



ISSN: 2583-7753

# LAWFOYER INTERNATIONAL JOURNAL OF DOCTRINAL LEGAL RESEARCH

[ISSN: 2583-7753]

Volume 4 | Issue 1

2026

DOI: <https://doi.org/10.70183/lijdlr.2026.v04.135>

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# CASE LAW ANALYSIS: SURAJ LAMP & INDUSTRIES PVT. LTD. V. STATE OF HARYANA (2012) 1 SCC 656

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## I. ABSTRACT

*This paper critically analyses the landmark decision of the Supreme Court of India in Suraj Lamp & Industries Pvt. Ltd. v. State of Haryana (2012), which addressed the legality of transferring immovable property through General Power of Attorney (GPA), Agreement to Sell, and Will transactions, collectively referred to as GPA sales. Adopting a doctrinal and analytical research methodology, the study examines the statutory framework under Section 54 of the Transfer of Property Act, 1882 and Section 17 of the Registration Act, 1908, alongside judicial interpretations governing property transfers in India. The Court unequivocally held that GPA-based transactions do not confer ownership rights and cannot substitute a duly executed and registered conveyance deed, thereby reaffirming the mandatory nature of registration for transfers exceeding one hundred rupees. The judgment further clarified the legal character of a General Power of Attorney as an instrument of agency, incapable of transferring any proprietary interest. Through a detailed evaluation of the Court's reasoning, this paper highlights the judicial rejection of informal property transactions designed to evade stamp duty, registration requirements, and regulatory restrictions. The analysis demonstrates that the ruling not only resolves longstanding ambiguities but also strengthens legal certainty, safeguards bona fide purchasers, and curtails fraudulent practices and the circulation of unaccounted money in the real estate sector. The decision significantly contributes to Indian property law jurisprudence by reinforcing statutory compliance, aligning market practices with legal mandates, and emphasizing the role of public policy in regulating property transactions.*

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## II. KEYWORDS

General Power of Attorney, Transfer of Property Act, Conveyance Deed, Stamp Duty, GPA Sales.

## III. INTRODUCTION

Under Indian laws, there are Transfer of Property Act, 1882, and Registration Act, 1908, which govern the transfer of immovable properties. In these acts, it is stated that any transaction or transfer of immovable property which is worth more than one hundred rupees shall be done via a registered deed. That rule exists to give legal certainty, transparency and to protect the parties in a transaction. But over the decades dubious practice took hold in several states, especially Delhi, Haryana and other urban centers. Instead of a registered sale deed, people used a mix of General Power of Attorney, Agreement to Sell and Will documents to move title. In simple terms is called "GPA sales". It lets parties avoid stamp duty and registration charges, dodge land ceiling laws and keep deals outside the formal system. Those GPA-based transactions caused lots of problems. Title disputes piled up.

Fraudulent transfers happened. Illiterate and economically weaker buyers were exploited. Big amounts of black money flowed into the real estate sector. Courts across the country faced conflicting ownership claims. And the lack of any clear judicial ruling on whether these documents could really transfer property only made the uncertainty worse. It was against that backdrop that the Supreme Court in *Suraj Lamp & Industries Pvt. Ltd. v. State of Haryana* had to step in and decide the legal status of GPA sales. The case mattered well beyond the parties in front of the court. It was a chance for the Supreme Court to restate the basics of property law in India. To make clear that registered conveyance deeds are the only valid way to transfer immovable property. And to send a message against practices that undermine the statutory framework.

Court action was also needed because some earlier decisions had, in effect, tolerated these transactions to a degree. That patchy approach left room for abuse and confusion. The

ruling therefore became a turning point, trying to bring the reality of the market in line with the need for legal form, fair treatment and constitutional governance.

#### **IV. FACTUAL AND PROCEDURAL BACKGROUND OF THE CASE**

The case of *Suraj Lamp & Industries Pvt. Ltd. v. State of Haryana* became necessary considering the judicial scrutiny of the validity of the practice of buying and selling immovable properties using General Power of Attorney ("GPA") agreements. This practice had been widespread in the states of Delhi and Haryana, hence necessitating the reference case before the Supreme Court of India in respect of connected cases involving the legal issue of the sale and purchase of immovable properties using GPA, Agreement to Sell, and Will.

