NSE

Circular

National Stock Exchange Of India Limited

Department : FINANCE & ACCOUNTS	
Download Ref No: NSE/FATAX/38737	Date : August 30, 2018 Time : 13:23:55
Circular Ref. No: 2/2018	

To,

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

Sub: Securities Transaction Tax ('STT') on physical settlement of stock derivatives.

This is with reference to the Exchange Circular download reference No. NSE/FATAX/38348 dated July 17, 2018 regarding the levy of Securities Transaction Tax (STT) on mandatory physical settlement of the specified stock derivatives pursuant to the SEBI Circular No. SEBI/HO/MRD/DP/CIR/P/2018/97 dated April 11, 2018.

Members are aware that pursuant to the above circular, the Association of National Exchanges Members of India ('ANMI') had filed a Writ Petition No.2604/2018 before the Hon'ble Bombay High Court ('Hon'ble Court') seeking certain reliefs.

During the course of the hearing, the CBDT on the direction of the Hon'ble Court issued a letter bearing F.No.272/M-40/2018-ITJ dated August 27, 2018 inter-alia stated in Para 4

> Quote
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> *"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 shares where the contract is settled by actual delivery or transfer of shares and the rates of STT as applicable to such delivery-based equity transactions shall also be applicable to such derivative transaction."*
>
> Unquote

Taking cognizance of the clarification of the CBDT, the Hon'ble Court was pleased to dispose off the Writ Petition vide an oral judgement on August 28, 2018 (the copy of the judgement is awaited till the issue of this circular).

In terms of the clarification issued by the CBDT, in addition to the STT leviable as per the existing provisions of section 98 of the Finance (No.2) Act, 2004 (serial No. 4(a), 4(b) and 4(c) of the STT table), ***STT at the rates as applicable to the delivery based equity transaction i.e. @0.10% shall also be applicable on the physically settled stock derivatives (both Futures and Options). The same shall be effective from July 26, 2018 (being the first expiry date of the stock derivatives contract to be settled by way of physical delivery).***

The said STT will be payable by both the Purchaser (receiver) of the securities as well as by the Seller (giver) of the securities.

The Members are hereby further informed that the additional STT, if any, for the stock derivatives contracts which expired on July 26, 2018 and were settled by way of physical delivery shall be recovered from the members (along with the applicable interest) in due course. Further, the client wise details of such STT amount along with the interest thereon shall be provided to the members by the Exchange.

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 and on behalf of
National Stock Exchange of India Limited

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Associate Vice President

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