

# Securities Transaction Tax Rules, 2004

UNION OF INDIA

India

## Securities Transaction Tax Rules, 2004

### Rule SECURITIES-TRANSACTION-TAX-RULES-2004 of 2004

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**1687.**

S.O. 1059(E), dated 28.9.2004.- In exercise of the powers conferred by sub-section (1) read with subsection (2) of section 114 of the Finance (No.2) Act, 2004 (23 of 2004), the Central Government hereby makes the following rules for carrying out the provisions of Chapter VII of the said Act relating to securities transaction tax, namely:-

#### **1. Short title and commencement.-**

(1) These rules may be called the Securities Transaction Tax Rules, 2004. (2) They shall come into force on the 1st day of October, 2004.

#### **2. Definitions.-**

(1) In these rules, unless the context otherwise requires,- (a) "Act" means the Finance (No.2) Act, 2004 (23 of 2004); (b) "authorised bank" means any bank as may be appointed by the Reserve Bank of India as its agent under the provisions of sub-section (1) of section 45 of the Reserve Bank of India Act, 1934 (2 of 1934); (c) "Form" means a Form set out in the Appendix to these rules.

#### **3. Value of taxable securities transaction.-**

For the purposes of clause (c) of section 99 of the Act, the value of a taxable securities transaction, being a purchase or sale of an equity share in a company or a unit of an equity oriented fund, entered into in a recognised stock exchange, shall be determined in the following manner, namely:- (a) where the equity share or unit is purchased or sold by a person on a trading day in the

netted settlement mode;(i)the quantity of shares or units purchased or sold in each trade in that equity share or unit executed by the person on that day, shall be multiplied by the price at which the trade is executed, to determine the trade value of each such trade;(ii)the aggregate trade value of all trades in the equity share or unit by the person on that day shall be arrived at by totalling the trade values determined under sub-clause (i);(iii)the aggregate trade value arrived at under sub-clause (ii), shall be divided by the total quantity of the equity share or unit traded by the person on that day, to determine the volume weighted average price of that equity share or unit for that person for that day;(iv)such volume weighted average price (rounded off to the nearest paisa) shall be taken to be the value of the taxable securities transaction relating to the equity share or unit.Explanation.- For the purposes of this clause, the determination of the value of taxable securities transaction in a case where the equity share or unit is purchased or sold through a member of the stock exchange, shall be made with reference to the trades executed in the equity share or unit under a particular client Code through that member;(b)where the equity share or unit is purchased or sold by a person in the trade-fortrade settlement mode, the value of the taxable securities transaction shall be the price at which the equity share or unit is purchased or sold;(c)where the equity share or unit is purchased in the auction settlement mode, the value of the taxable securities transaction shall be the volume weighted average price of the equity share or unit, determined in the manner specified in clause (a), in respect of all trades in that equity share or unit carried out in the auction session;(d)where the equity share or unit is sold in the auction settlement mode, the value of the taxable securities transaction shall be the price at which the equity share or unit is sold.Explanation.- For the purposes of this rule -(i)"netted settlement mode" means a mode of settlement of transactions in a recognised stock exchange where the quantity of an equity share or unit purchased by a person on a trading day is set off against the quantity of that equity share or unit sold by him on that day and actual delivery is required to be taken or given by him as the case may be, only in respect of the net quantity purchased or sold as has not been so set off;C:\Documents and Settings\mnautiyal\Desktop\STT Rules(final).doc(ii)"trade-for-trade settlement mode" means a mode of settlement of transactions in a recognised stock exchange where each trade is compulsorily required to be settled by actual delivery;(iii)"auction settlement mode" means a mode of settlement, in a stock exchange, of transactions carried out in the auction session, being a trading session in which the stock exchange makes purchases of equity shares or units through an auction process initiated by it, so as to settle transactions where there has been a failure to deliver such equity shares or units which were required to be delivered.

#### **4. Rounding off value of taxable securities transaction, securities transaction tax, etc.-**

The value of taxable securities transaction and the amount of securities transaction tax, interest and penalty payable, and the amount of refund due, under the provisions of Chapter VII of the Act shall be rounded off to the nearest rupee and, for this purpose, where such amount contains a part of a rupee consisting of paise then, if such part is fifty paise or more, it shall be increased to one rupee and if such part is less than fifty paise it shall be ignored.

