

(1) Number of pages 12

(2) Date of repair 29.4.70

(3) Initials of the Referencer _____

MADRAS RECORD OFFICE

GOVERNMENT OF MADRAS

EX DEPARTMENT

G.O. No.	2792	~~Press~~
B.P. No.		Mis.
Dated	24.11.1876	196

Not to be folded or roughly handled

B.R.G

Stamps.

No. 58. *Read the following letter from A. P. HOWELL, Esq., M.A. Officiating Secretary to the Government of India, Home Department (Judicial), to the Chief Secretary to Government, dated Simla, 30th October 1876, No. 20—1729:—*

With reference to the Financial Department Resolution, No. 632, dated the 7th June last, I am directed to forward the accompanying report of the Stamp Committee, and to request that His Excellency the Governor in Council will be good enough to consult such experienced local officers as he may deem necessary on the several recommendations made by the Committee, and to submit his opinion regarding them at a very early date—by the 1st January next if possible.

2. I am especially to invite attention to the fact that the evils of the existing system of adhesive stamps consist not merely in the loss of revenue consequent on the fraudulent use of the same stamp more than once, but in the inevitable demoralization which is produced by the temptation to fraud held out by that system.

REPORT of the STAMP COMMITTEE appointed by the Government of India under Resolution in the Financial Department, No. 632, of June 1876.

In dealing with the questions on which we have been required to report, it was found that they were somewhat different from those on which they were originally framed, and in the following manner.

I.—On a comparison of the merits of the two systems, the impressed paper and the adhesive label, and putting aside the considerations of risk of frauds and possibility of preventing them, is the retention of the latter kind of stamps to be recommended on the score of convenience to the public, and advantage to the revenue?

II.—If it be determined to maintain the label system, then—

- (1) How can the labels be cancelled so effectually as to render their re-use impracticable?
- (2) What can be done towards enforcing the responsibility of officers through whose hands stamped documents pass for defacing the stamps affixed, or seeing that the stamps are properly defaced, and not removed from the documents whilst the cases to which they relate are pending?
- (3) What efficient check upon tampering with stamped documents after they reach the record-room can be provided?

III.—If the conclusion be that the label system cannot be retained without loss to the revenue, can any plan short of its absolute abandonment be safely recommended—either

- (1) Reversion to the use of impressed papers for the particular denomination of Court-fee more frequently levied, i.e., 8 Annas, &c., or
- (2) The use of stamped forms of processes, or both?

IV.—Can any measures be recommended for the prevention of alleged frauds in respect of Hundi, and the 1 Anna revenue stamp?

V.—Can any arrangements (administrative or otherwise) be devised for the more efficient working of the Stamp and Court-fees laws?

VI.—Can the existing stamp duties be unobjectionably increased, or such amendments of the law effected as are likely to prevent, or reduce the opportunities for their evasion?

2. Putting aside the question of revenue, we are of opinion that the use of adhesive stamps is convenient to the people and the Courts of Justice.

The injury sustained by the holders of impressed stamps through spoiling is considerable. In the process of engrossing on these papers the requisite written matter, errors are frequently made to such an extent that their correction renders the document unfit for presentation. In such cases, a refund of the value of the spoiled paper is claimable, but in the large majority of cases the value of the stamp is only 8 Annas or less, and the loss of time, trouble, and actual expense involved in obtaining the refund are such that the holder of the spoiled paper finds his net advantage in foregoing the claim.

Again, it would be difficult, even if a stock of impressed papers calculated to meet average demands suited to the requirements of the existing Court-Fees Schedules was maintained in each district, to obtain at short notice and within a convenient distance any particular denomination of stamp that a person might require, whereas the use of adhesive labels enables the person liable to Court-fee charges to make up the amount which he requires at any time with the utmost possible facility.

Adhesive labels are also much more portable, need comparatively little space for storage, are more easily made available for use when required, and are less susceptible of deterioration than the impressed stamps.

