

NOTICE**Sub: Securities Transaction Tax**

SEBI vide circular No. MRD/DoP/SE/Cir-32/2004 dated Sept. 23, 2004 has, notified that pursuant to the enactment of Finance (No.2) Act, 2004, the Government of India is expected to notify the Securities Transaction Tax Rules, 2004, very shortly. Accordingly, members are hereby advised to ensure that their back office system for the levy, collection and remittance of STT are put in place immediately in accordance with the enclosed draft Rules.

As per the Finance (No.2) Act 2004, STT on the transactions executed on the Exchange will be as under:

Sl. No.	Taxable securities transaction	Rate	Payable by
(1)	(2)	(3)	(4)
1.	Purchase of an equity share in a company or a unit of an equity oriented fund, where – (a) the transaction of such purchase is entered into in a recognised stock exchange; and (b) the contract for the purchase of such share or unit is settled by the actual delivery or transfer of such share or unit.	0.075 per cent.	Purchaser
2.	Sale of an equity share in a company or a unit of an equity oriented fund, where – (a) the transaction of such sale is entered into in a recognised stock exchange; and (b) the contract for the sale of such share or unit is settled by the actual delivery or transfer of such share or unit.	0.075 per cent.	Seller
3.	Sale of an equity share in a company or a unit of an equity oriented fund, where – (a) the transaction of such sale is entered into in a recognised stock exchange; and (b) the contract for the sale of such share or unit is settled otherwise than by the actual delivery or transfer of such share of unit	0.015 per cent	Seller

Members may note that the following procedure formulated as per the draft STT Rules will be adopted by the exchange in respect of the calculation and collection of STT , subject to the provisions of Finance Act and Rules of STT.

STT would be applicable for all transactions and shall be determined after the end of each trading day.

As per draft STT Rules 2004, all the transactions shall be identified based on the client code entered at the time of order entry on the trading system of the exchange. The value of taxable securities transaction shall be determined with respect to the trade executed under a particular trading client code. In respect of proprietary transactions the "Self" shall be deemed to be the client code. **Hence members are advised to exercise extreme caution and diligence at the time of order entry. At the time of order entry all client trades should be entered correctly mentioning the client code of the client which is uniquely allotted to a particular client. Member should ensure that the client code entered is uniformly maintained for all transaction relating to a particular client without fail.**

1. Demat Rolling Settlement for Normal Scrips.

- a) The difference between the buy quantity and the sell quantity shall denote the quantity that shall be required to be settled by actual delivery.
- b) The buy or sell quantity that has been offset shall denote the quantity that shall be settled other than by actual delivery.
- c) Calculation of Volume weighted average price: For each trading client code, all the buy and sell transactions for a trading day shall be aggregated for each security. This aggregated traded value of

transaction (where trade value is the trade rate multiplied by trade quantity) shall be divided by the total traded quantity and shall be rounded off to nearest paisa.

- d) The value of the actual delivery transactions shall be determined as, the quantity that is required to be settled by actual delivery multiplied by the volume weighted average price. On this value, the STT rate as prescribed shall be applied to determine the STT liability.
- e) In respect of transactions that are to be settled other than by actual delivery, the value of the transactions that are settled other than by actual delivery shall be determined as the quantity that is to be settled other than by actual delivery multiplied by the volume weighted average price. On this value, the STT rate as prescribed shall be applied to determine the STT liability.
- f) A sum total of all such STT liability for transactions in different securities as categorised above for a client shall be the total STT liability for the client for that trading day.
- g) STT payable by the member for the day shall be the sum total of STT payable by all his clients for that trading day.

2. Trade for Trade Scrip in Demat Rolling Settlement and Physical (B-Gr.) Settlement

- a) Each trade shall be considered as quantity that shall be required to be settled by actual delivery. Each trade shall be valued at the actual trade price and the trade value shall be the trade price multiplied by the trade quantity. STT rate as prescribed shall be applied on the trade value to determine the STT liability for each transaction.
- b) A sum total of all such STT liability for transactions in different securities for a client shall be the total STT liability for the client for that trading day.
- c) STT payable by the member for the day shall be the sum total of STT payable by all his clients for that trading day.

