

MANAGING COMMITTEE**2019-2020****PRESIDENT**
Nayan A. Shah**IMMEDIATE PAST PRESIDENT**
Mayur Shah**PRESIDENT-ELECT**
Deepak Goradia**VICE PRESIDENTS**
Boman Irani
Harish Patel
Nainesh Shah
Domnic Romell**ADDL. VICE PRESIDENT**
Sukhraj Nahar**HON. SECRETARY**
Bandish Ajmera**TREASURER**
Mukesh Patel**SPECIAL PROJECTS**
Parag Munot
Sandeep Raheja
Jayesh Shah
Sanjay Chhabria
Rasesh Kanakia**HON. JT. SECRETARIES**
Navin Makhija
Sandeep Runwal
Shailesh G. Puranik
Dhaval Ajmera
Pratik Patel**JT. TREASURERS**
Nayan Bheda
Munish Doshi**CO-ORDINATORS**
Tejas Vyas
Shailesh Sanghvi
Pritam Chivukula**COMMITTEE MEMBERS**
Jagdish Ahuja
Jitendra Jain
Deepak Gundecha**INVITEE MEMBERS**
Praful Shah
Raajesh Prajapati
Sachin Mirani
Nikunj Sanghavi
Rajeev Jain
Shyamal Mody
Digant Parekh
Rushank Shah
Samyag Shah
Jayesh C. Shah
Sunny Bijlani
Sahil Parikh
Naman Shah
Suhail Khandwani
Ricardo Romell
Harshul Savla**PAST PRESIDENTS**
Dharmesh Jain
Vyomesh Shah
Paras Gundecha
Pravin Doshi
Mohan Deshmukh
Mofatraj Munot
Rajnikant Ajmera
Late G. L. Raheja
Late Lalit Gandhi
Late Babubhai Majethia**CREDAI-MCHI UNITS**
PRESIDENT, THANE UNIT
Ajay Ashar**PRESIDENT, KALYAN DOMBIVLI**
Deepak Mehta**PRESIDENT, MIRA VIRAR CITY**
Ashit Shah**PRESIDENT, RAIGAD**
Kiran Bagad**PRESIDENT, NAVI MUMBAI UNIT**
Vijay Lakhani

Ref. No. MCHI/PRES/19-20/655

August 31, 2020

To,
Hon'ble Shri Balasaheb Thorat
Minister for Revenue
Government of Maharashtra
Mantralaya, Mumbai - 400 032.

Sub:- Representation regarding exemption from stamp duty on conversion/succession of a Partnership Firm (or a Limited Liability Partnership firm) into a Company.

Respected Sir,

1. We write this letter to you in the context of the levy of Stamp duty on conversion of Firm/LLP into a Private Limited Company or a Public Limited Company.
2. We wish to highlight the fact that presently under Maharashtra Stamp Act, Stamp duty is levied on conversion of a Partnership Firm or a Limited Liability Partnership as a going concern into a Limited Company. The stamp duty is levied under Article 25 (relating to Conveyance) of Schedule to the Maharashtra Stamp Act. The Stamp duty is levied on the true market value of the immovable property which may be a part of business being transferred from a Partnership firm or a Limited Liability Partnership to a Limited Company. Presently stamp duty is being levied at 5% on true market value of immovable property which is being transferred as a part of transfer/succession of business from Partnership firm or Limited Liability Partnership firm to a Company.
3. This causes severe hardship to the business entities in restructuring their businesses. As it is known, as the business of an entrepreneur grows, an entrepreneur's form of business organisation also needs to change. This journey generally starts from a proprietary business, to a partnership business, to a Limited Liability Partnership, to a Private Limited Company, to a Public Limited Company. This change in form of business organisation is very much needed as the business grows due to various factors such as
 - a. non availability of bank finance to proprietorship/partnerships beyond a point,
 - b. limited liability concept due to increasing risks of business,
 - c. better governance and regulations in a limited liability company,
 - d. ability to raise more finance, etc.

Unless an entrepreneur changes his form of organisation and forms himself into a limited liability company, he will continue to have above mentioned disadvantages in a proprietorship or partnership business and that will restrict his growth. This is particularly true for Small and Medium Scale Enterprises who want to grow and who are backbone of any economy in creation of employment, payment of taxes, etc.




4. In this connection it is very pertinent to note that with effect from 1-4-1999, under the Income tax Act, 1961, under section 47(xiii) when a firm is succeeded in its business by a Company, no income tax is levied provided that

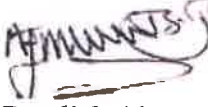
- (a) all the assets and liabilities of the firm relating to the business immediately before the succession become the assets and liabilities of the company;
- (b) all the partners of the firm immediately before the succession become the shareholders of the company in the same proportion in which their capital accounts stood in the books of the firm on the date of the succession;
- (c) the partners of the firm do not receive any consideration or benefit, directly or indirectly, in any form or manner, other than by way of allotment of shares in the company; and
- (d) the aggregate of the shareholding in the company of the partners of the firm is not less than fifty per cent of the total voting power in the company and their shareholding continues to be as such for a period of five years from the date of the succession;


The exemption on conversion/succession of firm into a company is given with abovementioned safeguards. Unfortunately, there is no similar exemption in Maharashtra Stamp Act and stamp duty is levied on such business restructuring which becomes a serious impediment to the growth of businesses in state.

- 5. It is important to note that in the conversion/succession of firm into a company there is no transfer/conveyance of assets as same set of partners continue to own the Company in the same proportion of their capital. It is only a different way of carrying on the same business in a different form of organisation, and this should be encouraged.
- 6. With the medium of this Representation letter we request you to kindly consider to grant exemption from levy of stamp duty on conversion or succession of a Firm / LLP into a Company in view of above facts.
- 7. We shall be happy to provide you any further explanation which you may need in this behalf.

Yours Sincerely,
For CREDAI-MCHI


Nayan A. Shah
President


Bandish Ajmera
Hon. Secretary


०२/०९/२०२०
लिपिक
मंत्री, महसूल यांचे कार्यालय
महाराष्ट्र शासन
मंत्रालय, मुंबई ४०० ०३२