Under this practice, the seller executed a General Power of Attorney in favor of the buyer to enable the buyer to deal with the property in his capacity as the legal owner of the property. In addition, the seller executed an Agreement to Sell, where he acknowledged having received the total price of the transaction, and a Will to allow the buyer to retain possession of the property even after the death of the seller. This three-way agreement ensured that the buyer would be in possession of the property and would have all the rights of an owner despite the absence of a sale deed being registered. This whole transaction was planned in a way that no stamp duty and no registration charges would be payable, since stamp duties and registration fees are payable only when a sale deed is registered, and thus the government would lose considerable revenue from the state treasury.

The State of Haryana, along with other states, brought this case to the attention of the Supreme Court, arguing that GPA sales were being used as a method to escape the mandatory provisions of the Transfer of Property Act, 1882<sup>4</sup>, and the Registration Act, 1908. In addition, the State argued that through such transactions, black money flowed in the real estate market, there was illegal transfer of land due to land ceiling laws, and

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<sup>4</sup> Transfer of Property Act, 1882, §§ 54, 53A

the buyers themselves did not have any rights over the lands sold to them. In light of the gravity of this situation and its implications, the Supreme Court considered this matter.

The matter had come before the Supreme Court in *Suraj Lamp & Industries Pvt. Ltd. v. State of Haryana*, (2009) 7 SCC 363, wherein the Court expressed concerns regarding the widespread misuse of GPA-based transactions and referred referred to for authoritative determination, ultimately culminating in the present judgment

## **V. LEGAL ISSUES INVOLVED IN THE CASE**

1. Whether a General Power of Attorney, Agreement to Sell, and Will transaction collectively constitute a valid mode of transfer of immovable property under Indian law?
2. Whether GPA sales can confer lawful title or ownership over immovable property upon the transferee in the absence of a registered conveyance deed?
3. Whether the mandatory requirements of Section 54 of the Transfer of Property Act, 1882, and Section 17 of the Registration Act, 1908, can be bypassed through GPA-based property transactions?
4. Whether a General Power of Attorney executed in favor of a buyer, authorizing him to deal with the property as an owner, amounts to a transfer of immovable property within the meaning of the Transfer of Property Act, 1882?
5. Whether the practice of GPA sales is contrary to public policy and whether courts ought to lend their assistance to enforce such transactions?
6. Whether earlier judicial decisions that accorded recognition to GPA-based transactions laid down a correct position of law and whether such decisions require reconsideration?

## **VI. LEGAL PROVISIONS INVOLVED**

The case primarily revolved around the interpretation and application of several key statutory provisions governing the transfer and registration of immovable property in India. The central provision under consideration was Section 54 of the Transfer of

Property Act, 1882, which defines "sale" as a transfer of ownership in exchange for a price paid, promised, or part-paid and part-promised. The section further mandates that in the case of tangible immovable property of a value of one hundred rupees and upwards, such a transfer can only be made by a registered instrument, thereby making registration an indispensable requirement for a valid sale of immovable property.

Section 17 of the Registration Act, 1908 was equally significant in this case, as it prescribes the categories of documents that are compulsorily registrable. Under this provision, any instrument of gift of immovable property, any instrument that purports or operates to create, declare, assign, limit, or extinguish any right, title, or interest of a value of one hundred rupees and upwards in immovable property must be compulsorily registered. The Court examined this provision to determine whether GPA-based transactions, which effectively sought to transfer ownership without registration, fell afoul of this mandatory requirement.

Section 53A of the Transfer of Property Act, 1882<sup>5</sup> was also examined in the context of this case. This provision protects a transferee who has taken possession of immovable property pursuant to a contract of sale and has performed or is willing to perform his part of the contract, by preventing the transferor from enforcing any right in respect of the property against such transferee. The Court clarified that Section 53A can only be used as a shield and not as a sword, meaning it can be used as a defence against the transferor but cannot be used to assert or claim title over the property.

The Power of Attorney Act, 1882<sup>6</sup> was examined to determine the true legal nature and scope of a General Power of Attorney. The Court analysed whether a GPA could confer ownership rights upon the holder or whether it merely authorised the holder to act as an agent on behalf of the principal, without transferring any title or proprietary interest in the property.

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<sup>5</sup> Transfer of Property Act, 1882, §§ 53A, 54, 55

<sup>6</sup> Power of Attorney Act, 1882

Sections 54 and 55 of the Transfer of Property Act, 1882 were further examined in relation to the rights and liabilities of buyers and sellers in a contract of sale, to determine the point at which ownership legitimately passes from the seller to the buyer under Indian property law.

Additionally, the constitutional dimensions of the case were considered in light of Article 300A of the Constitution of India<sup>7</sup>, which guarantees that no person shall be deprived of his property save by authority of law, thereby reinforcing the importance of legal formality and statutory compliance in all property transactions.