The most serious objection to the adhesive labels as now provided that has been put forward is that from want of the expression upon the stamp of its particular value or denomination in the current language of the place in which it is sold, purchasers are put to inconvenience through having to rely upon the services of an interpreter, and are sometimes more or less defrauded by the stamp-vendors. This objection, which is a substantial one, can and should be met by the impression on the labels of the appropriate value or denomination in the vernacular languages most common in each of the Provinces of the Empire respectively. Thus, for use in the Bombay Presidency the value of the stamps should be in Marathi and Gujarati; for use in the Madras Presidency in Tamil and Urdu; in Telugu and Gujarati for the Western Provinces.

3. We have not been able to obtain any statistics showing the saving effected by the substitution of adhesive labels for the impressed papers; but we observe that the forecast of reduction in supply expenditure in Bengal alone amounted to no less than five lakhs; and though this was doubtless a too sanguine estimate,* the actual saving must have been very considerable, and the collateral advantages of easy storage and reduced labor in the inspection of stores must not be disregarded.

There is also a very important indirect gain to the revenue in the fact that by using adhesive stamps it is possible to graduate much more finely than could otherwise be done the scale of fees chargeable on plaints and similar documents. If the use of adhesive stamps was altogether abandoned, the number of separate values which are now represented without difficulty must necessarily be greatly reduced; the scale of fees could not be so closely graduated, and the resulting irregularity of the rate of duty would either cause hardship to individuals or lead to a considerable loss of revenue.

4. For the reasons already given, we would gladly recommend the retention of the present system of adhesive stamps if any practicable means could be devised for preventing the frauds which have been of such frequent occurrence in many, if not in all, parts of the Empire. These frauds have been perpetrated by removing used labels and re-using them in lieu of fresh labels.

Under the existing law, adhesive stamps when used are cancelled by punching out the figure-head of each stamp, and this method of cancellation would be sufficient to prevent the fraudulent use of stamps a second time, if confidence could be placed in the honesty of the officers of Government, whose duty it is to see that documents are properly stamped, and to cancel the stamps at the proper time. Experience has, however, shown that so long as adhesive stamps are so generally used as at present, many documents to which such stamps are affixed, must often be examined, and the stamps cancelled by men who are not superior to the temptation to fraud afforded by the use of adhesive stamps.

No method of cancellation which has been discussed by the Committee is of such a nature as to render unnecessary honesty on the part of the officials who examine and cancel the stamps.

5. It has been suggested that the stamps should be cancelled by a written or printed endorsement showing the date of cancellation; but the Committee are unable to discover any means of ensuring that such cancellation would always be made by a material which could not be removed without permanently injuring the stamp.

Obliteration by means of perforation of the stamp through the use of moveable date plugs would probably prove effectual in its operation; but we are precluded from recommending the adoption of this plan, as it appears from the report of Messrs. De La Rue of London, who were consulted on the subject, that the cost of the necessary perforating machines would be excessive; and as their acting power becomes readily deranged, their constant use by unskilled hands would be found impracticable.

The Head of the Telegraph Department has been consulted in regard to the use of eyelets which is one of the devices suggested for preventing the removal of these labels; but he is of opinion that the eyelets are an effectual protection only when the paper to which they are affixed is of a very fragile description, that they could be removed from ordinarily thick paper in such a manner as to admit of fresh eyelets of similar pattern being attached and adhering firmly to the same paper, and that consequently their use would not secure the object in view.

We are therefore shut up to the conclusion that no available device yet proposed is adequate to the prevention of the removal of used labels.

