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* **IN THE HIGH COURT OF DELHI AT NEW DELHI**

\+ W.P.(C) 14231/2024

M/S PETRO IT SOLUTIONS PRIVATE LIMITED .....Petitioner
Through: Mr. Aman Agarwal and Ms. Vanshika Khandelwal, Advs.

versus

DEPARTMENT OF REVENUE & ANR. .....Respondents
Through: Mr. Anubhav Gupta, Panel Counsel (GNCTD) and Ms. Ishita Gupta, Adv.

CORAM:
HON'BLE MR. JUSTICE PURUSHAINDRA KUMAR KAURAV

O R D E R

% 20.01.2026

1. The solitary grievance raised by the petitioner is *qua* the imposition of penalty to the extent of Rs.5,42,957/- under the Impugned Order dated 17.06.2024 passed by respondent no. 1.

2. Learned counsel appearing for the petitioner, during the course of submissions, submits that on an assurance being given by the respondent, this Court on 03.11.2025, directed the Divisional Commissioner to decide the rectification application. Thereafter, when the rectification application was presented, the same has been disposed of on the ground that the said authority has become *functus officio* after the passing of the order dated 17.06.2024. It is under this background, the matter has been heard.

3. The penalty of Rs.6,42,957/- was imposed by the Collector of Stamp/ SDM *vide* its order dated 18.03.2024. In paragraph no.10 of the said order, following observations have been made:

> *"10. In present case, the above said Scheme of Arrangement approved by the Hon'ble High Court of Delhi (Judgementdated:31.01.2017) is an instrument under section 2(14) of the Indian Stamp _Act, 1899. Stamp duty is payable at the time of execution under section 17 read with section-3 of the Indian Stamp Act, 1899. As per Form-INC-28, the Company had already executed the above said Scheme of Arrangement and used as evidence before the Registrar of Companies, Delhi on 31.03.2017 without payment of proper stamp duty under the Indian Stamp Act, 1899. As perPAS-3 Form, the company has also executed the above said Scheme of Arrangement and used as evidence before the Registrar of Companies, Delhi on 03.04.2017 Without payment of proper stamp duty under the Indian Stamp Act, 1899. Accordingly, the impounding of instrument is in accordance of law under the Indian Stamp Act, 1899."*

4. The authority, thereafter, in paragraph no.17 has passed the following directions:

> *"17. In View of the facts and circumstance mentioned above, M/s Petro IT Solution Pvt. Ltd. is directed to pay a total duty of Rs. 8,57,914/- (Stamp duty of Rs. 2,14,319/- + Penalty of Rs. 6,42,957/-) within 30 days of receipt of this order, failing which the amount shall be recovered as arrear of Land Revenue under Section-48 of the Indian Stamp Act,1899."*

5. It is, this order, which was assailed before the Divisional Commissioner, who *vide* order dated 17.06.2024 disposed of the appeal and reduced the penalty from Rs.6,42,957/- to Rs.5,42,957/-.

6. The petitioner does not dispute the payment of the stamp duty to the tune of Rs.2,14,319/-. The only dispute which remains is with respect to the penalty imposed by the Collector of Stamp, and subsequently modified by the Divisional Commissioner.

7. Learned counsel appearing for the petitioner points out that the reason for imposing the penalty is completely erroneous and is against well-known principles of law. According to him, once the scheme is approved, it was incumbent upon the petitioner, being a part of the scheme, to place the same before the Registrar of Companies, Delhi. The aforesaid exercise should not

have been construed to be in violation of any statutory mechanism. He also placed reliance on the decision of the Supreme Court in the case of ***Trustees of H.C. Dhanda Trust v. State of Madhya Pradesh & Ors.***[1]

8. Having considered the submissions made by learned counsel appearing for the parties, it appears that the authorities concerned, have not bestowed their adequate consideration to the facts and circumstances material to this case.

9. The Supreme Court's dictum in para. 17 of ***Trustees of H.C. Dhanda Trust*** (supra) reads as under:

> *"**17.** The amount of penalty thus can be an amount not exceeding ten times. The expression "an amount not exceeding ten times" is preceded by expression "if he thinks fit". The statutory scheme, thus, vests the discretion to the Collector to impose the penalty amount not exceeding ten times. Whenever statute transfers discretion to an authority the discretion is to be exercised in furtherance of objects of the enactment. The discretion is to be exercised not on whims or fancies rather the discretion is to be exercised on rational basis in a fair manner. The amount of penalty not exceeding ten times is not an amount to be imposed as a matter of force. Neither imposition of penalty of ten times under Section 40(1)(b) is automatic nor can be mechanically imposed. The concept of imposition of penalty of ten times of a sum equal to ten times of the proper duty or deficiency thereof has occurred in other provisions of the Act as well.*

10. There is no rational given under the Impugned Orders as to why the petitioner was liable for the penalty to the extent of, initially Rs.6,42,9,587/- and thereafter to Rs.5,42,9,587/-

11. There has to, naturally, be sufficient and cogent reasons, for exercising the power of imposing penalty as stipulated under Section 40(1)(b) of the Indian Stamp Act, 1899.

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[1] 2020 SCC OnLine SC 753

12. Having considered the facts and circumstances, the Court deems it appropriate to reduce the penalty from Rs. 5,42,957/- to Rs.1,00,000/-.

13. Accordingly, petition stands disposed of.

PURUSHAINDRA KUMAR KAURAV, J

JANUARY 20, 2026/P/KSR