## **VII. ARGUMENTS ADVANCED BY THE PARTIES**

### **A. Arguments of the Appellant**

As per the appellant, Suraj Lamp & Industries Pvt. Ltd., the GPA-based transaction of property was something that had been followed for quite a long time and had received certain acceptance through the judgments passed by various High Courts, as well as by the Supreme Court of India. The appellant stated that the transactions under discussion had become an absolute necessity for conducting business because of the huge financial burden imposed upon the common citizen when dealing with real estate property owing to the heavy stamp duty and other expenses incurred for the registration process. As per the appellant, it was a legitimate way of shifting the control over immovable property without actually transferring its ownership as per the provisions of the Transfer of Property Act, 1882.

It was further contended that since a General Power of Attorney and Agreement to sell were issued in favor of the respondent-buyer, this would amount to creating a vested interest in favor of the buyer in the said property, particularly in light of the provisions contained in Section 53A of the Transfer of Property Act, 1882 in relation to the doctrine of part performance of contract. The appellant argued that since the entire consideration of the sale was paid and possession of the property was taken, it would be unfair and

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<sup>7</sup> Constitution of India, art. 300A

unjust to deprive the respondent-buyer of the protection under the laws merely on the ground that there is no registered deed of conveyance.

Furthermore, the appellant made reference to certain previous judgments where the courts have held the sale of GPA valid and ordered for specific performance of such contracts, arguing that there is no need for the law to be unsettled in this particular instance, considering the number of people who depend on such transactions when purchasing properties.

### **B. Arguments of the Respondents**

State of Haryana and other respondents vehemently denied the legality of any property transaction carried out under the guise of GPA and maintained that such an agreement is merely a fraudulent ploy that sought to bypass the compulsory provisions of Transfer of Property Act, 1882 and Registration Act, 1908. According to the respondents, Section 54 of Transfer of Property Act clearly stated that any transfer of immovable property worth more than one hundred rupees can be affected only by way of a registered instrument and no other means whatsoever can take its place.

Furthermore, it has been contended by the respondents that a General Power of Attorney is essentially an instrument of agency giving authority to the holder thereof to do certain acts on behalf of the principal but that in itself it cannot be regarded as effecting any transfer of any right, title, or interest in the property from the principal to the agent. In particular, it has been contended that according to the provisions of the Power of Attorney Act, 1882, there can be no transfer of immovable property through GPA.

Further, it was argued that the extensive use of GPA sales had resulted in grave harm to the public exchequer due to mass evasion of stamp duties and registration fees, had led to the creation and circulation of black money within the real estate market, and was utilized as an instrument for overcoming land ceiling regulations and other restrictions on property transfers. According to the respondents, courts should never help in

transactions where there is an evident attempt to defeat the law, and it is clear from public policy that GPA sales should not receive any judicial recognition.

In addition, it was reiterated by the respondents that the lack of registration of title deeds rendered the purchasers susceptible to fraudulent practices such as double selling and competing ownership claims. They insisted that the security of bonafide purchasers can only be guaranteed by strictly implementing the mandatory registration of the deed. The use of Section 53A of the Transfer of Property Act is not sufficient ground to claim title; instead, it should only be applied in situations where it serves as a defense to certain legal actions. The doctrine of part performance cannot be employed in cases that are clearly against the provisions of the law.

## **VIII. RESEARCH AND ANALYSIS**

To begin its discussion, the Supreme Court first examined the legal provisions relating to the transfer of immovable property in India, especially the Transfer of Property Act, 1882, and the Registration Act, 1908. In its ruling, the Court reasserted the fundamental rule that according to Indian laws, the sole mechanism through which the owner can transfer immovable property worth more than one hundred rupees is by executing a duly registered deed of conveyance. In its ruling, the Court pointed out that such a provision of law is not only procedural but substantive in nature, aimed at ensuring the prevention of any frauds and the protection of the bonafide interests of both purchasers and the state.

The Court then went further to state the actual nature of the General Power of Attorney, which categorically was declared that a GPA is an instrument of agency, and not an instrument of transfer. It was established that a GPA only gives authority to operate on behalf of the principal concerning the property in question, without transferring ownership or any form of proprietary interest to the holder thereof. According to the Court, signing a GPA, along with an Agreement to Sell and Will, does not constitute a sale under Section 54 of the Transfer of Property Act, 1882, hence failing to confer title of the property to the alleged purchaser.