6. Equally impracticable does it appear to us to secure the revenue against the risk of removed labels being used a second time, for, if through the negligence or dishonesty of the officer whose duty it is to receive papers put into any Court or office and deface the stamps affixed thereto, stamps previously cancelled or uncancelled are attached in lieu of stamps and pass into the Court as if they were new. The fraud is successful, and the fraud is successful, if detected, at any subsequent period that they have been so re-applied, and the fraud is successful. No absolute dependence can be placed upon the carefulness or integrity of any such officer when he knows that any such misconduct on his part is hardly capable of being proved. Nothing short of requiring that every Judge of a Court or Head of a Public Office should himself inspect and attest the correctness of every stamp affixed to any paper before it is filed, or in any way acted upon would be effectual, and such a rule, if applied in the case of every stamped paper passing into a Court or Public office, would not be capable of enforcement.

7. We do not therefore see our way to any recommendation by which these frauds are likely to be prevented, so long as the adhesive label system is retained in its entirety; and it becomes necessary to consider whether the loss to the revenue from these frauds is so great as to counter-balance the gain obtained by the reduction of expenditure resulting from the substitution of the labels for the impressed stamps.

8. It has been found impossible to ascertain, or to estimate with accuracy, the loss of revenue that has resulted from the numerous frauds that have undoubtedly been committed. In addition to the reported cases of fraud, there is little doubt that many others have occurred which have not been discovered and reported to Government; and even where a case of dishonest removal of stamps from old records has been fully inquired into, and the number of removed stamps ascertained with complete accuracy, it by no means follows that these stamps have all been used a second time, and it is only in their use a second time that the revenue suffers loss.

On the other hand, the direct gain from the use of adhesive stamps does not probably exceed 2½ lakhs of Rupees, but the indirect gain must be considerable, although we are unable to estimate it.

We are, therefore, unable to determine with certainty whether the loss of revenue through frauds has been greater than the gain, direct and indirect, due to the use of adhesive stamps.

9. But independently of the question of the loss of revenue, there is such evidence of numerous and serious frauds that we would not hesitate to recommend the re-use of impressed stamps, if no other means presented itself for remedying the present state of affairs, which, by

placing temptation in the way of the inferior ministerial officers of the Courts, has tended so greatly to their demoralization.

We are not, however, prepared to advise an absolute return to the impressed stamp system at least until a more moderate course has been fairly tried and found ineffectual in removing the evil, for the evenly graduated ascents of the existing schedule of *ad valorem* duties could not be maintained concurrently with the general use of impressed stamps, and we are clearly of opinion that the interests alike of the State revenue and the public urgently demand the retention of the present sliding scale of rates which was framed with much care to secure the revenue against the loss which it sustained under the former system of "jumps," without at the same time increasing the average burden of taxation. That system could not be reverted to without one of two evil results, namely, either the abandonment of much revenue or considerable hardship to the tax-payer in certain cases.

10. We have above expressed our belief that due adherence to the conditions of the law and the rules of the executive for the security of the revenue cannot be relied upon unless the Judge of the Court or the Head of the Office into which stamped documents pass personally attests the proper state of the stamps affixed, before any action is taken upon the documents bearing them. Such a rule, we pointed out, could not be enforced in respect of *all* stamped papers; but

- (1.) Plaints in Suits;
- (2.) Memorandum of Appeal;
- (3.) Applications for review of Judgment;
- (4.) Letters of Administration;
- (5.) Probates;
- (6.) Certificates under Act XXVII of 1830 and the Bombay Regulation VIII of 1827; and
- (7.) Any document subject to a fixed fee of 5 Rupees or upwards.

we see no insuperable obstacle to its operation if confined to documents chargeable with an *ad valorem* Court-fee or a fixed fee of substantial amount—that is to say, to the documents specified in the margin, and the rule in all these cases might be that they must be examined

ON TAKEN L.

11. We therefore propose that impressed stamps should be used for denoting the fees chargeable on all (1) processes, (2) copies of documents taken out of any Court or office, (3) wakulutnamas and mooktearnamas, and (4) applications or petitions except such as constitute the initial proceeding in any suit or appeal, not subject to an *ad valorem* Court-fee.

