

NATIONAL STOCK EXCHANGE OF INDIA LIMITED

DEPARTMENT : FINANCE & ACCOUNTS	
Download Ref No : NSE/FATAX/38348	Date : July 17, 2018
Circular Ref. No : 1/2018	

All the members in the Equity Derivatives Segment of the Exchange.

Sub: Securities Transaction Tax – Physical Settlement of Stock Derivatives.

This is with reference to the SEBI circular no. SEBI/HO/MRD/DP/CIR/P/2018/67 dated April 11, 2018 regarding mandatory physical settlement of the specified stock derivatives.

Pursuant to the above circular and in view of the shift from the existing cash settlement to the settlement by way of physical delivery, members have been seeking various clarifications / advisory on the applicability of STT, if any, on the settlement / exercise of the Futures and Option in these specified stocks.

In this direction, the Exchange has made representations / submissions to the Central Board of Direct Taxes ('CBDT') inter-alia explaining the existing framework of the settlement of the stock derivatives and the revised framework pursuant to the above referred SEBI circular and also requested the CBDT to issue necessary clarifications / amendments, as may be required, under the existing provisions of the Chapter VII of Finance (No.2) Act, 2004 in respect of STT. The necessary clarifications from the CBDT in this regard is awaited.

Pending the same, in the meantime, the Exchange has sought an opinion from an eminent senior tax counsel on the applicability of STT, if any, on the settlement / exercise of the Futures and Option by way of physical delivery. Based on the opinion received, effective July 26, 2018 (being the first expiry date of the derivatives contracts), it has been decided to levy a STT @ 0.10% (i.e the rate applicable for taxable securities transaction settled by actual delivery in the CM segment) on the settlement price to be paid by the purchaser of the futures contract which are settled by way of physical delivery.

Without prejudice to the above, in the event if the CBDT issues any clarification or amendment in this regard, in addition to or contrary to the above position, the Exchange reserves the right to recover such additional STT from the members effective from the date as may be notified by the CBDT.

This is for the information and due compliance of the Members and also for onward transmission to the constituents.

In case of any clarifications you may write / contact the undersigned or Ms. Swati Murkya on taxation@nse.co.in or 022-26598100 Ext.23082.

For National Stock Exchange of India Limited

Premal Shah
Associate Vice President