourn the stamp proceedings until arbitration and related court proceedings concluded; or
- A writ of certiorari to quash the stamp recovery process altogether.

Their main argument: the stamp authority lacked jurisdiction to proceed while the dispute was sub judice before an arbitral tribunal.

Petitioner's Contentions

- The stamp authority's actions were premature and unauthorized as the dispute including stamp duty applicability was part of the arbitration process.
- The stamp authority had pre-judged the issue, reducing show cause notices to mere formalities.
- The Supreme Court's *Interplay* ruling implicitly restrained stamp authorities from initiating proceedings during pending arbitration.

Respondents' Position:

- The writ petition was premature since notices were preliminary, not final orders.
- Stamp authorities possess independent jurisdiction to act where duty deficiencies are evident.
- The arbitration was stayed by the Delhi High Court, negating the petitioner's claim of ongoing proceedings.

Allahabad High Court's Reasoning and Decision

- **Jurisdiction of Stamp Authorities:** The notices aimed only to determine if a deficiency existed, within statutory powers.
- **Scope of Interplay Judgment:** The Supreme Court decision addressed arbitral appointment stages and did not prohibit stamp authorities from performing their statutory duties during arbitration.
- **Impartiality of Proceedings:** Following precedents like Siemens Ltd. and Oryx Fisheries, the Court held that issuance of show cause notices does not imply bias if parties are given an opportunity to respond.
- **Prematurity of Writ:** Since the petitioner replied to the notices and no adverse order had yet been issued, judicial intervention was premature. Additionally, delay in seeking relief weakened the petition's case.

Key Takeaways

- **Stamp Authorities Retain Independent Jurisdiction:** Even during arbitration, they can investigate and proceed with stamp duty deficiency cases.
- **No Absolute Bar from Interplay:** The Supreme Court judgment balances arbitration autonomy with statutory compliance, without providing a blanket protection to arbitration agreements against stamp proceedings.
- **Bias Must Be Proven:** Allegations that show cause notices are mere formalities require solid evidence of premeditation.
- **Premature Judicial Review Is Discouraged:** Courts generally avoid intervening in preliminary administrative actions where alternative remedies remain available.

Conclusion

The Allahabad High Court's ruling in DLF Home Developers reaffirms the delicate balance between the autonomy of arbitration and the statutory obligations under the Indian Stamp Act. While arbitral tribunals can impound and refer unstamped documents, their jurisdiction does not eclipse the Collector's authority to enforce fiscal duties.

This judgment also exemplifies judicial restraint, cautioning against premature interference in administrative processes. For stakeholders, it underscores the need to address stamp duty issues alongside arbitration rather than expecting arbitration to act as a shield against statutory compliance.

For more details, write to us at: contact@indialaw.in

[1] (2024) 6 SCC 1

[2] WRIT C No. 13451 of 2025

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