

5th October, 2026

Reconciling Fiscal Mandates and Arbitral Enforcement: An Analytical Commentary on *M/s URC Construction (P) Ltd v. Airports Authority of India*

Introduction

The interplay between the Arbitration and Conciliation Act, 1996 ("Arbitration Act") and fiscal statutes governing stamp duty presents an important procedural question at the stage of enforcement of arbitral awards. While the Arbitration Act seeks to facilitate expeditious enforcement with minimal judicial intervention, the Indian Stamp Act, 1899 ("Stamp Act") prescribes a mandatory framework for dealing with instruments that are insufficiently stamped.

In *M/s URC Construction (P) Ltd v. Airports Authority of India* [OMP (ENF.) (COMM.) 155/2026], the Delhi High Court considered how an insufficiency of stamp duty on an arbitral award is to be addressed when the award is brought before the Court for enforcement. In particular, the Court examined whether an award-holder could cure the deficiency merely by depositing the deficit stamp duty directly, without the award first being subjected to the statutory process of impounding and adjudication under the Stamp Act.

The decision is significant because it clarifies the relationship between Section 36 of the Arbitration Act and the mandatory requirements of the Stamp Act, while distinguishing payment of deficit duty from compliance with the statutory procedure governing an insufficiently stamped instrument.

Factual Matrix

The material facts emerging from the judgment are:

- An arbitral award was rendered on March 26, 2019, in favour of M/s URC Construction (P) Ltd and was subsequently corrected on May 07, 2019.
- The award directed payment of Rs. 2,59,07,248.60/- along with interest at 10% per annum.
- The award had been drawn up on a stamp paper of Rs. 100/-.

- Following the challenge proceedings, the Decree Holder sought enforcement under Section 36 of the Arbitration Act.
- During the enforcement proceedings, the issue of insufficient stamping arose.
- The Decree Holder deposited Rs. 25,850/- towards the deficit stamp duty on July 29, 2026.
- The Court was required to determine whether this payment was sufficient to cure the defect or whether the statutory mechanism under the Stamp Act was required to be followed.

Issues for Adjudication

The principal questions before the Court were:

- Whether an insufficiently stamped arbitral award could be enforced merely upon payment of the deficit stamp duty by the award-holder.
- Whether the executing court was required to impound the award under Section 33 of the Stamp Act.
- Whether the executing court could dispense with or itself determine the statutory consequences, including penalty, arising from insufficient stamping.
- How the Stamp Act operates alongside Section 36 of the Arbitration Act at the enforcement stage.

Statutory Framework

Section 17 of the Stamp Act requires instruments chargeable with duty and executed in India to be stamped before or at the time of execution.

Sections 31 and 32 provide a mechanism for determination of the proper stamp duty by the Collector and prescribe the statutory conditions governing certification of instruments.

Section 33 is central to the judgment. It imposes a mandatory obligation upon the authorities specified therein to impound an instrument produced before them which appears to be insufficiently stamped.



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Section 35 sets out the consequences of an instrument not being duly stamped. Subject to the statutory cure mechanism, an instrument chargeable with duty cannot be admitted in evidence or acted upon unless the requirements of the Stamp Act are satisfied.

Sections 38 and 40 provide the mechanism following impounding, including reference to the Collector and determination of the duty and penalty payable in accordance with the Stamp Act.

On the arbitration side, **Section 36 of the Arbitration Act** provides that an arbitral award becomes enforceable in accordance with the provisions applicable to enforcement of a decree once the statutory requirements concerning challenge proceedings are satisfied.

The question before the Court was therefore whether Section 36 could operate independently of the statutory requirements applicable to the award as an insufficiently stamped instrument.

Findings of the Court

Payment of Deficit Duty Alone Does Not Complete the Statutory Process

The Court treated insufficient stamping as a curable defect, but emphasized that the defect must be cured through the mechanism prescribed by the Stamp Act.

Accordingly, the unilateral deposit of an amount representing the alleged deficit stamp duty could not, by itself, be treated as completion of the statutory process. Payment of an amount calculated by a party is distinct from a statutory determination of the duty and penalty payable under the Stamp Act.

Impounding Under Section 33 Is Mandatory

The Court emphasized the mandatory language of Section 33. Where an insufficiently stamped instrument is produced before a court in circumstances attracting the provision, the court is required to follow the statutory impounding mechanism.

