

Abhishek R-P - Intraday trading taxes India

Explain taxes on Intraday Trading in India, focusing on options, Bank Nifty Options and Nifty Options Primarily. -- Including like daily costs and the annual income tax gain, like income tax on gains etc. And also tell me how do people circumvent those as well.

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Here's a complete breakdown of **intraday options trading taxation** in India, with a focus on **Bank Nifty and Nifty options** — including daily costs, income tax treatment, and common circumvention practices (for awareness, not endorsement):



1. Tax Classification for Intraday Options Trading

Nature of Income

Intraday trading in **options** (e.g. Bank Nifty/Nifty) is classified as:

"Business Income" — specifically, **speculative business income** if settled intraday (i.e. no physical delivery), including squared-off options (even though options are derivatives).

- **Speculative Business Income** applies to intraday equity & squared-off options.
- **Non-Speculative Business Income** applies if options are carried to expiry or delivery-settled (not typical for Bank Nifty/Nifty options).



2. Daily Trading Costs Breakdown

Cost Component	Typical Rate	Explanation
Brokerage	₹20 per order (flat rate, Zerodha/Upstox etc.)	Intraday trades usually ₹20 per executed order

Cost Component	Typical Rate	Explanation
STT (Securities Transaction Tax)	₹0.05% on sell side only (for options)	E.g., Sell ₹1L worth options → STT = ₹50
Exchange Transaction Charges	~₹0.053% on turnover (NSE F&O)	Levied by NSE
GST	18% on (brokerage + transaction charges)	Tax on broker services
SEBI Turnover Fee	₹10 per crore (~₹0.0001%)	Negligible
Stamp Duty	₹300 per crore (₹3 per ₹1L) on buy side	Only on buy-side for options

- For Bank Nifty/Nifty intraday traders doing 10–20 trades/day, total round-trip cost per trade often adds up to **₹35–50 per order**, depending on volume.

3. Annual Income Tax on Intraday Trading Gains

Under Business Income

You must file **ITR-3** (or ITR-4 under presumptive scheme in limited cases). You **can't** file ITR-2.

Slab	Applicable Tax
Up to ₹2.5L	No tax
₹2.5L – ₹5L	5%
₹5L – ₹10L	20%
> ₹10L	30%

- Add 4% cess** to all of the above.
- Turnover** is calculated based on absolute profit/loss value (per ICAI norms for derivatives).
- Audit is required if **turnover > ₹10 crore** or if profit is < 6% of turnover **and** income exceeds taxable limit.

Example:

If your Bank Nifty intraday profits for the year = ₹5.5 lakhs

Expenses claimed (laptop, internet, rent, tools) = ₹50,000

Net taxable business income = ₹5L → Tax = 5% = ₹25,000



4. How People Circumvent or Reduce Taxes (not legal advice)

! This section is for awareness. These may trigger audit or penalties if misused.

Common Tactics (Gray or Illegal)

1. Not declaring trading income

- Especially if net loss or negligible profit.
- Risky if you use popular brokers — tax dept gets this data.

2. Splitting accounts across family

- To keep profits in lower tax brackets.

3. Using ITR-2 or ITR-1 wrongly

- Fails to report speculative business income.

4. Avoiding audit by manipulating turnover

- E.g., booking losses on expiry to reduce total turnover.

5. Using presumptive income (44AD) wrongly

- Not meant for speculative income.

Legal Deductions People Use

1. Claim expenses:

- Internet, phone, office rent, subscription (Chartink, TradingView), even furniture if applicable.
- Laptop depreciation can be claimed (60% in first year).

2. Loss carry-forward:

- **Speculative losses:** Carry forward for **4 years**, only to be adjusted against speculative profits.
- **Non-speculative losses:** Carry forward for **8 years**.



5. Quick Recap

Topic	Summary
Tax Type	Business income (speculative)
ITR Form	ITR-3
Applicable Tax Slab	Based on total income (5% to 30%)
Daily Costs	₹30–₹50 per trade typical
Audit Required?	Yes, if turnover > ₹10Cr or profit < 6% of turnover (and total income > ₹2.5L)
Legal Deductions	Internet, software, devices, rent, courses
Loss Setoff	Speculative → 4 yrs; Non-speculative → 8 yrs

📣 Pro Tip:

Use tools like **Quicko**, **Cleartax**, or **Zerodha Tax P&L Report** to track turnover, speculative income, and audit applicability automatically.

Would you like a sample Excel sheet to track daily profit, turnover, and tax estimate for Bank Nifty options?

STT (Securities Transaction Tax)
 ₹0.05% on sell side only (for options)
 E.g., Sell ₹1L worth options → STT = ₹50

You're right to question this. Let's break it down **precisely for Options Trading in India** — particularly relevant to **Bank Nifty/Nifty Options**:

📍 What is STT (Securities Transaction Tax) on Options in India?

