

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1000
ANSWERED ON:30.07.2010
TAX BURDEN ON COMMON INVESTORS
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Will the Minister of FINANCE be pleased to state:

- (a) the details of taxes levied on investors/stock brokers/traders and the manner in which assessment of such taxes is made;
- (b) whether the Government is aware that the Stock brokers (NSE/BSE) are not apprising their investors about the same;
- (c) if so, whether stock brokers are charging taxes such as service tax, trading tax, Securities Transaction Tax (STT), Stamp duty etc. from the common investors;
- (d) if so, the reaction of the Government thereto; and
- (e) the measures taken or proposed to be taken to maintain transparency in the stock exchanges and minimise burden of tax on the investors?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE(SHRI S.S. PALANIMANICKAM)

(a) For a transaction of purchase or sale of an equity share of a company or a derivative or a unit of an equity oriented fund, entered into a recognized stock exchange, Securities Transaction Tax (STT) is levied on the value of such transactions. Trading members are also required to pay Stamp Duty, Service Tax and Income Tax. Stamp duty is levied by different state governments and the rates vary from state to state.

Taxes on income of investors/stock brokers/traders are levied at the prescribed rate as per Income Tax Act, 1961. Assessment is done on the basis of provisions of the Act relating to taxation of income from other sources, capital gains and income from business and profession. Taxable income is computed on the basis of returns of income filed by them and the books of accounts they are required to maintain under the law.

Following are the taxable services leviable to service tax on investors/stock brokers/traders:

- a) services provided by a stock broker;
- b) services provided by a recognized stock exchange in relation to transaction in securities;
- c) services provided by a share transfer agent;
- d) services provided by a processing and clearing house in relation to securities, goods and forward contracts;
- e) services provided by recognized/registered associations in relation to forward contracts;
- f) services provided by recognized/registered associations in relation to clearance or settlement of transactions in goods or forward contracts;
- g) asset management including portfolio management and all forms of fund management service;
- h) services provided by a share transfer agent;
- i) depository service, banker to an issue service, investment, portfolio research and advice rendered by a banking or financial institution;
- j) services provided by Registrar to an issue. Service tax is assessed by applying the rate of service tax (which is at ten percent currently, excluding education cess and secondary and higher education cess) on the consideration received for providing the taxable service.

(b) to (e) : The Stock Brokers are required to apprise investors about the taxes levied on transactions and to disclose the same in the contract notes in a transparent manner. The Stock Brokers are also required to collect the applicable taxes and duties from the

investors. As regards measures to maintain transparency, the format of the contract note is specified to incorporate the details of applicable government levies such as STT, service tax etc.