It is important to note that the court also analyzed Section 53A of the Transfer of Property Act, 1882, and provided its interpretation in regard to this provision's limited scope and meaning. In particular, it was stated that Section 53A acts as a statutory defense applicable to those transferees who obtained possession of the immovable property under an agreement for sale and either fulfilled or agreed to fulfill their obligations according to this agreement. It should be mentioned that the court stated explicitly that this provision can be used solely as a shield by the transferee in order to defend his/her possession of the property from the actions undertaken by the transferor and cannot be applied as a weapon to substantiate title to the property. Moreover, since Section 53A of the Transfer of Property Act underwent amendments under Registration and Other Related Laws (Amendment) Act, 2001, even such a defense as part performance is possible now only for those registered agreements.

The Court then moved on to consider the wider socio-economic and policy consequences of GPA sales and found that GPA sales had been widely used as a means of perpetrating fraud, evading taxes, and avoiding regulation governing property transactions. The Court highlighted the fact that the practice of GPA sales had led to heavy losses to the government in terms of revenue forgone due to stamp duty and registration fee evasion, had generated black money in the real estate market, and had frustrated the purposes behind the ceiling laws and town planning regulations.

It was stated that it would not be consistent with public policy for the court to lend its aid to transactions where the object was clearly to circumvent the compulsory provisions of the law. It was further noted that in some of the previous judicial rulings where GPA sales had been considered, different levels of acceptance had been granted to GPA transactions, which, to a great extent, had been instrumental in the practice becoming established in law. It was emphasized that these judicial precedents did not constitute the correct legal position since they implied that GPA transactions were valid forms of immovable property transfer when the correct legal position was that the transfer of immovable property could only occur via the registration of a conveyance deed.

In response to the point raised concerning the rights of bonafide purchasers of properties whose purchases were effected through GPA sale agreements, the Court took into consideration their interest by stipulating that the effect of its decision would be prospective in nature and therefore would not affect or annul any transaction which had already taken place before the issuance of the judgment. It was noted that while it was imperative to reestablish the preeminence of the registration of conveyance deeds and stop the trend of GPA sale agreements, it would be unfair to deprive those who had purchased properties in good faith using their life savings from enjoying the benefits they used to derive from them.

The Court rounded off its discussion by reiterating the point that while the statutory requirement of registration and execution of the proper conveyance deed were technical formalities that should not be overlooked in the interest of either convenience or commerce, they are the basic principles underlying an open and fair system of property dealings in India, and ignoring them amounts to doing away with the principle of legality that lies at the heart of property dealings. This means that while the protection of the right to property under Article 300A of the Constitution of India requires compliance with the procedures of transferring immovable property under the laws laid down by the legislature, the courts cannot permit clever drafting of agreements to render such requirements nugatory.

## **IX. JUDGMENT**

India's Supreme Court gave a clear-cut ruling, unambiguously stating that sales through General Power of Attorney, whether in a form of three-way GPA, Agreement to Sell, and Will or in any other form, cannot be considered as a legitimate means of transfer of property and does not result in granting a valid title/ownership in such a case. The Court ruled that, under the laws of India, the only recognized means of effectuating transfer of ownership of immovable property worth more than one hundred rupees is by way of a registered conveyance document that strictly complies with the provisions of Sections 54 of the Transfer of Property Act, 1882, and Section 17 of the Registration Act, 1908.

In making its findings, the Court held explicitly that the GPA is only an instrument of agency. As such, it confers no right, title, or interest in immovable property to the holder. Execution of the GPA by a vendor in favour of a buyer, coupled with delivery of possession, receipt of all sale considerations, and other relevant matters, does not constitute a sale under the provisions of the Transfer of Property Act of 1882, nor does it confer any right of ownership to the buyer. The Court additionally observed that Section 53A of the Transfer of Property Act could be raised as a defence against the transferor but not in establishing title to immovable property without registration of the deed of conveyance.

The court gave very specific directions to all registration authorities, revenue authorities, and courts of the country regarding not giving any recognition, not registering, and giving effect to property transfers based on GPA as alternatives to registration of the conveyance deed. Realizing that strict retrospective application of its decision would have caused problems, the court made it clear that those transactions which were already completed, and the possession was delivered along with payment of sale consideration before the date of its decision would remain undisturbed. But the court advised all concerned parties in those transactions to make their transactions regular by having the conveyance deed registered as soon as possible.