3. Auction transactions

- a. Sale transactions in the auction session shall be considered as proprietary trading of member i.e., "Self". As per the draft STT Rules 2004, the value of taxable securities transaction shall be determined with respect to the selected offers in a scrip.
- b. Each trade shall be considered as quantity that shall be required to be settled by actual delivery and shall be valued at the actual trade price and the trade value shall be the trade price multiplied by the trade quantity.
- c. For each buy transaction, each trade shall be valued at the weighted average price as is being arrived by the exchange currently.
- d. STT rate as prescribed shall be applied on the trade value to determine the STT liability for each transaction. A sum total of all such transactions in different scrips for a member shall be the total STT liability for the member in the auction.

4. Client Code Data to be provided by members:

Members are requested to note that complete client code details for **all clients** for whom the member has traded should be furnished to the MOP department as per the existing format of Unique client code data submission, positively within 7th of the following month. Members are requested to note that client code entered at the time of order entry should match exactly with the Unique client code details to be submitted as aforesaid. **This is crucial since the STT liability computation and collection would be incorrect and result in excess STT or STT evasion.** Hence member should collate the data on a regular basis with the client wise STT liability statement downloaded from the Exchange for submitting the same within the scheduled date.

5. Reports to members

A report shall be provided to the members after each settlement. This report shall contain information on the total client wise scripwise transaction values and STT liability.

6. Collection of STT from members

Members shall be required to pay the STT on T+2 day along with Funds Pay-in. Non payment of STT will be treated as non fulfillment of settlement obligations for the purpose of all consequential actions against the member. The members would also be liable to pay any additional STT demand made on the Exchange, consequent to any order passed under the provision of Chapter VII of the Act. Any amount refunded on assessment under sub-section (2) of section 102 of the Act, shall be refunded to the concerned member within the stipulated date.

7. Information to clients

The contract note should specify the total securities transaction tax for the transactions mentioned therein. Members shall issue the STT details as provided by the exchange to their respective clients in the format given at Annexure I, alongwith the contract note for the transactions executed on the stock exchange.

The relevant portion of STT draft rules referred in the aforesaid SEBI circular is annexed (Annexure II) for perusal and better understanding. This SEBI circular and Draft STT Rules 2004 is also available in the website www.sebi.gov.in. The members may note that the provisions of Finance Act and Rules on STT will prevail.

Secretary

Annexure 1

Statement of Securities Transaction Tax for equity share in a company or a unit of an equity oriented fund

Stock Exchange														
Stock Broker Code							Stock Broker Name							
Trading Client Code							Trading Client Name							
Trading Client PAN							Trading Client MAPIN							
Contract Note No.							Contract Note Date							
Serial No.	Security	Transactions settled by delivery – Purchase				Transactions settled by delivery – Sale				Transactions settled other than delivery				Total STT
		QTY	Price	Value	STT	QTY	Price	Value	STT	QTY	Price	Value	STT	
Total =====														

For _____

Place :
Date :

Authorised Signatory

Annexure II

**DEPUTY GENERAL MANAGER
MARKET REGULATION DEPARTMENT**

MRD/DoP/SE/Cir-32/04
September 23, 2004

- 1. The Executive Directors/Managing Directors/Administrators of All Stock Exchanges**
- 2. All Mutual Funds registered with SEBI**
- 3. Association of Mutual Funds in India (AMFI)**

Dear Sirs/Madam,

Sub: Securities Transaction Tax (STT) – Draft Rules, 2004

1. Please refer to circular No.MRD/DoP/SE/Cir-28/2004 dated August 23, 2004 on the captioned subject.
2. Pursuant to the enactment of the Finance (No.2) Act, 2004, the Government of India is expected to notify the Securities Transaction Tax Rules, 2004, very shortly. Meanwhile, in order to facilitate the stock exchanges, their members and mutual funds to put in place the necessary systems and procedures for proper implementation, the draft rules on the captioned subject along with the proposed format of the necessary forms are enclosed.
3. Accordingly, the stock exchanges, their members and mutual funds are hereby advised to ensure that necessary software and procedures for the levy, collection and remittance of STT are put in place immediately in accordance with the enclosed draft Rules.