## **5. Person responsible for collection and payment of securities transaction tax in case of a Mutual Fund. -**

In the case of a Mutual Fund, the person responsible for collection and payment of securities transaction tax in accordance with sub-sections (2), (3) and (4) of section 100 of the Act, shall be the trustee of the Fund, or such other person managing the affairs of the Mutual Fund as may be duly authorised by the trustee in this behalf.

## **6. Payment of Securities Transaction Tax. -**

Every recognised stock exchange, or, as the case may be, the trustee of every Mutual Fund or such other person managing the affairs of the mutual fund as may be duly authorised by the trustee in this behalf, who is required to collect and pay securities transaction tax under section 100, shall pay the amount of such tax to the credit of the Central Government by remitting it into any branch of the Reserve Bank of India or of the State Bank of India or of any authorised bank accompanied by a securities transaction tax challan.

## **7. Return of taxable securities transactions.-**

(1)The return of taxable securities transactions required to be furnished under sub-section (1) of section 101 of the Act shall, -(a)in the case of a recognised stock exchange, be in Form No. 1 and be verified in the manner indicated therein;(b)in the case of a Mutual Fund, be in Form No. 2 and be verified in the manner indicated therein.(2)The particulars required to be furnished in the schedules to Form No. 1 and Form No. 2 referred to in sub-rule (1) shall be furnished on a computer media, in accordance with the following, -(a)the computer media conforms to the following specifications:-(i)CD ROM of 650 MB capacity or higher capacity; or(ii)4mm 2GB/ 4GB (90M/ 120M) DAT Cartridge, or(iii)Digital Video Disc;(b)if the data relating to the schedules is copied using data compression or backup software utility, the corresponding software utility or procedure for its decompression or restoration shall also be furnished;(c)the return shall be accompanied by a certificate regarding clean and virus free data.(3)In the case of a Mutual Fund, the return referred to in sub-rule (1) shall be furnished by the trustee of the Fund, or such other person managing the affairs of the Mutual Fund as may be duly authorised by the trustee in this behalf.(4)The return of taxable securities transaction entered into during a financial year shall be furnished on or before the 30th June immediately following that financial year.

## **8. Return by whom to be signed.-**

The return under sub-section (1) of section 101 of the Act shall be signed and verified -(a)in the case of a recognised stock exchange -(i)being a company, by the managing director or a director thereof;(ii)in any other case, by the principal officer thereof.(b)in the case of a Mutual Fund, by the trustee or such other person managing the affairs of the Mutual Fund as may be duly authorised by the trustee in this behalf.

## **9. Time limit to be specified in the notice calling for return of taxable securities transaction.-**

Where an assessee fails to furnish the return under sub-section (1) of section 101 of the Act within the time specified in sub-rule (4) of rule 7, the Assessing Officer may issue a notice to such person requiring him to furnish, within thirty days from the date of service of the notice, a return in the Form prescribed in rule 7 as applicable to him and verified in the manner indicated therein.

## **10. Rules(final).doc Notice of demand.-**

Where any tax, interest or penalty is payable in consequence of any order passed under the provisions of Chapter VII of the Act, the Assessing Officer shall serve upon the assessee a notice of demand in Form No. 3 specifying the sum so payable.

## **11. Prescribed time for refund of tax to the person from whom such amount was collected.-**

Every assessee, in case any amount is refunded to it on assessment under sub-section (2) of section 102 of the Act, shall, within thirty days from the date of receipt of such amount, refund the same to the concerned person from whom it was collected.

## **12. Form of appeal to Commissioner of Income-tax (Appeals).-**

(1)An appeal under sub-section (1) of section 110 to the Commissioner (Appeals) shall be made in Form No. 4.(2)The form of appeal prescribed by sub-rule (1), the grounds of appeal and the form of verification appended thereto relating to an assessee shall be signed and verified by the person who is authorised to sign the return of taxable securities transactions under rule 8, as applicable to the assessee.

