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Case Law

Supreme Court Clarifies Stamp Duty and Registration Rules for Court-Auctioned Properties

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JUDICIAL INSIGHT

Case Title

State of Punjab & Anr. v. M/s Ferrous Alloy Forgings Pvt. Ltd. & Ors. [Civil Appeal No. 12527 of 2024 arising out of SLP (C) No. 23347 of 2014]

SUPREME COURT CLARIFIES STAMP DUTY AND REGISTRATION RULES FOR COURT-AUCTIONED PROPERTIES

Facts of the Case:

- M/s Punjab United Forge Limited was ordered to undergo liquidation under the Companies Act, 1956.
- IFCI, acting as a secured creditor, obtained court approval to auction the company's mortgaged and hypothecated assets.
- M/s Ferrous Alloy Forgings Pvt. Ltd., linked to Respondent No. 1, won the auction. The High Court and the official liquidator confirmed the sale.
- Respondent No. 1 paid the full auction price of ₹2.25 crore and sought a sale certificate, asserting eligibility due to shared management between the entities.
- The Company Judge ruled that stamp duty should be calculated based on the auction price. However, Respondent No. 1 contended that sale certificates issued in court-supervised auctions are exempt from registration under Section 17(2)(xii) of the Registration Act, 1908.
- The Registrar insisted on stamp duty payment before issuing the sale certificate, prompting Respondent No. 1 to file a writ petition.

HIGH COURT'S FINDINGS:

The High Court ruled in favour of Respondent No. 1 and made the following key observations:

- Sale certificates issued in court-approved auctions are not subject to mandatory registration under Section 17(2)(xii) of the Registration Act, 1908.
- Stamp duty is only payable if the sale certificate is used for purposes requiring such payment.
- The Registrar was directed to issue the sale certificate without demanding stamp duty and to refund any previously deposited amounts.

LEGAL ISSUE:

Is an auction purchaser required to pay stamp duty to obtain a sale certificate under the Stamp Act and Registration Act?



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Supreme Court's Decision:

The Supreme Court upheld the High Court's judgment and clarified the following:

- Sale certificates issued in court-approved auctions are evidence of title transfer but do not establish or extinguish ownership.
- These certificates are exempt from registration under Section 17(2)(xii) of the Registration Act, 1908.
- Stamp duty is only applicable if the certificate is submitted for purposes that necessitate registration under Articles 18 and 23 of the Stamp Act.
- If the certificate is not used for such purposes, no stamp duty is required.
- The Court justified the writ petition under Article 226 due to the specific nature of the dispute and its limited scope.

Outcome

The Supreme Court dismissed the State of Punjab's appeal, affirming the High Court's directions to issue the sale certificate without requiring stamp duty and to refund any previously deposited amounts.



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