

OFFICE OF THE COLLECTOR OF STAMPS (HQ)
REVENUE DEPARTMENT, GOVT. OF N.C.T. OF DELHI
B-205, 5, SHAM NATH MARG, DELHI - 54.

F.10(9970)/COS(HQ)/CD/ 3064

Dated: 25/09/2014

ORDER

Present: Ms. Manisha Narang, Consultant & Naveen Chandra Kushwaha, Company Secretary of Reebok Indian Company.

This order shall dispose of application dated 25.02.2013 & 26.08.2013 filed by M/s Reebok Indian Company for adjudication of stamp duty on debenture certificate. The company in its application stated that Reebok India Company has been incorporated as an unlimited liability company & the provisions of a private company have been adopted in the Articles of a private company. Reebok India company has in the Board meeting held on February 01, 2013 and August, 02, 2013 allotted Compulsorily Convertible Debentures of INR 17,177,078,000 and INR 1,048,764,000 respectively. The company in its written submission filed as 18/05/2014 on the applicability of charging stamp duty under article 19 of the Indian Stamp Act, 1899, submitted that Debentures cannot be classified under shares, scrip of stock. The debenture is an acknowledgement of a debt with a commitment to repay the principal with interest. Thus, unlike shares, Debentures are debt instruments.

The representative of the company further contended that, in absence of an express entry under the Indian Stamp Act on the exact levy of stamp duty payable on non-marketable debentures, classifying it under the Article 19 of the Indian Stamp Act would not be rightful and just. It was further argued that, Article 27 provides for maximum duty payable in respect of marketable debentures as INR 25,00,000 (Twenty five lacs), whereas Article 19 does not provide for any maximum amount.

The company draw attention towards a decision of Delhi High Court in Collector of Stamps vs. SE investments ltd. Ors & stated that the Double Bench of Delhi High Court upheld that a specific entry is required to enable Collector of Stamps to collect stamp duty. In our matter, there is no entry for imposition of duty on issuance of non-marketable debentures.

Thereby, if Article 19 is made applicable for a Private Company with only two shareholders issuing debentures to one of its shareholders, the Private Company would end up paying more duty than a Company which gets its debentures listed on a stock exchange, if the value of debentures issued is more than INR 250,00,00,000 (Two Hundred Fifty Crores). Thereby, a much larger amount of stamp duty can become payable by a private company issuing non-marketable debenture than a Company issuing marketable debentures. This can never be the intent of the law-makers.



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I have heard the contention of the company & also gone through submission made by the company it is stated that the definition of 'Certificate' under Article 19 of Schedule 1A of the Indian Stamp Act, 1899, as applicable to Delhi is clear enough to bring Compulsory Convertible Debentures under its ambit as it refers to certificate to become proprietor of shares.

Article 19 of Indian stamp act provides for duty payable on **certificate or other Document, evidencing the right or title of the holder thereof**, or any other person, either to any shares, scrip or stock in or of any incorporated company or other body corporate, or **to become proprietor of shares**, scrip or stock in or of any such company or body.

Duty: One Rupee for every one thousand or a part thereof of the value of shares, scrip or body

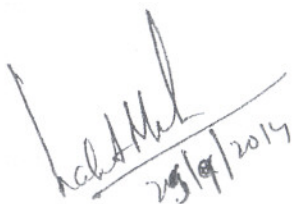
The above highlighted portion makes it clear that Article 19 not only covers the certificate or document which evidences the right or title of the holder thereof, but also covers within the right or title to become proprietor of shares, scrip or stock in the company. A compulsory convertible debenture is a certificate that falls within the latter category as it evidences the right to become proprietor of shares.

In view of the above, it is clear that the stamp duty would be payable on the certificate titled as Compulsory Convertible Debenture, being issued by M/s Reebok India Company under Article 19 as it gives right to become proprietor of shares. It should further be noted that on conversion of the said Compulsory Convertible Debentures, the resultant equity shares shall also need to be stamped and stamp duty needs to be paid under article 19.

The company is directed to pay stamp duty of Rs 1,82,25,842/- within 30 days, failing which the same shall be recovered as arrears of land revenue.

The matter is listed for 24th October, 2014 for compliance.




(Lalit Mohan)
COS/SDM-II(HQ)
25/09/2014

To,

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