## **13. Form of appeal to Appellate Tribunal.-**

An appeal under sub-section (1) or sub-section (2) of section 111 of the Act to the Appellate Tribunal shall be made in Form No. 5, and where the appeal is made by the assessee, the form of appeal, the grounds of appeal and the form of verification appended thereto shall be signed by the person specified in rule 8.APPENDIXFORM NO. 1[See rule 7 of Securities Transaction Tax Rules, 2004]Return Of Taxable Securities TransactionsFor recognised stock exchangesPlease follow instructions.Use block letters only.

## **1. NAME OF THE STOCK EXCHANGE**

**2. ADDRESS OF THE STOCK EXCHANGE**

**3. PERMANENT ACCOUNT NUMBER (PAN)**

**4. FINANCIAL YEAR (TRANSACTIONS RELATING TO WHICH ARE REPORTED)-**

**5. WARD/CIRCLER/RANGE**

**6. VALUE OF TAXABLE SECURITIES TRANSACTIONS**

CODE\* (Schedule) VALUE(In Rs.)

01. (A[7])

02. (A[8])

03. (A[9])

04. (B[8])

05. (B[9])

TOTAL

**7. TOTAL SECURITIES TRANSACTION TAX COLLECTIBLE**

CODE\* (Schedule) AMOUNT(In Rs.)

01. (A[10])

02. (A[11])

03. (A[12])

04. (B[10])

05. (B[11])

TOTAL

**Schedule**

**8. TOTAL SECURITIES TRANSACTION TAX COLLECTED**

**9. TOTAL SECURITIES TRANSACTION TAX PAID**

**10. SECURITIES TRANSACTION TAX PAYABLE/REFUNDABLE (7-9)**

**11. INTEREST PAYABLE UNDER SECTION 104**

## 12. INTEREST PAID

VERIFICATION, I, ..... (full name in block letters), son/ daughter of ..... solemnly declare that to the best of my knowledge and belief the information given in this return and schedules accompanying it is correct and complete and that the total value of taxable securities transactions and other particulars shown therein are truly stated and are in accordance with provisions of Chapter VII of the Finance (No.2) Act, 2004 and Securities Transaction Tax Rules, 2004. I further declare that I am making this return in my capacity as ..... and I am also competent to make this return and verify it. Date ..... Place ..... (Name and Signature)

**CODES IN RESPECT OF TAXABLE SECURITIES TRANSACTION**

Sl. No.	Nature of transaction	Code
1.	Purchase of an equity share in a company or a unit of an equity oriented fund, where - (a) the transaction of such purchase is entered into in a recognized stock exchange; and (b) The contract for the purchase of such share or unit is settled by the actual delivery or transfer of such share or unit.	01
2.	Sale of an equity share in a company or a unit of an equity oriented fund, where - (a) the transaction of such sale is entered into in a recognized stock exchange; and (b) The contract for the sale of such share or unit is settled by the actual delivery or transfer of such share or unit.	02
3.	Sale of an equity share in a company or a unit of an equity oriented fund, where - (a) the transaction of such sale is entered into in a recognized 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.	03
4.	Sale of a derivative being "option in securities", where the transaction of such sale is entered into in a recognized stock exchange.	04
5.	Sale of a derivative being "futures", where the transaction of such sale is entered into in a recognized stock exchange.	05

### A

Sl. No.	Stock Broker Code	Trading Client Code	Client Name	PAN of Client	MAPIN of Client	Value of taxable securities transactions (in Rs.)	Securities transaction tax collectible (in Rs.)
Code 01	Code 02	Code 03	Code 01	Code 02	Code 03		
1	2	3	4	5	6	7	8 9 10 11 12

TOTAL

**B**

Sl. No.	Clearing member code	Stock broker code	Trading client code	Client Name	PAN of Client	MAPIN of Client	Value of taxable Securities Transaction (in Rs.)	Securities transaction tax Collectible (in Rs.)		
Code 04	Code 05	Code 04	Code 05							
1	2	3	4	5	6	7	8	9	10	11

TOTAL

**C**

Month	Taxable securities transaction Code	Value of taxable securities transactions during the month	Securities transaction tax collectible (In Rs.)	Securities transaction tax collected (In Rs.)	Securities transaction tax paid (In Rs.)	Interest payable under section 104 (In Rs.)
1	2	3	4	5	6	7

