

PAGE

Foreu	vord	<i>I-3</i>
Ackno	owledgement	I-5
Abou	t NISM Certifications	<i>I-7</i>
Abou	t the Certification Examination for Taxation in Securities Markets	I-9
	CHAPTER 1	
	INTRODUCTION TO SECURITIES MARKETS AND SECURITIES	
1.1	Definitions and Features	2
1.2	Structure and Participants	5
1.3	Products and Features of Securities Markets	9
1.4	Sources of Tax Regulations in Securities Markets	18
	CHAPTER 2	
	CONCEPTS IN TAXATION	
2.1	What is a 'Previous Year'?	22
2.2	What is 'Assessment Year'?	22
2.3	Who is a 'Person'?	22
2.4	Who is an 'Assessee'?	23
2.5	What is 'Residential Status'?	23
2.6	Scope of Income	29

NiSM NATIONAL INSTITUTE OF SECURITIES MARKETS An Educational Initiative of SEB

		PAGE
2.7	Heads of Income	30
2.8	Know the Deductions	38
2.9	Know the Exemptions	38
2.10	Know the Rebates	38
2.11	Know the Gross Total Income	39
2.12	Know the Total Income	41
2.13	Know the Tax Payable	41
2.14	Clubbing of Income	45
2.15	Set-off and Carry Forward of Loss Under the Heads - Capital Gains, Income from other Sources and Business Income	48
2.16	Difference between Investing and Dealing in Shares and Securities	51
2.17	AlternateMinimumTax(AMT)andMinimumAlternateTax(MAT)	53
2.18	Double Tax Avoidance Agreement (DTAA) (Concept of Multilateral Instruments and Permanent Establishment)	57
2.19	General Anti-Avoidance Rules (GAAR)	60
2.20	Know about EEE, EET and ETE	62
2.21	Know about the Maximum Marginal Rate of Tax (MMR)	63
2.22	Effective Rate of Tax	63
2.23	Know about Tax Alpha	64
	CHAPTER 3	
	CAPITAL GAINS	
3.1	What are Capital Assets?	67
3.2	Types of Capital Asset	70
3.3	How to calculate the period of holding?	72
3.4	Transfer of Capital Asset	75
3.5	Transactions not Regarded as Transfer	78
3.6	Computation of Capital Gains	82



PAGE

	CHAPTER 4	
	INCOME FROM OTHER SOURCES	
4.1	Introduction	97
4.2	Dividend Income	99
4.3	Interest on Securities	100
4.4	Gift of Securities	104
4.5	Shares Issued at Premium by closely held Company	111
4.6	Applicability of Income Computation and Disclosure Standard (ICDS)	115
	CHAPTER 5	
	TAXATION OF DEBT PRODUCTS	
5.1	Sources of Income from Debt Products	117
5.2	Coupon Bonds	119
5.3	Zero Coupon Bonds and Deep Discount Bonds	127
5.4	Convertible Bonds	129
5.5	Taxation of Commercial Papers	131
5.6	Taxation of Government Securities	133
5. 7	Tax Free Bonds	136
5.8	Taxation of Mutual Funds	137
5.9	Masala Bonds	141
5.10	Foreign Currency Convertible Bonds (FCCB)	143
5.11	Taxation of Financial Securities	148
	CHAPTER 6	
	TAXATION OF EQUITY PRODUCTS	
6.1	Sources of Income	156

NiSM NATIONAL INSTITUTE OF SECURITIES MARKETS An Educational Initiative of SEB

		PAGE
6.2	Listed Equity Shares	158
6.3	Tax Treatment of Unlisted Equity Shares	171
6.4	Tax Treatment of Preference Shares	172
6.5	Tax Treatment of GDR or ADR	175
6.6	Tax Treatment of Share Warrants	181
6. 7	Tax Treatment of Mutual Funds	183
6.8	Tax Treatment of Derivatives	190
6.9	Dividend Stripping	198
6.10	Bonus Stripping	198
6.11	Benefits not allowed from Capital Gains	199
6.12	Adjustment of Exemption Limit from Capital Gain	201
6.13	Overview of Taxation of Equity Products	202
6.14	Overview of Benefits Not Available from Capital Gains	204
	CHAPTER 7	
	TAXATION OF OTHER PRODUCTS	
7.1	Taxation of Employees Stock Option Plan ("ESOP")	207
7.2	Sovereign Gold Bond (SGB) Scheme	219
7.3	National Pension System (NPS)	226
7.4	Real Estate Investment Trusts (REITs)	234
7.5	Infrastructure Investment Trusts (InVITs)	246
7.6	Alternative Investment Funds (AIFs)	247
7. 7	Exchange-Traded Funds (ETFs)	254
7.8	Unit linked insurance policies	256
	CHAPTER 8	
	BUSINESS INCOME	
8.1	Speculative and Non-Speculative Business Income	264