This category comprises all papers chargeable with a Court-fee not exceeding 8 Annas, and in some few cases the 1 Rupee and 2 Rupee denominations of stamps. In making this recommendation, we are not unmindful of the fact that, as the number of stamps of the 8 Annas value used is probably much larger than the aggregated numbers of all other denominations, we are thereby foregoing many of the advantages which, as stated above, have accrued to the State revenues and the public from the substitution of adhesive for impressed stamps; but, on the other hand, we are diminishing, in the same degree, the sources of fraud and demoralization; and we see no other way of achieving this result.

12. It does not appear from the correspondence referred to the Committee that the possibility of substituting an improved for the existing adhesive substance which covers the backs of the labels, has ever been taken into consideration. It would be well worth while, we think, to ask Messrs. De La Rue to consider and report upon this point, namely, whether it is possible to devise some glutinous substance for application to the reverse side of the stamp labels that would adhere so pertinaciously to the paper to which it was affixed as to render the removal of the stamp without mutilation absolutely impossible.

13. As regards the prevention of frauds in connection with the use of Hundi paper, the Committee have been in communication with the Superintendent of Stamps at Calcutta for the purpose of ascertaining how the special adhesive label obliterating process recently introduced into his office is found to work. That officer reports that no instances of fraud in regard to these stamps have come to light since the new mode of defacement has been in operation; we may therefore conclude that the plan is effective so far as preventing the removal of these labels and their re-attachment to fresh paper. It may be well therefore to adopt the same plan in the Stamp Store Offices at Madras and Bombay.

The Committee have been informed that the same Hundi paper is sometimes used for two or more transactions by either joining plain paper to the Hundi stamped paper and writing on the former only, thus leaving the latter clear for future use, or by writing on the lower portion only of the stamped paper, cutting off the inscribed portion after the first transaction is completed, and using the remainder in future transactions.

This description of fraud can be defeated by enacting that no plain paper shall be joined to the stamped Hundi paper, and that to give validity to the Hundi the paper on which it is inscribed must be of the uniform size prescribed by the Government.

As regards receipt stamps, we are of opinion that the revenue suffers material loss owing to evasion of the requirements of the law; but we are unwilling to recommend the exclusive use of impressed stamps for receipts on account of the inconvenience to the public that would thereby be occasioned. We think, however, that the person accepting an unstamped receipt, which under the law requires a stamp, should be liable to a penalty as well as the person who executes such receipt; and we recommend that the person making or executing a receipt which requires a stamp should be compelled by law to cancel the latter by writing his name across it, if he be able to write. In making this recommendation, we are aware that the measure may not be perfectly effective, since the public cannot be compelled in so doing to use ink of such quality as could not be washed out without spoiling the stamp; but for this evil we do not see any remedy.

14. In order to facilitate as much as possible the use of receipt stamps, the Government should keep for sale books of blank receipts already stamped. The stamp on each blank receipt could be impressed with the cold steel die.

With a similar object, and to meet the convenience of Bankers, we recommend that cheques be stamped in the same manner stamped by the Bankers, and to meet the convenience of Bankers, we recommend that cheques be stamped in the same manner stamped by the Bankers, and to meet the convenience of Bankers, we recommend that cheques be stamped in the same manner stamped by the Bankers.

General Recommendations.

15. The Committee recommend that there should generally be increased supervision of the stamp revenue. In some Provinces, it is believed that the present arrangements are sufficient, but in others this is not the case. The orders lately issued by the Government of India in the Financial Department will no doubt effect some improvement, but further action appears necessary. Thus, although there is in Lower Bengal a Superintendent of Stamps, he is in fact merely a Store-keeper for the Bengal Presidency; and it is very doubtful if the Inspector-General of Registration will have time or opportunity to exercise any effective supervision over the use of stamps by the Courts.

The Committee think that in Provinces where under existing administrative arrangements the excise revenue is made in each district the special charge of one of the Collector's subordinates, a similar plan might advantageously be adopted for the better supervision of all matters connected with the revenue derived from stamps.