STT applies differently for Options depending on whether you're **selling** or **exercising** them:

Transaction Type	STT Rate	Applied On	Explanation
Sell (intraday or before expiry)	₹0.05%	on premium value (not notional)	Most common case for traders
Exercising options	0.125%	on intrinsic value	Rare – only when options are exercised at expiry (in-the-money)
Buy	No STT	—	STT is not charged on buying options

Real Example: STT on Intraday Options Sell

Suppose you sell 1 lot of Bank Nifty CE:

- **Strike price:** 47,000 CE
- **Premium:** ₹100
- **Lot size:** 15
- **Total value (premium × lot size) = ₹1,500**

 STT = 0.05% of ₹1,500 = ₹0.75

 You pay **only ₹0.75 STT** on this intraday options sell.

Common Mistake

Many assume STT is **0.05% on the notional value** (e.g., $47,000 \times 15 = ₹7,05,000$), which would be ₹352.50 — **this is wrong** for options sell.

That rate applies **only for equity delivery**, not for F&O.

Tip

For **daily active traders**, STT is usually a **very small part** of trading costs for options due to low premium amounts. However, if your option is **exercised**, the STT is significantly higher — avoid **letting ITM options auto-expire** unnecessarily to avoid:

0.125% of intrinsic value × lot size — this can be ₹200–₹1,000+ per lot.

Would you like a small calculator template for daily option trade costs (including STT, brokerage, GST, stamp duty)?

So basically if I buy, if I first sell an option worth 200 rupees and then cover it at 190 and make 10 rupees profit on it and my brokerage is free using Sunya or flat trade then how much cost am I looking at per transaction per cycle and if I do that like 50 times a day how much am I looking at?

Great question. Let's break it down step by step with your specific scenario:

📌 Scenario

- **Sell option at ₹200**
 - **Buy it back at ₹190**
 - **Lot size: 15 (Bank Nifty)**
 - **Profit per trade = ₹10 × 15 = ₹150**
 - **Brokerage = ₹0 (with Sunya or FlatTrade zero-brokerage plans)**
 - **Number of trades/day = 50 round trips**
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✓ Per Trade Cost Breakdown (Buy + Sell)

- ◆ **1. STT (Sell side only)**
 - 0.05% of premium × lot size
 - Sell side premium = ₹200 × 15 = ₹3,000
 - STT = 0.05% of ₹3,000 = ₹1.50
- ◆ **2. Exchange Transaction Charges (Both sides)**
 - NSE F&O: ~₹0.053% per side
 - Turnover = (₹200 + ₹190) × 15 = ₹5,850
 - ETC = 0.053% × ₹5,850 = ₹3.10

◆ **3. GST on ETC**

- GST = 18% on ETC
- $\text{GST} = 18\% \times ₹3.10 \approx ₹0.56$

◆ **4. Stamp Duty (Buy side only)**

- ₹300 per crore = 0.003% on buy side
- Buy value = ₹190 × 15 = ₹2,850
- Stamp Duty = 0.003% × ₹2,850 = ₹0.0855 ≈ ₹0.09

◆ **5. SEBI Charges**

- ₹10 per crore = 0.0001% of ₹5,850 ≈ ₹0.006

 **Total Cost per Round Trip**

Component	Amount
STT	₹1.50
Exchange Charges	₹3.10
GST	₹0.56
Stamp Duty	₹0.09
SEBI Fee	₹0.006
Total per trade	≈ ₹5.25

 **If you do this 50 times a day**

- Cost per trade = ₹5.25
- Daily cost = ₹5.25 × 50 = ₹262.50
- Daily gross profit = ₹150 × 50 = ₹7,500
- **Net profit = ₹7,500 – ₹262.50 = ₹7,237.50**

 **Monthly Estimate (20 trading days)**

- Gross profit = ₹7,500 × 20 = ₹1.5L
- Trading costs = ₹262.50 × 20 = ₹5,250

- Net monthly profit = ~₹1.445L
 - Annual estimate = ~₹17.34L net profit
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⚠️ Caveats

- If you **don't always win**, the costs remain, but profits don't. So if your win ratio drops below ~70%, this starts hurting.
 - Slippages and execution delays might impact real-world profitability.
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✓ Conclusion

- **Yes**, with **zero brokerage**, your per trade cost is only around ₹5.25.
- If you're consistent with execution and win rate, doing **50 trades/day** can yield serious compounding — but it's high skill + high risk.

Would you like a downloadable Google Sheet/Excel calculator where you can play with:

- Lot size
- Profit per trade
- Number of trades
- Costs breakdown?

Let me know and I'll make it.