#### **A. Ratio Decidendi**

A General Power of Attorney, Agreement to Sell, and Will, even if executed either separately or together, cannot be considered a legal method for transferring ownership of immovable property according to the laws of India. The sale of immovable property whose value exceeds one hundred rupees, may be done only through a registered document called the conveyance deed, in accordance with Sections 54 of the Transfer of Property Act, 1882, and Section 17 of the Registration Act, 1908. A GPA is an instrument that merely grants the power of attorney, allowing the grantee to conduct any business in the name of the grantor and is never a method of transferring any title, ownership, or proprietary right of immovable property to the grantee. Section 53A of the Transfer of

Property Act, 1882, serves solely as a statutory defense available to the transferee in possession and does not serve as grounds for claiming or proving title over immovable property.

### **B. Obiter Dicta**

It was pointed out by the Court that the common practice of GPA transactions had been used as a means to earn and circulate black money within the real estate industry in such a manner that all transactions were being carried out in an informal financial system. Though this finding does not fall within the ratio decidendi of the case, it is clear from the observations made by the Court that there existed a deep-seated concern on the part of the Court regarding the connection between real estate transactions and black money.

However, it was further noticed that any oral partitions or unregistered family arrangement made in respect of immovable properties, although it may not be relevant for determination in the present case, should be viewed very cautiously by the court, and that unregistered instruments cannot usually be accepted as evidence against the statutory rights of those persons who are entitled to have a share in such immovable property. The above remark has often been referred to in later cases.

Furthermore, the Court noted that there was a need for the state governments and the union territories to take up the task of effectively checking the practice of GPA sales in their jurisdictions, and the inability of the administrative bodies to ensure the registration of transactions as mandated by the statute had contributed significantly to this problem. This clearly indicates that the Court believes that the judiciary alone cannot help in putting things right in the realm of property-related practices where systematic malpractice exists, but there is also a need for administrative interventions.

Last but not least, the Court observed that there was still a serious need for improvement when it came to the level of financial and legal literacy among the buyers of property in India. Indeed, many buyers had been cheated out of their money in GPA transactions not because of any ill-intent but rather because of their ignorance of the legal defects that

characterized such transactions. The hope of the Court was that its decision will have served as an eye-opener to the people on the issue of property transaction laws.

## **X. CONCLUSION AND COMMENTS**

The decision by the Supreme Court of India in the case of *Suraj Lamp & Industries Pvt. Ltd. v. State of Haryana* is one of the most significant judicial pronouncements in the history of property law in India, which finally resolved an ongoing controversy that has existed since decades and caused immense damage to the sanctity of property dealings throughout the nation. The Supreme Court of India, through its unambiguous ruling that the system of GPA transaction is not a valid mechanism of transferring immovable properties and does not vest any lawful title or right to the recipient, reinstated the basic tenets of property law and reiterated the supremacy of the registered conveyance deed as the only means of transferring property.

This decision assumes landmark proportions because of its transformation of property dealings from a commercial and legal point of view in India. It is indeed the Supreme Court's decision that finally brought about a transformation from a very deep-rooted culture of informality by making property transactions conducted through G.P.A.s unacceptable from a commercial point of view and thereby restoring the rule of law where none existed before.

In terms of jurisprudence of law, this ruling has contributed immensely towards the development of law in India. In terms of legal jurisprudence, it has clarified many issues in the area of General Power of Attorney and the concept of transfer of property. For instance, the legal nature of General Power of Attorney has been determined to be purely the power of agency which cannot be used as a tool of transferring immovable property. The ruling also provided more clarity on Section 53A of the Transfer of Property Act of 1882. Section 53A of the Act can only be used as a defense mechanism but not as an offensive one.

This ruling has reiterated once again that judicial rulings in regard to property dealings should be guided by issues of public policy, such that the convenience of private commerce will not take precedence over the need to comply with the legislative provisions regulating property dealing. In stating that courts should not assist transactions where an effort was made to bypass the mandatory provisions of the law, the Court established a guiding principle which should continue to play an important role in the decision-making process in the face of fraudulent property deals.

By relating the protection offered to the right to property under Article 300A of the Indian Constitution to the necessity for strict compliance with the statutory requirements of property dealings, this ruling has helped add to the jurisprudence concerning constitutional property rights in India. In conclusion, *Suraj Lamp & Industries Pvt. Ltd. v. State of Haryana* has emerged as a landmark judgment which will have a significant influence on the property law jurisprudence of India in the coming years, by reinforcing the fact that nothing will be allowed to violate the mandate of the legislature.

## **XI. REFERENCES**

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2. The Registration Act, 1908, No. 16 of 1908 (India)
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4. The Specific Relief Act, 1963, No. 47 of 1963 (India)

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