16. What is wanted with each stamp report is a distinct exposition of the rise or fall of the aggregate revenue derived from each division of transactions which come under the operation of the Stamp Act together with an intelligent analysis of the estimated causes of the rise or fall in each case. All that the Government gets at present through these reports are loose opinions of the generalizing class such as "depression of trade," "poverty of the agricultural classes," &c., which really explain nothing, inasmuch as it is often asserted with equal confidence that a year of prosperity, by reason of the free circulation of money, and a year of adverse conditions on account of the loans, mortgages, and other disposals of property occasioned by it, is favorable to the interests of the stamp revenue.

17. One unsatisfactory condition of the present administration of stamp revenue is the paucity of criminal prosecutions for fraudulent evasions. It cannot be supposed that such evasions do not occur and with great frequency owing to the practical impunity with which they take place. Greater vigilance on the part of the general executive is needed, and should be exacted. Very liberal remuneration should be accorded to informants who bring to light systematic evasions.

*Proceedings of the Madras Government, Judicial Department,
9th November 1876. No. 2350.*

The commission allowed to vendors of *general* stamps might perhaps be raised with advantage, and this agency should be increased and used for promulgating the requirements of the Stamp law as much as possible in view to checking ignorant evasions. This object would be furthered by distributing largely copies of the stamp schedules. Every Government Office should have at least one such copy printed in large type and posted up in a conspicuous place.

every gunj, bazaar, hât, or other place, where people congregate for the purposes of trade, such copies should be conspicuously posted, and every possible means adopted for acquainting the public with their obligations in this matter, as well as the penalties incurred by those who disregard them.

First.—That the provisions of Section 20, Act XVIII of 1869, which allow a Civil Court to receive in evidence an unstamped or insufficiently-stamped document on the payment of a specified penalty, if the Court is satisfied that there was no intention to evade the payment of the proper stamp duty, should be modified so as to admit of such documents being received in evidence on payment of the penalty, unless it appears, on the face of it, that the document was unstamped or under-stamped with a fraudulent object.

F. R. COCKERELL.
T. C. HOPE.
D. BARBOUR.

PROPOSED REVISION OF THE STAMP SCHEDULES.

Schedule 1.—Ad valorem duties.

*Proceedings of the Madras Government, Judicial Department,
9th November 1876. No. 2830.*

(3).—Policy of Insurance of life or property	Half the rates payable on bills of exchange.
(4).—Agreement for repayments of certain loans within three months	
II.—Bonds including bottomry and respondentia—	
For every Rs. 100 or part thereof up to Rs. 1,000	Eight Annas.
And for every Rs. 1,000, or part thereof in excess of Rupees 1,000	Five Rupees.
(2).—Mortgage deed, where possession is not transferred.	Same duty as for bond on amount secured.
(3).—Instrument of further charge on the property so mortgaged	
(4).—Settlements	Ditto on amount of one year's rent.
(5).—Lease for any term not exceeding three years ...	
(6).—Customs bond	When the amount or value involved does not exceed Rupees 2,000—same stamp as for a bond or lease in any other case—Ten Rupees.
(7).—Administration bond	
(8).—Bond or mortgage deed for the due execution of the duties of any office or to account for money	Same duty as chargeable on lease.
(9).—Indemnity bond	
(10).—Assignment of any interest secured by bond or mortgaged deed	Two Rupees and eight Annas
(11).—Release of mortgaged property or surrender of lease	
(12).—Appraisement	
Interpart of a	Same as (9) to (11).
When the rent for one year does not exceed Rupees 500	Same duty as chargeable on lease.
When it exceeds such amount	
III. Conveyance—	
For every Rupees 100 of the consideration money expressed in the deed up to Rupees 1,000 ...	One Rupee.
And for every further Rupees 1,000 or part thereof in excess of Rupees 1,000	Ten Rupees.
(2).—Mortgage with possession of property mortgaged ...	Same duty as for a conveyance on the amount secured or value expressed.
(3).—Instrument of further charge on such property ...	
(4).—Instrument of gift, or exchange	One quarter of the duty chargeable on conveyance.
(5).—Ditto of partition	
(6).—Lease for term exceeding three years, or indefinite period	
(7).—Conveyance or transfer of a share in any Company or Association	

Schedule II.—Fixed duties.

