

# Brokers Note and Share Transfer Stamps in India: Taxing Security Transactions with a Focus on the Stamps of Edward VII (1902–1910)

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8 Annas



12 Annas



1 Rupee

Figure 1. Edward VII Brokers' Note stamps

The costs for the British Government to administer the civil government in India were high. The funds were not provided by Great Britain; they were raised in India. To raise the funds needed, taxes were assessed for all types of financial transactions. Many of these taxes were paid by revenue stamps.

This note will look at securities transactions. Specific revenue stamp issues were in two areas: Brokers' Note and Stock Transfer.

The term "Brokers Note" referred to the note sent from a broker or his agent to a person buying or selling marketable securities. The note served as a legal record for the transaction. The broker's note does not refer to a note sent to a broker. Brokers Note stamps were issued to pay the tax due on this communication between a broker and his customer documenting the securities transaction. They were issued in 4 denominations: 4, 8 and 12 annas and 1 rupee (see Figure 1).

The stamps, with "BROKERS' NOTE" provisionally overprinted on Special Adhesive stamps (a general purpose revenue issue) with two bars obliterating the words "Special Adhesive," were introduced in 1914, four years after Edward VII had died. It was usual for stocks of old stamps to be used before new ones were printed and it was usual for surplus stocks of one kind of stamp to be overprinted to serve a new purpose if needed.

Additional supplies of Brokers' Note stamps were prepared by overprinting Special Adhesive stamps of George V in 1914 but the Edwardian overprints were in use for a long time. Figures 2 shows the front and back of a March 1927 broker's

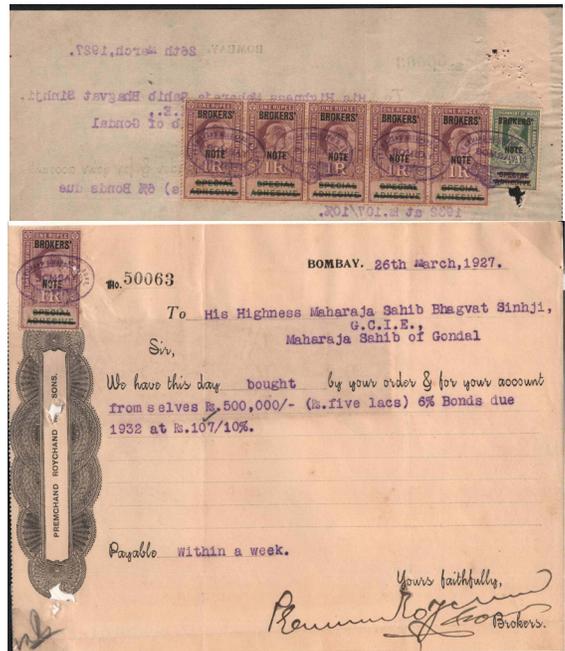


Figure 2. 1927 broker's note for bonds valued at 500,000 rupees

note for the purchase of 500,000 rupees six percent bonds with 6 rupees and 4 annas tax.

Figure 3 is a broker's note from November 1938 for the purchase of 40 shares of two different companies with a total price of 1,548 rupees with 1 rupee (16 annas) tax. Both of these broker's notes use Edwardian stamps to pay the tax.

We know very little about India tax rates before World War II. We have the rate structure from the 1938 Stamp Act but the documentary evidence does not match the published rate. The 1938 Stamp Act provided for a tax of 2 anna for the first 20 rupees of securities value, 1 anna additional tax for a value over 20 rupees up to 10,000 rupees and an additional 1 anna for each succeeding 10,000 rupees to a maximum tax of 10 rupees. The standard reference work for Indian revenue stamps (*Indian Government Fiscal and Judicial Stamps and Stamp Papers Including Provincial and Provisional Issues* by Blatt, Mollah and Heppell) tells us:

The ravages of time have deprived us today of accurate or in some cases any records of what was issued, when it was issued and why it was issued. De La Rue Ltd. in London, who were responsible for printing revenue stamps to 1926 was all but destroyed in WWII and