Yours faithfully,

V S SUNDARESAN

Encl: Copy of draft Rules along with the proposed format of forms.

SECURITIES TRANSACTION TAX (DRAFT) RULES

1. Short title and commencement -

- (1) These rules may be called the Securities Transaction Tax (draft) Rules
- (2) They shall come into force on the day of , 2004.

2. Definitions -

- (1) In these rules, unless the context otherwise requires,-
 - (a) “Act” means the Finance (No.2) Act, 2004 (29 of 2004);
 - (b) “authorised bank” means any bank as may be appointed by the Reserve Bank of India as its agent under the provisions of sub-section (1) of section 45 of the Reserve Bank of India Act, 1934 (2 of 1934);
 - (c) “Form” means a Form set out in the Appendix hereto.
- (2) Words and expressions used but not defined in these Rules and defined in the Act, or the Securities Contracts (Regulation) Act, 1956, or the Income-tax Act, 1961, shall have the meanings respectively assigned to them in those Acts.

3. Value of taxable securities transaction –

For the purposes of clause (c) of section 99 of the Act, the value of a taxable securities transaction, being a purchase or sale of an equity share in a company or a unit of an equity oriented fund, entered into in a recognised stock exchange, shall be determined in the following manner, namely:-

- (a) where the equity share or unit is purchased or sold by a person on a trading day in the netted settlement mode,-
 - (i) the quantity of shares or units purchased or sold in each trade in that equity share or unit executed by the person on that day, shall be multiplied by the price at which the trade is executed, to determine the trade value of each such trade;
 - (ii) the aggregate trade value of all trades in the equity share or unit by the person on that day shall be arrived at by totalling the trade values determined under sub-clause (i);
 - (iii) the aggregate trade value arrived at under sub-clause (ii), shall be divided by the total quantity of the equity share or unit traded by the person on that day, to determine the volume weighted average price of that equity share or unit for that person for that day;
 - (iv) such volume weighted average price (rounded off to the nearest paisa) shall be taken to be the value of the taxable securities transaction relating to the equity share or unit.

Explanation.- For the removal of doubts, it is hereby clarified that the determination of the value of the taxable securities transaction under this clause in a case where the equity share or unit is purchased or sold through a member of the stock exchange, shall be made with reference to the trades executed in the equity share or unit under a particular client Code through that member;

- (b) where the equity share or unit is purchased or sold by a person in the trade-for-trade settlement mode, the value of the taxable securities transaction shall be the price at which the equity share or unit is purchased or sold;
- (c) where the equity share or unit is purchased in the auction settlement mode, the value of the taxable securities transaction shall be the volume weighted average price of the equity share or unit, determined in the manner specified in clause (a), in respect of all trades in that equity share or unit carried out in the auction session;

- (d) where the equity share or unit is sold in the auction settlement mode, the value of the taxable securities transaction shall be the price at which the equity share or unit is sold.

Explanation.- For the purposes of this rule –

- (i) “netted settlement mode” means a mode of settlement of transactions in a recognised stock exchange where the quantity of an equity share or unit purchased by a person on a trading day is set off against the quantity of that equity share or unit sold by him on that day and actual delivery is required to be taken or given by him as the case may be, only in respect of the net quantity purchased or sold as has not been so set off;
- (ii) “trade-for-trade settlement mode” means a mode of settlement of transactions in a recognised stock exchange where each trade is compulsorily required to be settled by actual delivery;
- (iii) “auction settlement mode” means a mode of settlement, in a stock exchange, of transactions carried out in the auction session, being a trading session in which the stock exchange makes purchases of equity shares or units through an auction process initiated by it, so as to settle transactions where there has been a failure to deliver such equity shares or units which were required to be delivered.

4. Rounding off value of taxable securities transaction, securities transaction tax, etc. -

The value of taxable securities transaction and the amount of securities transaction tax, interest and penalty payable, and the amount of refund due, under the provisions of Chapter VII of the Act shall be rounded off to the nearest rupee and, for this purpose, where such amount contains a part of rupee consisting of paise then, if such part is fifty paise or more, it shall be increased to one rupee and if such part is less than fifty paise it shall be ignored.