I. (1).—Bill of exchange, promissory note or cheque payable on demand	One Anna.
(2).—Letter of credit	
(3).—Letter of allotment of shares	
(4).—Agreement relating to sale of stocks	
(5).—Share certificates, &c.	
(6).—Receipt	
(7).—Proxy	
(8).—Shipping order... ..	

*Proceedings of the Madras Government, Judicial Department,
9th November 1876. No. 2330.*

II. (1).—Agreement	Eight Annas.
(2).—Bill of Lading	
(3).—Dock Warrant	
(4).—Notice of protest	
(5).—Power of Attorney (for use in single case)	
(6).—Copy, &c., (per sheet)	
III.—(1).—Affidavit	Two Rupees and eight Annas.
(2).—Collateral instrument	
(3).—Instrument of dissolution of partnership	
(4).—Charter-party	
(5).—Notarial Act	
(6).—Protests	
IV.—(1).—Instrument of copartnership	Ten Rupees.
(2).—Composition deed	
(3).—Letter of license	
(4).—Authority to adopt	
(5).—General power of attorney	
(6).—Instrument of transfer under Administrator-General's Act	
(7).—License under the Arms Act	
(8).—Instrument not otherwise provided for	
(9).—Third-class Mukhtar's certificate	
(10).—Third-class Revenue Agent's certificate	
(1).—Memorandum of	Fifteen Rupees.
(2).—Appointment, &c., when made in writing other than a will	
(3).—Declaration of any or trust, &c., ditto	
(4).—Third-class Pleader's certificate	
(5).—Second-class Mukhtar's ditto	
(6).—Ditto Revenue Agent's ditto	
(7).—Ditto Revenue Agent's ditto	
VI. (1).—First-class Mukhtar's certificate	Twenty-five Rupees.
(2).—Ditto Revenue Agent's certificate	
VII. First-class Pleader's certificate	Fifty Rupees.
VIII. Application to file Invention, &c.	One hundred Rupees.
IX. Admission as an attorney	Two hundred and fifty Rupees.
X. (1).—Articles of clerkship	Five hundred Rupees.
(2).—Admission as an Advocate to any High Court, if the person so admitted has not been admitted as such in the Courts of England and Ireland or Scotland, and has not paid the stamp duty or fee chargeable on such admission.	

No. 59. ORDER THEREON, 9th November 1876, No. 2330.

Referred to the Board of Revenue and to the Honorable the Judges of the High Court for their opinion.

2792
b

Proceedings of the Madras Government, Judicial Department,
9th November 1876. No. 2330.

2. The under-mentioned officers will also be requested to report on the
subject:—

Mr. L. Forbes.

„ C. G. Master.

„ F. C. Carr.

„ P. P. Hutchins.

„ J. H. Nelson.

(True Extract.)

[Signature]

Chief Secretary.

„ C. G. Master, Esq.

„ F. C. Carr, Esq.

„ P. P. Hutchins, Esq.

„ J. H. Nelson, Esq.

[Signature]

Exd T. O'Connor and J. Wright.

[Signature]

Rev: Secy
N^o 5724

Govt. of 1876 Madras.

JUDICIAL.

To
THE BOARD OF REVENUE,

Secy, Secy, Secy

Dated November, 9th.

Issued — 23

Recd. — 23

End

G.O., 9th November 1876, No. 2330.

NOVEMBER.
Nos. 58-59.

Stamps.—Report of the Stamp Committee
Calcutta, forwarded to High Court, Board of
Revenue, and certain officers for opinion.

W^o 2772
Ward
24 Nov 76