

TAX TREATMENT

Equity:

The entire details regarding Tax Deduction at Source (TDS) are as follows:

TDS is applicable on all the transactions wherein you have made a profit or capital gain. However there is no TDS deducted if you have incurred a loss on a particular transaction.

As per Indian tax laws, all the capital gains arising out of sale transactions are subject to tax. In the case of NRIs, the capital gain arising out of sale transaction is subject to deduction of tax at source (TDS) i.e. at the time of crediting the sale proceeds to the respective NRE / NRO account by the concerned bank branch.

The rate of TDS depends upon the period of holding. TDS is calculated at @11.22% for Short Term Capital Gains, i.e. gains on holdings less than a year old. Long Term Capital Gains (i.e. gains on holdings more than a year old) are not taxed.

A statement of TDS deducted from the customer account is forwarded to the customer annually. The customer can use the same for IT purposes also.

Accordingly, STT on the transactions executed on the Exchange shall be as indicated in the Column below:

Sr.No.	Taxable securities transaction	Effective rates till 31.05.2006	New rates from 01.06.2006	Payable by
A	B	C	D	E
1.	Purchase of an equity share in a company or a unit of an equity oriented fund, where – The transaction of such purchase is entered into in a recognised stock exchange; and The contract for the purchase of such share or unit is settled by the actual delivery or transfer of such share or unit.	0.1 per cent.	0.125 per cent.	Purchaser.
2.	Sale of an equity share in a company or a unit of an equity oriented fund, where – The transaction of such sale is entered into in a recognised stock exchange; and The contract for the sale of such share or unit is settled by the actual delivery or transfer of such share or unit.	0.1 per cent.	0.125 per cent.	Seller.
3.	Sale of an equity share in a company or a unit of an equity oriented fund, where – 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.	0.02 per cent.	0.025 per cent.	Seller.

Mutual Fund:

The tax rate on short-term capital gain:

In case of non-resident non-corporates - 30% plus

In case of foreign companies - 40% plus

Tax slab on capital gain

		Tax Rates* under the Act			TDS Rate* under the Act		
		Residents	NRIs / PIOs	FII's	Resid-ents	NRIs / PIOs / other Non FII non-residents	FII's
Short Term Capital Gain	Units of a non equity oriented fund	Taxable at normal rates of tax applicable to the assessee		30% without indexation benefit (u/s 115AD)	NIL	30% for non residents non corporate, 40% for non resident corporate, (u/s 195)	NIL
	Units of an equity oriented fund	10% on redemption of units where STT is payable on redemption (u/s 111A)					Nil
	Units of a non equity oriented fund	10% without indexation, or 20% with indexation, whichever is lower (u/s 112)	10% with no indexation benefit (u/s 115AD)	NIL	20% for non residents (u/s 195)	NIL	
	Units of an equity oriented fund	Exempt in case of redemption of units where STT is payable on redemption [u/s 10(38)]				Nil	Nil

Plus surcharge as applicable: corporate, co-operative societies, firms and local authorities: 10%; Individuals/HUFs/BOIs/AOPs, with total income exceeding Rs.10, 00,000: 10%; Artificial juridical person: 10%.

- Capital Gains on redemption of units held for a period of more than 12 months from the date of allotment.
- As per section 111A of the Act, effective from 1/10/2004 short-term capital gains on equity oriented fund is chargeable to tax at a Lower rate of 10 percent.
- Long Term Capital Gains arising from redemption of unit of a non equity oriented fund are exempt from tax, if gains are invested in specified bonds within 6 months from the date of redemption, under Section 54EC of the Act or if gains are invested in eligible equity issues within 6 months from the date of redemption, under Section 54ED of the Act.

The redemption procedure (for NRIs)

- The redemption proceeds will be paid by means of a Rupee cheque payable to the NRE account of the investor, or else by a US dollar draft drawn at the then current rates of exchange subject to RBI procedures, where investments have been made on a repatriation basis.
- Where investments have been made on non-repatriation basis, redemption proceeds will be paid by means of a Rupee cheque payable to the investor's NRO account.
- Accompanying the redemption proceeds is an updated account statement, a TDS certificate and a covering letter that mentions whether the funds were invested out of NRE/FCNR/NRO accounts. The tax on capital gain is deducted (as explained below) after taking into consideration indexation benefits wherever applicable.

Commodity:

Charges applicable for trading:

- Exchange transaction charges: 0.004% i.e Rs 4 on one lakh of transaction.
- Stamp Duty: Rs 1 on one lakh of transaction.
- Service Tax: 12.24% of (Brokerage + Exchange transaction charges)

Bond Market:

Tax deduction at source from interest payment:

Interest on bonds is treated as interest on securities for the purpose of income-tax. Interest on bonds is subject to TDS at prevailing rate.

Where the tax is deducted at source, a certificate to that effect in form 16A is issued to investor. In case same is not received by the investor, he may write to Registrar/TFCI with full details.

In case of entities other than PF/ Gratuity Fund / Superannuation Fund mentioned, they are required to furnish a certificate in Form 15AA issued by the Assessing Officer having jurisdiction over them, authorising deduction of tax at a rate lower than the prescribed rate/NIL rate. On furnishing such certificate, lower or no tax will be deducted on payment of interest on bonds.