Interest paid under section 104 (In Rs.)	Particulars of payment of securities transaction tax/interest u/s. 104					
Tax/Interest (In Rs.)	Name of the bank branch	BSR code of the bank branch	Date of deposit	Serial No. of Challan	Amount (In Rs.)	
8	9	10	11	12	13	14

Notes:-

**1. This Form must be used by a recognised stock exchange only.**

**2. Details required in Schedules A, B and C may be furnished on computer media as specified in rule 7.**

**3. Details required in Schedules A and B may be given separately for each stock Broker code and Clearing Member Code as the case may be. Particulars of Client Name, PAN and MAPIN of client should be given wherever available.**

**4. Particulars of Trading Client Code in Schedule A need not be given in respect of purchase transactions conducted by the stock exchange during auction sessions on behalf of stock brokers who have failed to deliver shares or unit in settlement.**

**5. Details required in Schedule C may be given separately for each month for each type of transaction (Codes 01 to 05) and sub-total for each month be also given.**

FORM NO. 2[See rule 7 of Securities Transaction Tax Rules, 2004]Return of Taxable Securities TransactionsFor Mutual FundsPlease follow instructions.Use block letters only.

**1. NAME OF THE MUTUAL FUND**

**2. DATE OF REGISTRATION OF TRUST DEED FOR THE MUTUAL FUND UNDER THE INDIAN REGISTRATION ACT, 1908**

**3. NAMES AND ADDRESSES OF TRUSTEES - SCHEDULE - A**

**4. NAME AND ADDRESS OF ASSET MANAGEMENT COMPANY FOR THE FUND**

**5. PERMANENT ACCOUNT NUMBER (PAN) OF ASSET MANAGEMENT COMPANY FOR THE FUND**

**6. FINANCIAL YEAR (TRANSACTIONS RELATING TO WHICH ARE REPORTED)**

**7. WARD/CIRCLE/RANGE**



**8. NUMBER OF EQUITY ORIENTED FUNDS****9. VALUE OF TAXABLE SECURITIES TRANSACTIONS (B[7])****10. TOTAL SECURITIES TRANSACTION TAX COLLECTIBLE (B[8])****11. TOTAL SECURITIES TRANSACTION TAX COLLECTED (C[6])****12. TOTAL SECURITIES TRANSACTION TAX PAID (C[7])****13. SECURITIES TRANSACTION TAX PAYABLE/REFUNDABLE (10-12)****14. INTEREST PAYABLE UNDER SECTION 104 (C[8])****15. INTEREST PAID (C[9])**

VERIFICATION, I, ..... (full name in block letters), son/ daughter of ..... solemnly declare that to the best of my knowledge and belief the information given in this return and schedules accompanying it is correct and complete and that the total value of taxable securities transactions and other particulars shown therein are truly stated and are in accordance with provisions of Chapter VII of the Finance (No.2) Act, 2004 and Securities Transaction Tax Rules, 2004. I further declare that I am making this return in my capacity as ..... and I am also competent to make this return and verify it. Date: ..... Place ..... (Name and Signature)

**A**

Sl. No.	Name	Address
1	2	3

TOTAL

| | | | | | | |

**B**

Name of equity oriented fund	Unique Client Code of the fund	Folio number of person from whom units purchased	Name of person from whom units purchased	PAN of person from whom units purchased	MAPIN of person from whom units purchased	Value of taxable securities transaction (In Rs.)	Securities transaction tax Collectible (In Rs.)	Securities transaction tax collected (In Rs.)
1	2	3	4	5	6	7	8	9

TOTAL

**C**

Month	Name of equity oriented fund	Unique Client Code of the fund	Value of taxable securities transactions during the month	Securities transaction tax collectible (In Rs.)	Securities transaction tax collected (In Rs.)	Securities transaction tax paid (In Rs.)	Interest payable under section 104 (In Rs.)
1	2	3	4	5	6	7	8
<div> <div>Particulars of</div> <div>Interest paid under section 104 (In Rs.)</div> <div>payment of securities transaction tax/interest u/s. 104</div> </div>							
Tax/Interest (In Rs.)	Name of the bank branch	BSR code of the bank branch	Date of deposit	Serial No. of Challan	Amount (In Rs.)		
9	10	11	12	13	14	15	

