

## NOTICES

<b>Notice No.</b>	20180830-15	<b>Notice Date</b>	30 Aug 2018
<b>Category</b>	Trading	<b>Segment</b>	Derivatives
<b>Subject</b>	Securities Transaction Tax (STT) – Physical Settlement of Stock Derivatives.		
<b>Content</b>			

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.

CBDT instruction number 272/M-40/2018-IT-J dated August 27, 2018 submitted to Hon'ble Bombay High Court in this matter inter -alia states that

*“The only distinctions that STT framework recognised are (a) Whether the securities are equity shares or derivatives i.e. option and futures and (b) Whether the contract for sale of the securities is settled by actual delivery or transfer of shares or otherwise.”*

The CBDT instruction also state as follows

*“(iv) Serial no. 1 and 2 of the table in Section 98 of Finance (No.2) Act, 2004 prescribe that purchase/sale of an equity share of a company where the transaction is entered into a recognised stock exchange and the contract for purchase/sale of such share is settled by the actual delivery or transfer of such is a taxable securities transaction. In such situations also where, in order to settle the obligation under the derivative contract the parties to a derivative contract purchase or sell equity shares through recognised stock exchange and delivery of the shares take place, these provisions shall be attracted and such a transaction shall be subject to STT. In other words, since the levy of STT is not dependent upon the purpose for which the transaction in an equity is being undertaken, there is no distinction permissible under the statute for a purchase or a sale transaction in an equity to settle an option or futures contract under the amended settlement mechanism implemented by the capital market regulator (SEBI).*

.....

*4. In a nutshell, CBDT is of the view that where a derivative contract is being settled by physical delivery of shares, the transaction would not be any different from transaction in equity share where the contract is settled by actual delivery or transfer of shares and the rates of STT as applicable to such delivery based transactions shall be **also** applicable to such derivative transaction.”(emphasis supplied)*

In view of the above CBDT communication and on discussing the same with the Counsel, it has been decided to levy Securities Transaction Tax (STT) as follows with respect to transactions in equity derivative segment of BSE.

Sr. No	Taxable Securities Transaction	Sr. No of Taxable	Rate *	Payable
--------	--------------------------------	-------------------	--------	---------

		Securities Transaction mentioned in Section 98 of Finance (No.2) Act, 2004		by
1	Sale of an <b>OPTION</b> in securities	4 (a)	0.05%	Seller
2	Sale of an <b>OPTION</b> in securities where option is exercised	4(b)	0.125%	Purchaser
3	Sale of <b>FUTURE</b> in securities	4(c)	0.01%	Seller
4	Purchase of an equity share settled by actual delivery or transfer of such share under physical settlement of <b>DERIVATIVE</b>	1 (Based on CBDT instructions)	0.1%	Purchaser
5	Sale of an equity share settled by actual delivery or transfer of such share under physical settlement of <b>DERIVATIVE</b>	2 (Based on CBDT instructions)	0.1%	Seller

*\* The rate shall be applicable on the value of the taxable securities transaction in accordance with the provisions of Section 99 of Finance (No. 2) Act, 2004.*

If there is any change in the stand of CBDT, BSE reserves the right to give effect to the same.

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

In case of any clarification, trading members may contact the following official on the telephone number and email id given below.

NAME	TELEPHONE NUMBER	EMAIL ID
Mr. Harihara Subramanian	022-22728522	<a href="mailto:harihara.subramanian@bseindia.com">harihara.subramanian@bseindia.com</a>

**Girish Amesara**  
**Financial Controller**  
**BSE Limited**