Auditors, accountants and NGOs have remained concerned with revenue stamps for as long as one can remember. There was a time when it used to cost only 20 paise but was sure to be worthy of any junior auditor’s comment. Even today, mention of revenue stamp in a workshop will wake up even the sleepiest participant.

This issue of AccountAble is therefore dedicated to a 205-year-old relic of the British East India Company — The Revenue Stamp!

History
Revenue Stamps and stamp paper are often treated with awe and respect. People think that a document on stamp paper is somehow more authentic or genuine than one on plain paper. If we go back to the origin of stamp duty, we find that it was not intended to make documents more authentic. It was simply meant to raise revenue for East India Company.

The British first introduced stamp duty in India in 1797. Initially it was limited to Bengal, Bihar, Banaaras and Orissa. It replaced a tax, which was collected earlier from Indian merchants and traders for maintaining the police. It also helped pay for court fees and generally increase the revenue. At that time, there was no income tax, excise or custom duty – the government was run mainly from land revenue.

As the British extended their empire in India, the coverage of stamp duty also increased. It was first formalized by Act XXXV in 1860, just after the East India Company had been replaced by the British Crown. After several amend-

1 This is a misconception. Revenue Stamps or stamp paper are used to collect fees for maintaining the courts. They do not certify the genuineness or falsity of a document. This is all the more true after the Telgi scandal has become public.

2 Curiously enough, in the colonial days, the phrase ‘South-east Asia’ did not exist. The term ‘East India’ was, therefore, used to refer to countries such as Burma, Thailand (Siam), Cambodia, Indonesia, Borneo, Java, Sumatra, Malaysia, etc. [‘A New Map of East India’, 17th century map of South-East Asia, p.12, Angkor: Cities and Temples; ‘A General Map of the East Indies’ by Richard Blome, 1683 CE, p. 96, Ayutthaya: Venice of the East]
ments, the present law, called the Indian Stamp Act emerged in 1899. Rules (Indian Stamp Rules) were framed in 1925. The Act itself has been amended 51 times since 1899. The last amendment was made in 2004.

The Act covers stamp duty in various forms. Stamp duty on transfer of land, insurance policies, promissory notes, power of attorney, etc. are all covered under this act. The Act has also been amended by various states and rates of duty differ from state to state.

The Act also covers revenue stamps on receipts. Apparently, this section operates uniformly across India. The present issue of AccountAble deals with revenue stamps on receipts only.

Stamps on Receipts
In the following paragraphs, we take up some commonly confused issues.

More than 5,000 rupees
The revenue stamp is required only on transactions exceeding Rs.5,000. No stamp would be required if the amount is Rs.5,000. But if the amount is even one paisa more than Rs.5,000, a stamp is required.

How much
What is the value of the revenue stamp to be used? Only Rupee 1 on each receipt. It does not matter whether the amount of the receipt is Rs.5,100 or 5,10,000.

Taking a receipt
If you make a payment of more than Rupees 5,000 to any one, you can insist on getting a stamped receipt (section 30). This does not apply to receipts covered by any exemptions noted here.

If the payee refuses to give a stamped receipt, he can be punished with fine up to Rs.100 (section 65).

Receiver pays for the stamp
A dispute often arises about who should bear the cost of revenue stamp? The law is quite clear on this. The person who receives the payment is required to affix the stamp and pay for it (section 30).

However, in practice, often the organisation making the payment also provides the revenue stamp.

Cheque or cash
Revenue stamp is required whether the receipt is for cash or cheque. It is also required when you receive any movable property as payment against some debt/loan.

Credit Cards
Some NGOs selling handicrafts etc. have started accepting credit cards. What happens in such a case? Should they put a revenue stamp on the charge slip?

When a customer pays through the credit card, he / she is not paying any money. The charge slip is merely acknowledgement of a debt. Therefore, you don’t have to use a revenue stamp.