5. Person responsible for collection and payment of securities transaction tax in case of a Mutual Fund

In the case of a Mutual Fund, the person responsible for collection and payment of securities transaction tax in accordance with sub-sections (2), (3) and (4) of section 100 of the Act, shall be the trustee of the Fund, or such other person managing the affairs of the Mutual Fund as may be duly authorised by the trustee in this behalf.

6. Payment of Securities Transaction Tax -

Every recognised stock exchange, or, as the case may be, the trustee of every Mutual Fund or the person authorised by the trustee, who is required to collect and pay securities transaction tax under section 100, shall pay the amount of such tax to the credit of the Central Government by remitting it into any branch of the Reserve Bank of India or of the State Bank of India or of any authorised bank accompanied by a securities transaction tax challan.

7. Return of taxable securities transactions -

- (1) The return of taxable securities transactions required to be furnished under sub-section (1) of section 101 of the Act shall, -
- (a) in the case of a recognised stock exchange, be in Form No. 1 and be verified in the manner indicated therein;
- (b) in the case of a Mutual Fund, be in Form No. 2 and be verified in the manner indicated therein.
- (2) The details required to be furnished in the schedules to Form No. 1 and Form No. 2 referred to in sub-rule (1) shall be furnished on a computer media, in accordance with the following, -
- (a) the computer media conforms to the following specifications:-
- i) CD ROM of 650 MB capacity or higher capacity; or
- ii) 4mm 2GB/ 4GB (90M/ 120M) DAT Cartridge, or

iii) Digital Video Disc;

- (b) if the data relating to the schedules is copied using data compression or backup software utility, the corresponding software utility or procedure for its decompression or restoration shall also be furnished;
- (c) the return shall be accompanied by a certificate regarding clean and virus free data.
- (3) In the case of a Mutual Fund, the return referred to in sub-rule (1) shall be furnished by the trustee of the Fund, or such other person managing the affairs of the Mutual Fund as may be duly authorised by the trustee in this behalf.
- (4) The return of taxable securities transaction entered into during a financial year shall be furnished on or before the 30th June immediately following that financial year.

8. Return by whom to be signed -

The return under sub-section (1) of section 101 of the Act shall be signed and verified –

(a) in the case of a recognised stock exchange –

- (i) being a company, by the managing director or a director thereof;
- (ii) in any other case, by the principal officer thereof.

(b) in the case of a Mutual Fund, by the trustee or such other person managing the affairs of the Mutual Fund as may be duly authorised by the trustee in this behalf.

9. Time limit to be specified in the notice calling for return of taxable securities transaction -

Where an assessee fails to furnish the return under sub-section (1) of section 101 of the Act within the time specified in sub-rule (4) of rule 7, the Assessing Officer may issue a notice to such person requiring him to furnish, within thirty days from the date of service of the notice, a return in the Form prescribed in rule 7 as applicable to him and verified in the manner indicated therein.

10. Notice of demand -

Where any tax, interest or penalty is payable in consequence of any order passed under the provisions of Chapter VII of the Act, a notice of demand in Form No. 3 specifying the sum so payable shall be served upon the assessee.

11. Prescribed time for refund of tax the person from whom such amount was collected -

Every assessee, in case any amount is refunded to it on assessment under sub-section (2) of section 102 of the Act, shall, within thirty days from the date of receipt of such amount, refund the same to the concerned person from whom it was collected.

12. Form of Appeals to Commissioner of Income-tax (Appeals) -

- (1) An appeal under sub-section (1) of section 110 to the Commissioner (Appeals) shall be made in Form No. 4.
- (2) The form of appeal prescribed by sub-rule (1), the grounds of appeal and the form of verification appended thereto relating to an assessee shall be signed and verified by the person who is authorised to sign the return of taxable securities transactions under rule 8, as applicable to the assessee.

