**Where no shares are issued or allotted and no consideration is paid, internal accounting entries such as goodwill, share premium, reduction of share capital, and profit and loss adjustments cannot be treated as consideration or transaction value for the levy of stamp duty**

The **Bombay High Court** in the case of **Seco Tools India Pvt Ltd vs State of Maharashtra [Writ Petition No. 3704 of 2011] dated April 01, 2026**, has held that although an order of amalgamation under Section 394 of the Companies Act, 1956 is a "conveyance" within the meaning of Section 2(g) of the Maharashtra Stamp Act, stamp duty on such order can be computed only in the manner prescribed under Article 25(da) of Schedule I to the Stamp Act, namely with reference to the value of shares issued or allotted and the consideration paid.

The Court held that where no shares are issued or allotted and no consideration is paid, internal accounting entries such as goodwill, share premium, reduction of share capital, and profit and loss adjustments cannot be treated as consideration or transaction value for the levy of stamp duty.

The Court observed that an order sanctioning amalgamation under Section 394 of the Companies Act, 1956 falls within the definition of "conveyance" under Section 2(g) of the Maharashtra Stamp Act. However, mere chargeability as a conveyance does not conclude the issue of computation of stamp duty, which must be determined strictly under Article 25(da).

The Court observed that Article 25(da) contemplates levy with reference to the market value of shares issued or allotted in exchange or otherwise, and the amount of consideration paid for the amalgamation. In the present case, since Drillco Seco Limited was a wholly owned subsidiary of the petitioner, no new shares were issued, no money was paid, and the shares already held by the petitioner merely stood cancelled upon amalgamation.

The Court rejected the State's contention that the expression "or otherwise" enabled the authorities to rely on figures such as profit and loss, goodwill and share premium for stamp duty computation. It held that the words "or otherwise" are connected with the phrase "shares issued or allotted in exchange or otherwise" and cannot be read as conferring an unlimited power to treat accounting entries as the basis of levy.

The Court further observed that reduction of share capital, adjustment of losses, and creation of goodwill were internal accounting steps undertaken to balance the books after amalgamation. Such figures did not represent real payment, issuance of shares, or consideration received by shareholders, and therefore could not be treated as consideration for the purposes of Article 25(da).

Thus, the Court found the appellate reasoning inconsistent because, at one stage, it referred to the value of the transferor company, while at another stage, it relied on figures from the books of the petitioner. This inconsistency reinforced the conclusion that the computation method adopted by the authorities was legally unsustainable.