Reforming stamp duty and registration fees: undervaluation and black money paradox

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Why in news

The Hindu's op-ed of 12 November 2026, "Reset tax on transfer of property", reviews the current regime of Stamp Duty and Registration fees (SDR) levied on property transfers and suggests reforms. The author argues that SDR raises the total effective cost of a property, and that the property's value has itself become a function of the SDR - a paradox that encourages black money and undervaluation.

SDR in numbers

- Revenue share: In 2024-25, 11.7% of States' own tax revenue was collected through SDR.
- State comparison: Tamil Nadu collected 11.3% of its own tax revenue through SDR, against Maharashtra's 14.8% and Karnataka's 12.3% - indicating room for improvement in Tamil Nadu.
- Revenue Augmentation Committee: The Tamil Nadu government has recently constituted a Revenue Augmentation Committee to strengthen own-tax and non-tax revenues; the author suggests the Committee learn from other States' tax policies.

The paradox and the fix

SDR is imposed on the legal transfer of ownership of immovable property, so it raises the total cost. To curb undervaluation, States fix a guideline value and refuse registration below it; in practice, actual transaction values are far above the guideline value, and the difference moves in cash (black money).

The author's fix: Set guideline values through a scientific process and revise them periodically; and set the SDR rate so that parties are encouraged to declare the true value of the property transferred.

Exam relevance

Key facts: In 2024-25, SDR = 11.7% of States' own tax revenue; TN 11.3%, MH 14.8%, KA 12.3%; TN's Revenue Augmentation Committee.

Analysis angle: High SDR → undervaluation → black money; the balance between rate and compliance (a Laffer-type argument).

Possible confusion: Here SDR means Stamp Duty and Registration fees, not Special Drawing Rights.

Mains practice question

"High stamp duty may promote black money rather than raise revenue." Comment. (250 words, 15 marks)

Answer outline:

In the introduction: Definition of SDR and the 2024-25 figures (11.7% of own tax revenue).

In the body: The black-money chain - high rates → undervaluation → cash payments → reinvestment in real estate; the gap between guideline value and market value; solutions - scientific guideline values, rate rationalisation, best practices of other States.

In the conclusion: Only a balance of rate and compliance can deliver both revenue and transparency; TN's Revenue Augmentation Committee could set an example.

Prelims practice questions

With reference to Stamp Duty and Registration fees (SDR) in 2024-25, consider the following statements:

1. SDR contributed 11.7% of States' own tax revenue

2. Tamil Nadu collected 14.8% of its own tax revenue through SDR

3. Maharashtra's SDR share is higher than Karnataka's

How many of the above statements are correct?

(a) Only one

(b) Only two

(c) All three

(d) None

Answer and explanation

Answer: (b)

Statement 1 is correct (11.7%). Statement 2 is wrong - Tamil Nadu is at 11.3%, while 14.8% is Maharashtra's. Statement 3 is correct - Maharashtra 14.8% vs Karnataka 12.3%.

Which committee has the Tamil Nadu government recently constituted to strengthen own-tax and non-tax revenues?

(a) Revenue Reforms Commission

(b) Revenue Augmentation Committee

(c) Fiscal Advisory Council

(d) Tax Simplification Committee

Answer and explanation

Answer: (b)

Tamil Nadu has constituted the Revenue Augmentation Committee to boost own-tax and non-tax revenues.

Sources

The Hindu (Op-ed): Reset tax on transfer of property, 12 November 2026

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