The executing court therefore cannot simply overlook the deficiency because the award is otherwise enforceable under Section 36. The Arbitration Act does not displace the independent statutory requirements governing stamp duty.

Enforcement Amounts to Acting Upon the Award

The Court also considered the significance of the expression "acted upon" in Section 35. Enforcement of an arbitral award necessarily involves giving effect to the rights and obligations created by that award. Therefore, an award-holder cannot avoid the consequences of Section 35 merely by contending that execution is different from admission of the award in evidence.

This interpretation ensures that the enforcement process does not become a means of circumventing the Stamp Act.

Statutory Determination of Duty and Penalty Must Be Followed

The Court further recognized that the consequences of insufficient stamping must be addressed through the statutory mechanism under the Stamp Act. An executing court cannot simply treat payment of the deficit amount calculated by the award-holder as sufficient where the statute requires further action.

The determination of the applicable duty and penalty must therefore take place in accordance with the procedure prescribed by the Stamp Act.

Judicial Precedents Considered

In Re: Interplay Between Arbitration Agreements & Stamp Act

The Supreme Court's decision in *In Re: Interplay Between Arbitration Agreements & Stamp Act* was relevant to the relationship between arbitration law and stamp law. The Supreme Court clarified the consequences of non-stamping or insufficient stamping in the context of arbitration agreements and held that such defects do not render an arbitration agreement void ab initio.

The Delhi High Court's decision concerns a different procedural stage, namely enforcement of an arbitral award. It therefore does not treat the Supreme Court's decision as dispensing with the requirements of the Stamp Act at the enforcement stage.

M. Anasuya Devi v. M. Manik Reddy

In *M. Anasuya Devi v. M. Manik Reddy*, the Supreme Court considered stamp objections in proceedings under Section 34 of the Arbitration Act. The Delhi High Court treated that decision as addressing the question of stamping at the challenge stage and did not regard it as eliminating the requirements of the Stamp Act when the award subsequently reaches enforcement.

Hindustan Steel Ltd. v. Dilip Construction Co. and State of A.P. v. P. Laxmi Devi

The Court also relied upon these decisions in considering the operation of stamp laws and the statutory consequences of insufficient stamping. They reinforce the importance of giving effect to the statutory scheme rather than permitting procedural approaches that bypass it.

Mohini Electricals Ltd. v. Delhi Jal Board

The Court considered *Mohini Electricals Ltd. v. Delhi Jal Board* and distinguished it in light of the statutory and factual circumstances involved. It could not be treated as establishing a general rule permitting an award-holder to deposit deficit stamp duty and dispense with the statutory impounding process.

The Way Forward

The judgment has important practical consequences for parties seeking enforcement of arbitral awards.

First, parties should ascertain and address applicable stamp duty requirements at the earliest stage rather than waiting until execution.

Second, where an award is insufficiently stamped, an award-holder should not assume that a unilateral payment of the calculated deficit duty automatically cures the defect. The statutory procedure under the Stamp Act must be followed.

Third, executing courts must give effect to the mandatory requirements of Section 33 and the connected provisions of the Stamp Act. Section 36 does not authorise the court to disregard a separate statutory requirement applicable to the award.

Finally, stamp duty should be treated as an integral part of enforcement strategy. Early attention to stamping can minimise procedural complications and delays when the award is ultimately brought before the executing court.

Conclusion

The Delhi High Court's decision in *M/s URC Construction (P) Ltd v. Airports Authority of India* demonstrates that expeditious enforcement of arbitral awards cannot be achieved by bypassing mandatory fiscal requirements. The judgment draws an important distinction between payment of an amount towards deficit stamp duty and completion of the statutory process prescribed for an insufficiently stamped instrument.

The key takeaways mainly are that an insufficiently stamped arbitral award remains subject to the Stamp Act at the enforcement stage and Section 33 imposes a mandatory obligation to impound an instrument where its requirements are satisfied. Moreover, payment of deficit stamp duty by the award-holder does not, by itself, complete the statutory process and the bar under Section 35 cannot be circumvented by distinguishing enforcement from admission in evidence. Infact, Section 36 of the Arbitration Act does not displace the mandatory requirements of the Stamp Act and Parties are bound to address stamp duty requirements at the earliest stage to avoid procedural delays during enforcement.