

GRC BULLETIN

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Case Law

Supreme Court eases corporate compliance:
No additional stamp duty on share capital
increases after cap reached

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JUDICIAL INSIGHT

Case Title

*State of Maharashtra &
Anr. v. National Organic
Chemical Industries
Limited (NOCIL) April
2024*

SUPREME COURT EASES CORPORATE COMPLIANCE: NO ADDITIONAL STAMP DUTY ON SHARE CAPITAL INCREASES AFTER CAP REACHED

Facts of the Case:

- **National Organic Chemical Industries Limited (NOCIL)**, a company incorporated under the Companies Act, initially paid stamp duty of ₹1,12,80,000 in 1992 when it increased its authorized share capital from ₹36 crore to ₹600 crore under the **Bombay Stamp Act, 1958**.
- Subsequently, NOCIL further increased its authorized share capital and filed the requisite forms with the **Registrar of Companies (RoC)**.
- The **State of Maharashtra** demanded additional stamp duty for the subsequent increases in authorized share capital, asserting that each increase necessitated separate stamp duty payments

Issue:

- **Whether a company is liable to pay additional stamp duty on every increase in its authorized share capital if the maximum prescribed duty has already been paid under the relevant stamp laws?**

Supreme Court's Verdict:

- The **Supreme Court** held that once the **maximum stamp duty** payable on the authorized share capital of a company has been paid, **no additional duty is payable** for subsequent increases, **unless expressly required by law**.
- The Court clarified that the form filed with the RoC, notifying the increase in authorized share capital, **does not constitute an instrument** for the purpose of levying stamp duty under the **Bombay Stamp Act, 1958**.
- It emphasized that unless the state legislation specifically mandates payment of stamp duty on each increase, companies are **not obligated** to pay additional duty beyond the maximum cap.

Significance:

- This judgment provides **clarity and relief** to companies regarding stamp duty liabilities on increases in authorized share capital.



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- It ensures that companies are **not subjected to multiple stamp duty payments** for subsequent increases, provided the maximum duty has been paid, thereby **reducing the financial burden** on corporate entities.
- The decision reinforces the principle that **statutory provisions must be explicit** in imposing financial obligations, and **ambiguities cannot be used to levy additional duties**.

Conclusion:

The Supreme Court's ruling in this case is a landmark decision that **streamlines corporate compliance** and **promotes ease of doing business** by preventing redundant financial impositions on companies expanding their capital base.

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