

## **Sale Certificate in Auction**

*The Supreme Court has ruled that a sale certificate issued to an auction purchaser is merely proof of ownership and does not require registration under Section 17(1) of the Registration Act, 1908. However, if the purchaser wants to use the sale certificate for some other legal purposes (like selling the property again), they may have to pay stamp duty as per the Stamp Act.*

### **What is a Sale Certificate?**

*A sale certificate is a document issued by an authorized officer (like a bank, court, or government authority) when a property is sold through an auction. This happens mostly in cases where properties are seized due to unpaid loans or legal disputes.*

- *Why is Registration Not Required?*


*The Court clarified that a sale certificate:*

- (1) Only confirms ownership – It does not transfer ownership.*
- (2) Gets its legal validity from the auction process itself – Once the auction is completed, and the sale is confirmed, the ownership is automatically transferred.*

*Example 1: Suppose a bank auctions a property because the owner did not pay a loan. Mr. X bids for the property and wins the auction. The bank issues a sale certificate to Mr. X. This sale certificate is enough proof that Mr. X is now the owner, and he does not need to register it separately.*

### **When Does Stamp Duty Apply?**

*If the auction purchaser wants to use the sale certificate for any other purpose, they may have to pay stamp duty.*

 *Example 2: Mr. X, after receiving the sale certificate from the bank, now wants to sell the property to someone else. In this case, he must first register the certificate and pay the required stamp duty before selling.*

- *Legal Provisions Discussed by the Court*

- (1) Section 17(1) of the Registration Act, 1908*

- *Normally, sale deeds must be registered to be legally valid.*

- *But in the case of auction sales, a sale certificate is not a sale deed; it is just proof of title.*
- *Therefore, it does not require compulsory registration.*

*(2) Section 89(4) of the Registration Act, 1908*

- *When a sale certificate is issued, a copy of it should be sent to the Sub-Registrar for records.*
- *This is enough to confirm the auction sale without registration.*

*(3) Articles 18 & 23 of the Stamp Act*

- *If the sale certificate is used only for record purposes, stamp duty is not required.*
- *If the purchaser wants to use it for resale or other legal purposes, stamp duty may apply.*

### **Important Supreme Court Reference Cases**

*(1) B. Arvind Kumar v. Govt. of India (2007) 5 SCC 745*

- *The Court ruled that a sale certificate issued after an auction is proof of title but does not transfer ownership.*
- *The ownership transfer happens when the sale is confirmed by the authority, not when the certificate is issued.*

*(2) Ferrous Alloy Forgings Pvt. Ltd. Case (2024)*

- *The Punjab & Haryana High Court had ruled that the sale certificate should be handed over to the auction purchaser and a copy should be sent to the Sub-Registrar.*
- *The Supreme Court upheld this decision and clarified that registration is not mandatory.*

### **Final Summary**

*A sale certificate is proof of ownership but not a transfer document.*

*It does not require registration under Section 17(1) of the Registration Act.*

*Filing it under Section 89(4) with the Sub-Registrar is enough.*

*Stamp duty is required only if the certificate is used for resale or other legal purposes.*