NOTES:-

- 1. This Form must be used by a Mutual Fund only.**
- 2. Details required in Schedules A, B & C may be filed on computer media as specified in rule 7.**
- 3. Details required in Schedule B be given separately for each equity oriented fund set up by the Mutual Fund and sub-total for each fund be also given.**
- 4. Details required in Schedule C be given separately for each month for each equity oriented fund set up by the Mutual Fund and sub-total for each month be also given.**

FORM NO. 3[See rule 10 of Securities Transaction Tax Rules, 2004]Notice of demandTo,

- 1. This is to give you notice that for the financial year ..... a sum of Rs. ...., details of which are given on the reverse, has been determined to be payable by you.**
- 2. The amount should be paid to the Manager, authorised bank or State Bank of India or Reserve Bank of India at ..... within 30 ..... days of the service of this notice. The previous approval of the Additional/ Joint Commissioner of Income-tax has been obtained for allowing a period of less than 30 days for the payment of the above sum. A challan is enclosed for the purpose of payment.**
- 3. If you do not pay the amount within the period specified above, you shall be liable to pay simple interest at one per cent for every month or part of a month from the date commencing after the end of the period aforesaid in accordance with section 220(2) of the Income-tax Act read with section 109 of the Finance (No.2) Act, 2004.**
- 4. If you do not pay the amount of the tax within the period specified above, penalty (which may be as much as the amount of tax in arrear) may be imposed upon you after giving you a reasonable opportunity of being heard in accordance with section 221 of the Income-tax Act read with section 109 of the Finance (No.2) Act, 2004.**
- 5. If you do not pay the amount within the period specified above, proceedings for the recovery thereof will be taken in accordance with sections 222, 227, 229 and 232 of the Income-tax Act, 1961 read with section 109 of the Finance (No.2) Act, 2004.**
- 6. If you intend to appeal against the assessment or penalty, you may present an appeal under section 110 of Chapter VII of the Finance (No.2) Act, 2004, to the Commissioner of Income-tax (Appeals) ..... within thirty days of the receipt of this notice, in Form No. 4 as prescribed in rule 12, duly stamped and verified as laid down in that form.**

**7. The amount has become due as a result of the order of the Commissioner of Income-tax (Appeals) under section 110 of the Chapter VII of the Finance (No. 2) Act, 2004. If you intend to appeal against the aforesaid order, you may present an appeal under section 111 of Chapter VII of the said Act to the Income-tax Appellate Tribunal .....within sixty days of the receipt of that order, in Form No. 5, as prescribed in rule 13, duly stamped and verified as laid down in that form.**

Place .....Date .....Notes:-

- 1. Delete inappropriate paragraphs and words.**
- 2. If you wish to pay the amount by cheque, the cheque should be drawn in favour of the Manager, authorised bank or State Bank of India or Reserve Bank of India.**
- 3. If you intend to seek extension of time for payment of the amount or propose to make the payment by instalments, the application for such extension or as the case may be, permission to pay by instalments, should be made to the Assessing Officer before the expiry of the period specified in paragraph 2. Any request received after the expiry of the said period will not entertained in view of the specific provisions of section 220(3) of the Income-tax Act.**

FORM NO. 4[See rule 12 of Securities Transaction Tax Rules, 2004]Appeal to the Commissioner of Income-tax (Appeals)Designation of the Commissioner (Appeals)

- 1. Name and address of the appellant.**
- 2. Permanent Account Number.**
- 3. Financial year in connection with which the appeal is preferred**
- 4. Assessing Officer passing the order appealed against**
- 5. Section and sub-section of the Chapter VII of the Finance (No.2) Act, 2004, under which the Assessing Officer passed the order appealed against and the date of such order**

**6. Where the appeal relates to any assessment or penalty, the date of service of the relevant notice of demand**

**7. In any other case, the date of service of the intimation of the order appealed against**

**8. Section and sub-section of the Chapter VII of the Finance (No.2) Act, 2004, under which the appeal is preferred**

**9. Where a return has been filed by the appellant for the financial year in connection with which the appeal is preferred, whether tax due on the value of taxable securities transaction returned has been paid in full (if the answer is in the affirmative, give details of date of payment and amount paid)**