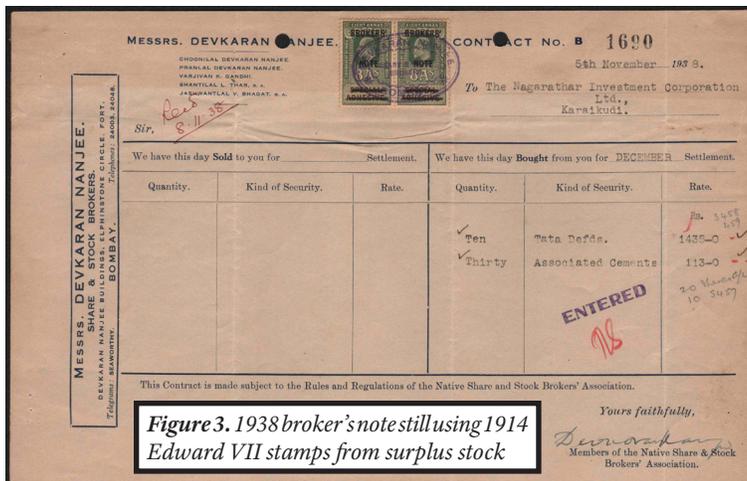


Figure 3. 1938 broker's note still using 1914 Edward VII stamps from surplus stock

most of its records lost. In India the climate constantly worked against the survival of any paper records leaving few details to filter down to us today. A number of disastrous fires in Calcutta put paid to the records of the stamp office and courts.

Increased attention to Indian revenue stamps and revenue postal history in recent years make it likely that additional information will be uncovered.

Share Transfer stamps were issued in 2, 4, 8 and 12 annas and 1, 5 and 10 rupees denominations (Figure 4) and were used for paying the tax for transferring ownership of stock shares. Revenue stamps designated for this purpose were first introduced in India in 1863. The tax was based on the value of shares transferred but the documentary record makes it difficult to ascertain tax rates. There were two types of transactions: one in which the same shares transferred ownership multiple times and one in which the original 'identity' of the shares was not part of the transaction history.

Figure 5 shows a share transfer document for 10 shares of The Bengal Bonded Warehouse Association. These shares were originally issued in June 1910 and were transferred in July 1910,



August 1913, October 1916, August 1919 and April 1939. This document shows Share Transfer stamps of Victoria, Edward and George V, as the same document was used to transfer the same shares in each transaction and the Share Transfer stamps were applied for each transaction.

Figure 4. Edward VII Share Transfer stamps



Figure 5. Document recording successive sales of ten shares of Bengal Bonded Warehouse Association during 1910-1939, with Share Transfer stamps of Victoria, Edward and George V

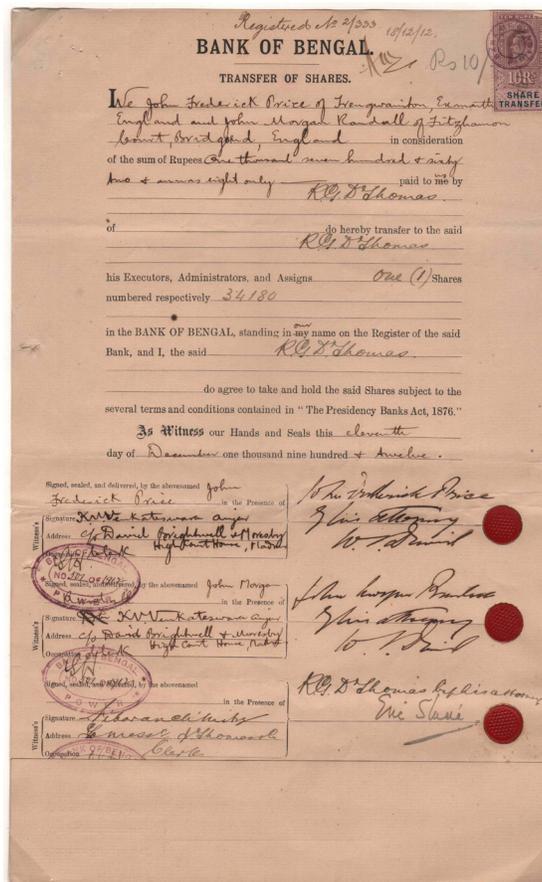


Figure 6. 1912 share transfer document for one share of the Bank of Bengal bearing the 10 rupee Share Transfer stamp

