

## **Mergers and Acquisition Alert** Delivering Clarity

### **Amendment to stamp duty and registration fees in Tamil Nadu on amalgamation or reconstruction of companies**

**Issue no:** M&A/01/2019

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## Background

- On 20 November 2018, Inspector General of Registration, Chennai issued a circular<sup>1</sup> clarifying that scheme of amalgamation or reconstruction evidences transfer of property and would be classified under Article 23 of the Indian Stamp Act, 1899 i.e. 'Conveyance'.
- This circular did not mention the rate of duty which would apply, how the stamp duty would be calculated and how registration fee would be calculated. This led to confusion and several representations were made to the state government to provide clarity. Pursuant to the above, the state government provided clarifications on the above in the Budget proposals for the year 2019-2020. The Government of Tamil Nadu gave statutory effect to the same on 1 March 2019<sup>2</sup>.

## Key amendments

- The stamp duty on transfer of property in respect of amalgamation or reconstruction of companies will be higher of the following:
  - 2 percent of the market value of the immovable property; or
  - 0.6% of the aggregate of the market value of the shares.
- The registration fees payable on such transactions will be fixed at a maximum of INR 30,000.

## Key takeaways

Companies whose schemes are pending approval before the National Company Law Tribunal (NCLT) and companies proposing to undertake amalgamation or reconstruction having registered office in Tamil Nadu or having immovable property in Tamil Nadu, may consider the impact of above amendment.

Ambiguity continues on quantum of duty applicable on schemes approved by the Chennai bench of NCLT, prior to 1 March 2019.

### Source:

1. Circular No. 49282/P1/2018 dated 20 November 2018 issued by Inspector General of Registration, Chennai
2. Order issued by Commercial Taxes and Registration (J1) Department - G.O.(Ms.) No. 29 dated 01 March 2019

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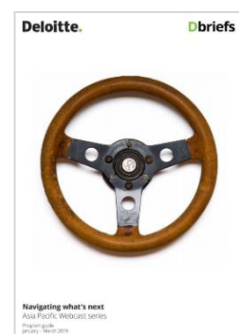
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