ERGO

KHAITAN & CO
ADVOCATES SINCE 1911

Maharashtra Stamp (Fourth Amendment) Bill, 2026: Stamp Duty Payable on Different Classes of Guarantees

17 July 2026

The Maharashtra Stamp (Fourth Amendment) Bill, 2026 (Bill) introduced in the Maharashtra Legislative Assembly on 7 July 2026 proposes a significant reform to the stamp duty treatment of guarantees under the Maharashtra Stamp Act, 1958 (Maharashtra Stamp Act).

The amendment seeks to introduce a dedicated stamp duty framework for guarantees through the insertion of a new Article 34A in Schedule I of the Maharashtra Stamp Act.

Existing Position under the Maharashtra Stamp Act

Article 54 (*Security Bond*) of Schedule I of the Maharashtra Stamp Act provides that a security bond which is executed by way of security by a surety to secure the due performance of a contract is to be stamped at 0.5% of the amount secured by such deed subject to the maximum of INR 10 lakhs. Further, Article 37 of Schedule I of the Maharashtra Stamp Act provides that a letter of guarantee is to be stamped as agreements under Article 5 (*General Agreement*) of Schedule I. Article 5(h)(A)(iv) of Schedule I provides that an agreement which creates any obligation, right or interest and having monetary value in excess of INR 10 lakhs, but not covered under any other article is required to be stamped at 0.2% of the amount agreed in the contract. Separately, Article 5(h)(B) of Schedule I stipulates payment of stamp duty of INR 500 for agreements which are not covered in Article 5. In light of the same, there exists ambiguity on the applicable article under which stamp duty is required to be paid on guarantees executed in Maharashtra.

Proposed Introduction of Article 34A

The Bill proposes to insert a new Article 34A to Schedule I of the Maharashtra Stamp Act, which sets out the stamp duty payable of different classes of guarantees as under:

i. ***Financial guarantees or bank guarantees***: The stamp duty payable on financial or bank guarantees not exceeding INR 5 lakhs is 0.1% of the amount secured by such deed and in case of financial or bank guarantees exceeding INR 5 lakh, the stamp duty payable is 0.3% of the secured amount by such deed, subject to a maximum cap of INR 20 lakh.

ii. ***Guarantees in favour of Government Bodies***: The stamp duty payable on guarantees issued in favour of a government corporation, local authority, or statutory body in relation to public works or public procurement is INR 500.

iii. ***Renewal or Extension of Existing Financial or Bank Guarantees***: The stamp duty payable on renewal or extension of an existing financial or bank guarantee without any increase in the guaranteed amount, is 0.25% of the amount secured by such deed, subject to a maximum of INR 25,000.

iv. ***Other Letters of Guarantee***: The stamp duty payable on any other letter of guarantee that is not a financial or bank guarantee is INR 500.

Further, as a consequential amendment, Article 37 is proposed to be amended to remove the reference, 'letter of guarantee, see Agreement (Article 5)', since letters of guarantee would thereafter be specifically covered under Article 34A.

Rationale for Amendment

Bank and financial guarantees have become integral to commercial transactions, infrastructure projects, public procurement, financing arrangements, and government contracts. Despite their widespread use, guarantees are not currently recognized as a distinct category of instrument under Schedule I of the Maharashtra Stamp Act and are generally stamped under provisions applicable to security bonds or agreement having monetary value. In view of the increasing usage and importance of instruments of financial guarantee and bank guarantee in commercial and financial activities, the Government considers it necessary to provide a separate Article for charging stamp duty in respect of financial guarantee or bank guarantee and to provide different rates of stamp duty for different classes of such instruments. This would also increase the revenue of the Government.

Further, in case of extension or amendments to the financial guarantees or bank guarantees without any increase in the guaranteed amount, the stamp duty payable on such instruments is the same as the stamp duty which was already paid for the first instrument of guarantee thereby resulting in repetitive duty over the same instrument. The Bill proposes to provide for charging of lesser amount of stamp duty in case of such renewal or extension of such instruments.

Conclusion

One of the welcome changes to be introduced through the Bill is introducing a distinct article relating to guarantees which clears the ambiguity under the Maharashtra Stamp Act in relation to the relevant article under which guarantees need to be stamped. Further, the maximum ceiling prescribed for financial and bank guarantees is in line with the stamp duty payable on security documents such as deeds creating security in the form of pledge, mortgage and hypothecation of assets. However, the Bill does not provide a maximum ceiling of stamp duty in case of a guarantee being issued in favour of a consortium of financial institutions such as banks, non-banking financial companies or asset reconstruction companies.

- *Riya Agicha (Counsel) and Ojasav Chitranshi (Associate)*

About Khaitan & Co

Khaitan & Co is a top tier and full-service law firm with over 1300+ legal professionals, including 340+ leaders and presence in India and Singapore. With more than a century of experience in practicing law, we offer end-to-end legal solutions in diverse practice areas to our clients across the world. We have a team of highly motivated and dynamic professionals delivering outstanding client service and expert legal advice across a wide gamut of sectors and industries.

To know more, visit **www.khaitanco.com**