**10. Relief claimed in appeal**

**11. Where an appeal in relation to any other financial year is pending in the case of the appellant with any Commissioner (Appeals), give the details as to the -**

(a)Commissioner (Appeals), with whom the appeal is pending;(b)financial year in connection with which the appeal has been preferred;(c)Assessing Officer passing the order appealed against;(d)section and sub-section of the Chapter VII of the Finance (No. 2) Act, under which the Assessing Officer passed the order appealed against and the date of such order

**12. Address to which notices may be sent to the appellant**

FORM OF VERIFICATIONI, ....., the appellant, do hereby declare that what is stated above is true to the best of my information and belief.Place .....Date .....Notes:-

**1. The form of appeal, grounds of appeal and the form of verification appended thereto shall be signed by a person in accordance with the provisions of rule 8 of Securities Transaction Rules, 2004.**

**2. The memorandum of appeal, statement of facts and the grounds of appeal must be in duplicate and should be accompanied by a copy of the order appealed against and the notice of demand in original, if any.**

**3. Delete the inappropriate words.**

**4. These particulars will be filled in in the office of the Commissioner (Appeals).**

**5. If the space provided herein is insufficient, separate enclosures may be used for the purpose.**

**6. If appeals are pending in relation to more than one financial year, separate particulars in respect of each financial year may be given.**

**7. The memorandum of appeal shall be accompanied by a fee of one thousand rupees.**

**8. The fee should be credited in a branch of the authorised bank or a branch of the State Bank of India or a branch of the Reserve Bank of India after obtaining a challan from the Assessing Officer.**

FORM NO. 5[See rule 13 of Securities Transaction Tax Rules, 2004]Form of appeal to the Appellate Tribunal  
APPELLANT Versus RESPONDENT

**1. The State in which the assessment was made**

**2. Section of the Chapter VII of the Finance (No.2) Act, 2004 under which the order appealed against was passed**

**3. The Commissioner (Appeals) passing the order appealed against**

**4. Financial year in connection with which the appeal is preferred**

**5. Total value of taxable securities transactions declared by the assessee for the financial year referred to in item 4**

**6. Total value of taxable securities transactions as computed by the Assessing Officer for the financial year referred to in item 4**

**7. The Assessing Officer passing the original order**

**8. Section of the Chapter VII of Finance (No.2) Act, 2004 under which the Assessing Officer passed the order**

**9. Date of communication of the order appealed against**

**10. Address to which notices may be sent to the appellant**

**11. Address to which notices may be sent to the respondent**

**12. Relief claimed in appeal**

VerificationI, ....., the appellant, do hereby declare that what is stated above is true to the best of my information and belief.Place .....Date .....

**1. The memorandum of appeal must be in triplicate and should be accompanied by two copies (at least one of which should be a certified copy) of the order appealed against, two copies of the relevant order of the Assessing Officer, two copies of the grounds of appeal before the first appellate authority, two copies of the statement of facts, if any, filed before the said appellate authority.**

**2. The memorandum of appeal by an assessee under section 111(1) of the Chapter VII of Finance (No.2) Act, 2004 must be accompanied by a fee of one thousand rupees.**

It is suggested that the fee should be credited in a branch of the authorised bank or a branch of the State Bank of India or a branch of the Reserve Bank of India after obtaining a challan and the triplicate challan sent to the Appellate Tribunal with a memorandum of appeal. The Appellate Tribunal will not accept cheques, drafts, hundies or other negotiable instruments.

**3. The memorandum of appeal should be written in English or, if the appeal is filed in a Bench located in any such State as is for the time being notified by the President of the Appellate Tribunal for the purposes of rule 5A of the Income-tax (Appellate Tribunal) Rules, 1963, then, at the option of the appellant, in Hindi, and should set forth, concisely and under distinct heads, the grounds of appeal without any argument or narrative and such grounds should be numbered consecutively.**

- 4. \*The number and year of appeal will be filed in the office of the Appellate Tribunal.**
- 5. Delete the inapplicable columns.**
- 6. If the space provided is found insufficient, separate enclosures may be used for the purpose.**