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REAL ESTATE

Market Value on Execution Date Controls Stamp Duty, Rules High Court

AUTHOR Suresh Palav

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Introduction

Stamp duty, a form of tax levied on legal instruments under the Indian Stamp Act, 1899, is central to property transactions by ensuring the enforceability of documents and contributing to state revenue. A recurring issue in its application has been whether the duty on a sale deed should be assessed based on the market value prevailing on the date of the agreement to sell or at the time of execution and registration of the sale deed. This question came under judicial scrutiny in a recent decision of the Punjab and Haryana High Court dated 14 July 2025, where a Division Bench comprising Justice Anil Kshetarpal and Justice Rohit Kapoor clarified that the relevant date for valuation is the date of execution of the sale deed, not the date of the earlier agreement to sell.

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Legal Framework

The determination of stamp duty is governed primarily by the Indian Stamp Act, 1899, which has been amended by various states, including Punjab. Key statutory provisions considered in this case include:

- **Section 3**: Levy of stamp duty on instruments, not transactions.
- **Section 17**: Instruments must be stamped at or before execution.
- **Section 27**: All relevant facts affecting duty must be set forth in the instrument.
- **Section 2(10)**: Defines “conveyance” to include instruments by which property is transferred inter vivos.
- **Schedule I, Entry 23** (Punjab Amendment): Prescribes stamp duty rates based on the consideration set forth in conveyance deeds.

The core legal issue revolved around the interpretation of these provisions, particularly Section 3, which imposes duty on the instrument of conveyance, and not on the underlying transaction.

Factual and Procedural Background

The petition in Uggar Singh v. State of Punjab arose out of conflicting precedents regarding the date for assessing market value for stamp duty purposes. The divergence of judicial opinions on this issue led to a reference being made to a Division Bench. The petitioner contested the assessment of stamp duty based on the market value prevailing on the date of execution of the sale deed, asserting that the applicable rate ought to be the one in effect on the date of the earlier agreement to sell.

Judicial Analysis

The Court undertook a detailed review of statutory provisions, state amendments, and precedent. It emphasized that:

- Stamp duty is levied on the instrument (i.e., the registered deed), not on the transaction or prior agreements.
- The market value at the time of execution of the sale deed is determinative for stamp duty purposes, regardless of when the agreement to sell was executed or whether a decree of specific performance intervened.

The Court relied heavily on the Supreme Court decision in State of Rajasthan v. Khandaka Jain Jewellers, (2007) 14 SCC 339, where it was held that the relevant market value is that which exists on the date of execution of the conveyance deed.

The Division Bench also referred to:

- **State of Haryana v. Manoj Kumar**, (2010) 4 SCC 350: The Supreme Court invalidated attempts to evade higher stamp duty by filing suits for specific performance based on older agreements.

- **Shanti Bhushan (Dead) through LRs v. State of UP**, 2023 INSC 425: Reaffirmed that the market value on the date of the conveyance deed is controlling for stamp duty.

The Court distinguished the ruling in **M/s Residents Welfare Association, Noida v. State of UP**, (2009) 14 SCC 716, which dealt with assignment deeds (governed by Article 63) rather than conveyances by sale. Hence, that precedent was found inapplicable to the current dispute.

Clarifying the Law

The Court explicitly overruled the judgment in **Harvinder Pal Singla v. State of Haryana**, where stamp duty was assessed based on the market rate on the date of agreement to sell. The Division Bench held that this view was not good law, as it failed to consider the binding precedent laid down in Khandaka Jain Jewellers and misapplied the law governing assignments rather than conveyances.

The Court reiterated that Section 3 read with Section 17 of the 1899 Act mandates that the instrument of sale, when executed, must be duly stamped, and the stamp duty must reflect the then-prevailing market value.

Conclusion

The Punjab and Haryana High Court has decisively settled that for conveyance/sale deeds, the applicable market rate for computing stamp duty is that which is in force at the time of execution and registration of the deed, not at the time of the prior agreement to sell. This ruling ensures clarity and consistency in the application of stamp duty laws and precludes revenue leakage through backdated agreements.

This judgment aligns with long-standing Supreme Court precedent and is now the authoritative law within the jurisdiction of the Punjab and Haryana High Court.

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