13. Form of appeals to Appellate Tribunal -

- (1) An appeal under sub-section (1) or sub-section (2) of section 111 of the Act to the Appellate Tribunal shall be made in Form No. 5, and where the appeal is made by the assessee, the form of appeal, the grounds of appeal and the form of verification appended thereto shall be signed by the person specified in rule 8.
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(Schedule)

8. TOTAL SECURITIES TRANSACTION TAX COLLECTED (C[5])

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9. TOTAL SECURITIES TRANSACTION TAX PAID (C[6])

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10. SECURITIES TRANSACTION TAX PAYABLE/ REFUNDABLE (7-9)

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11. INTEREST PAYABLE UNDER SECTION 104 (C[7])

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12. INTEREST PAID (C[8])

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VERIFICATION

I, _____ (full name in block letters), son/ daughter of _____ solemnly declare that to the best of my knowledge and belief the information given in this return and schedules accompanying it is correct and complete and that the total value of taxable securities transactions and other particulars shown therein are truly stated and are in accordance with provisions of Chapter VII of the Finance (No.2) Act, 2004 and Securities Transaction Tax Rules, 2004.

I further declare that I am making this return in my capacity as _____ and I am also competent to make this return and verify it.

Date _____

Place _____

(Name and Signature)

***CODES IN RESPECT OF TAXABLE SECURITIES TRANSACTION**

S.NO	NATURE OF TRANSACTION	CODE
1.	Purchase of an equity share in a company or a unit of an equity oriented fund, where – (a) the transaction of such purchase is entered into in a recognised stock exchange; and (b) the contract for the purchase of such share or unit is settled by the actual delivery or transfer of such share or unit.	01
2.	Sale of an equity share in a company or a unit of an equity oriented fund, where – (a) the transaction of such sale is entered into in a recognised stock exchange; and (b) the contract for the sale of such share or unit is settled by the actual delivery or transfer of such or unit.	02
3.	Sale of an equity share in a company or a unit of an equity oriented fund, where – (a) the transaction of such sale is entered into in a recognised stock exchange; and (b) the contract for the sale of such share or unit is settled otherwise than by the actual delivery or transfer of such share or unit.	03
4.	Sale of a derivative being “option in securities”, where the transaction of such sale is entered into in a recognised stock exchange.	04
5.	Sale of a derivative being “futures”, where the transaction of such sale is entered into in a recognised stock exchange.	05

SCHEDULE – A

Sl.No.	Stock Bro	Trading Client Code	Client Name	PAN of Client	MAPIN of Client	Value of taxable securities transactions (In Rs.)			Securities transaction tax collectible (In Rs.)		
						Code 01	Code 02	Code 03	Code 01	Code 02	Code 03
1	2	3	4	5	6	7	8	9	10	11	12
TOTAL											

SCHEDULE – B

Sl.No.	Clearing Member Code	Stock Broker Code	Trading Client Code	Client Name	PAN of Client	MAPIN of Client	Value of taxable securities transaction (In Rs.)		Securities transaction tax collectible (In Rs.)	
							Code 04	Code 05	Code 04	Code 05
1	2	3	4	5	6	7	8	9	10	11
TOTAL										

SCHEDULE - C

Month	Taxable securities transaction Code	Value of taxable securities transactions during the month	Securities transaction tax collectible (In Rs.)	Securities transaction tax collected (In Rs.)	Securities transaction tax paid (In Rs.)	Interest payable u/s. 104 (In Rs.)	Interest paid u/s. 104 (In Rs.)	Particulars of payment of securities transaction tax/ interest u/s. 104					
								Tax/ Interest (In Rs.)	Name of the bank branch	BSR code of bank branch	Date of deposit	Serial no. of challan	Amount (In Rs.)
1	2	3	4	5	6	7	8	9	10	11	12	13	14
TOTAL								TOTAL					

NOTES:

1. This Form must be used by a recognised stock exchange only.
2. Details required in Schedules A, B & C may be furnished on computer media specified in rule 7.
3. Details required in Schedules A & B may be given separately for each stock Broker code and Clearing Member Code as the case may be. Particulars of Client Name, PAN and MAPIN of client should be given wherever available.
4. Particulars of Trading Client Code in Schedule A need not be given in respect of purchase transactions conducted by the stock exchange during auction sessions on behalf of stock brokers who have failed to deliver shares or unit in settlement.
5. Details required in Schedule C may be given separately for each month for each type of transaction (Codes 01 to 05) and sub-total for each month be also given..