

THE REQUIRMENTS OF A CONTRACT/AGREEMENT

An agreement is result of mutual understandings between two parties on any subject matter, where two parties agree to enter in an Agreement and to finalize the terms and conditions for such agreement they brings a soft copy, or orally discussed terms and condition into hard copy. They make two original hard copies for their record and for any evidence where it may require. The process for making hard copies and for making a perfect evidence for future reference, following steps shall be taken carefully.

1. Stamp Paper

Stamp paper shall be used in each hard copy of the contract according to value scribed in Stamp Act 1889, the purpose of the Stamp Act is to protect the public revenues and not to interfere with commercial life by invalidating instruments vital to the smooth flow of trade and commerce. If a document has been executed without the stamp paper, for which it was required, such document can't be admitted in the evidence. It shall be deemed the discrepancy of the document. However, merely because an instrument can't be admitted in evidence, does not mean that such instrument is invalid. The stamp duty chargeable on a document shall be decided on the date of the execution of the document, but the penalty leviable is to be determined at the time of its presentation for being used as evidence. In this regard two things shall be important.

- i. The vendor should be registered and licensee of revenue department under the Pakistan Stamp Rules 1925, Punjab Stamp Rules, 1939 and Supply and Distribution of Stamps Rules 1954 enacted under Section 74 of the Stamp Act 1899
- ii. The Stamp paper which has been issued by vendor, should be registered with vendor i.e it should be entered in his register and has been fixed a specific serial number, in addition to this it should be proper stamped by such vendor and signed by him.

In smooth business relationship no party shall care these things however in case of any dispute, at time of evidence these thing have much effect. Most probably court called that stamp vendor for verification who has issued the stamp paper for the document which has been presented in the evidence. Some time while examining the Agreement it appears that issuance date of the Stamp paper does not match to the date of execution of the Agreement. For example if Stamp Paper has been issued on 8 of a month the execution should be exact same date or any date after 8, not earlier date i.e 7 or 6. This may create conflict in document.

2. Initials on each Page with stamp of the company

The purpose behind this requirement is that, it prevents one of the parties from later inserting a false or modified page. It prevents fraud in the enforcement of contract. It makes difficult for a party to change the contents of an agreement once. In case of change of modification or correction even

in a single word or letter both parties shall have to initialize on the place where they have changed or corrected the word or letter and affix the stamp of the company.

3. Signatures of Authorized Persons

An authorized signatory is officer or representative who is vested with powers to commit the authorizing organization to a binding agreement. He is also called signing officer or signing authority, which has been delegated legal power by authoritative body to organizational positions appointing them as agents of the organization for general or specific purposes. The signature of the authorized person basically executes the agreement, which is called final execution. It should be noted that, if a signatory at the time of signing the agreement writes the date of signing it shall be the execution date. If he only signs the agreement without writing any date then both parties with mutual consent shall write the date of execution in the agreement, however the execution date shall be the date after the issuance of the stamp paper. A simple mistake can create the conflict in the document.

4. Witnesses

As per Islamic principal of evidence Qanun-e-Shahadat Order 1984 provides that two witnesses shall be required in matters pertaining to financial or future obligations. Any type of contract/ agreement shall be attested by two witnesses and following information regarding the each witness shall be provided in the contract **i. name and signature ii. CNIC No. and iii. Addresses**

For the purpose of managing the contracts a tracking number or an identification number should be displayed on the document for reference and verification purpose.

5. Registration

If the contract/agreement is related to the sale or purchase of immovable property or lease of immovable property, The Registration Act, 1908 shall be applicable to all such documents. If a document/Agreement for lease has been executed between parties for one year or more than one year it should be registered; otherwise it is not effective unless it is registered with concerned Authorities. Many times it has been assumed that using a stamp paper in a contract is registration of the agreement, but the registration of stamp paper with vendor does not mean the registration of agreement it is misunderstanding in applicability of stamp act 1899 and The Registration Act, 1908. For the clarification purpose the difference in applicability of these Acts should be noted that,

- The Stamp Act confirms the validity of a stamp paper
- The Registration Act confirms the Validity of the document registered under the Registration Act.
- The Purpose of the Stamp Act to raise and protect the Public revenue and the purpose of the Registration Act is to protect the public property
- The Authorized vendors are responsible to maintain the record of Stamp papers, distributed or sold by them, for the protection of public from fraud or any type of cheating etc. They attend the Court in the evidence if any time called by any honorable

court for the verification of stamp paper which has been used for the execution of the document which has been presented in the evidence. The Registrar under the Registration Act maintains the record of the documents related to the immovable property in his territory which may verify the true ownership of the person when it is required in case of any dispute . This is for the safety of property of the public.

- The vendor of a Stamp paper who registers it, only verify the stamp paper which has been issued by him, he can't verify the document for which it has been used. The Registrar under Registration Act verifies the document which has been executed between the Parties.
- The vendor of stamp papers get license for such work under the Stamp Rules, he is not public servant and a registrar under the Registration Act appointed by Provincial government and he is a public servant.

The purpose of all requirements is to make a document as perfect as practicable and possible that, it may be used for any time in case of dispute as evidence. These are not legal requirements which may invalidate the document; however the registration of stamp vendor and in case of immovable property document the registration is legal requirement. The purpose to bring an understating into written form is to keep proof and evidence of that understanding in documentary form, so keeping a perfect document is a perfect evidence which has always vital role in case a dispute arises.