Debit Cards
In the case of debit cards, the position is slightly different. The amount is directly transferred from the customer’s bank account to the shop’s account. Is a revenue stamp required in this case? Not ordinarily. A revenue stamp would be required only if the customer insists on a formal receipt from the shop.

Bank Payments
What happens when you deposit funds into your bank account? No revenue

3 Substituted by the Finance (No. 2) Act, 2004 (23 of 2004), S.117(iii), for “five hundred rupees” (w.e.f. 10-9-2004)

4 A cash memo is not a formal receipt.
stamp is required for this. Similarly, no revenue stamp is required when you withdraw funds from the bank or encash a third party's cheque.

However, revenue stamp is required when you encash a fixed deposit made with the bank.

Cash Memos
If the cash memo does not say that payment has been received (or goods delivered), then it is merely a memorandum of goods sold. No stamp is then required.

One rupee stamp not available
You can fix two or more stamps so that these add up to one rupee.

What if even these are not available? In practice, people leave such receipts unstamped. Some even note the non-availability of revenue by using the abbreviation ‘RSNA’. What does RSNA mean? Revenue Stamp Not Available!

Cancelling the stamp
The revenue stamp should be cancelled so that it cannot be re-used. This can be done by crossing it with two lines or putting a cross mark (X) or by signing across the stamp (section 12).

If the stamp is not canceled properly, the receipt is treated as unstamped. A fine upto Rs. 100 can also be imposed (section 65).

No stamp on donation receipts
If you are issuing a receipt for donation or a gift, there is no need for a revenue stamp. Such receipts are exempt under the Indian Stamp Act because these are payments without consideration.

Grants from funding Agencies
The above exemption may not apply to grants from funding agencies. Give a stamped receipt if the funding agency desires it or you wish to use a stamp anyway.

Staff Payments

Advance for expenses
No revenue stamp is required when you pay the money to a staff member for office expenses. Again, when unspent money is refunded later, no stamp is required. These are payments without consideration.

Loan/ Personal Advance
Revenue Stamp is required on receipts for loan or personal advance given to any member of staff. Revenue stamp is also required when the loan is recovered.

Salary Payments
Revenue stamp is required when salary, pension or other similar payments are made.

IOU
A person may borrow some money, promising to return it shortly. In such cases, people sometimes do not make out vouchers. They simply write IOU and the amount taken on a piece of paper. Then they sign the paper. Later, when they return the money, the slip is torn up.

Such IOUs (I owe you ...) are treated as receipts and require the normal revenue stamp.

Fixing it later
Suppose you pay money to another person and he gives you a receipt without revenue stamp. In such a case, you can yourself put a revenue stamp on the receipt/ voucher and cancel it.

Copy of a receipt
What happens if someone asks you for a copy of the receipt? No stamp is required if you are giving a copy of a receipt which had been stamped to begin with. But if you are issuing a duplicate receipt, you need to put a stamp!

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5 Exemption h, Article 56, Schedule I
6 Exemption b, Article 53, schedule I

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7 Salary and pension payments to armed forces and mounted police constables are exempt from this requirement (exemptions d and f, Article 53, Schedule I).
Splitting payments
Anyone who splits the payments in order to avoid revenue stamp can be penalized up to Rs. 100 (section 65).

Penalties
Can not be used as evidence:
An improperly stamped receipt cannot be used (by the receiver) in a court case. However, the payer can use the receipt against the receiver by fixing the stamp later.

Confiscation
Documents that are not stamped properly can be impounded by any public officer. These may be then sent to collector who will order for extra duty and penalty.

Who can Confiscate
Any public officer (collector, district magistrate, etc.) can seize /confiscate any receipt that is not properly stamped. The state government can decide which persons will be called public officers for this. However, police officers are not authorized to confiscate such receipts (section 33).

Extra duty
The collector can order extra duty up to ten times to be paid.

Fine
Fine up to Rs.100 can be imposed for not using revenue stamps where required or for not cancelling stamps properly (section 65).

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