	CONTENTS	N18M NATIONAL INSTITUTE OF SECURITIES MARKETS An Educational Initiative of SEB
		PAGE
8.2	Method of Accounting	266
8.3	Valuation of Securities Held as Stock-In-Trade	272
8.4	Valuation of Stock in Special Cases	276
8.5	Determination of Actual Cost of Securities	277
8.6	Computation of Business Income	280
8. 7	Set-off and Carry Forward of Business Loss	283
8.8	Income Computation and Disclosure Standards	286
	CHAPTER 9	
	TAXATION IN THE HANDS OF INTERME	DIARIES
9.1	Who is an Intermediary?	291
9.2	Taxation of Market Intermediaries	292
	CHAPTER 10	
	TAXATION - IN THE HANDS OF FOREIGN PORTFOLIO INVESTORS (FPIs)
10.1	Meaning of Foreign Portfolio Investor	311
10.2	Taxability under the Head Capital Gains	312
10.3	Taxability of Dividend Income	319
10.4	Taxability of Interest from Securities	321
10.5	Deduction of Tax at Source (TDS)	322
10.6	Rates of Surcharge and Health and Education Cess	324
10. 7	Tax Treatment of Different Categories of FPIs	325
	CHAPTER 11	
	TAX IMPLICATIONS OF IFSC	
11.1	Stock Exchanges Located in IFSC	331
11.2	Products Listed on IFSC Stock Exchange	332

Nis	M	NATIONAL INSTITUTE OF SECURITIES MARKETS An Educational Initiative of SEB	
TNIC	ЛΙ	An Educational Initiative of SEB	

		PAGE
11.3	Who can deal in products listed on IFSC stock exchange?	332
11.4	Intermediaries in IFSC	332
11.5	Difference between a Stock Exchange having National Presence and Stock Exchange in IFSC	333
11.6	Tax Implications	334
	CHAPTER 12	
	TAX PROVISIONS FOR SPECIAL CASES	
12.1	Taxation of Bonus Shares	348
12.2	Taxation on Share Split or Consolidation of Shares	353
12.3	Taxation of Buy-back of Shares	356
12.4	Taxation of Companies in Liquidation	358
12.5	Taxation of Rights Issues	361
12.6	Taxation in case of Mergers and Acquisitions	364
12.7	Taxation in case of Stock Lending and Borrowing	367
12.8	Taxation in case of Conversion of Preference Shares into Equity Shares	371
12.9	Taxation in case of Conversion of Stock into Capital Asset	373
12.10	Taxation in case of Segregated Portfolios of Mutual Funds	377
12.11	Taxation in case of consolidation of mutual fund scheme or plans	379
	CHAPTER 13	
	INDIRECT TAXES IN SECURITIES MARKETS	
13.1	Introduction about the Goods and Services Tax	383
13.2	GST Implication on Mutual Funds	384
13.3	GST Implication on Mutual Fund Distributor	385
13.4	GST Implication on Broking Business	388
13.5	GST Implication on PMS, Investment Adviser	389

NiSM	NATIONAL INSTITUTE OF SECURITIES MARKETS An Educational Initiative of SEB
111011	An Educational Initiative of SEB

	PAGE
13.6 GST Implications on REITs, InvITs, AIF and any other Market Intermediary	389
Annexure A: Maintenance of Accounts	395
Annexure B: Due Date for Filing of Income-tax Return	398
Annexure C: Penalty for non-compliance	400
Annexure D: Summarized Tax Table - Product-wise	404
Annexure E: Tax Rates for Assessment Year 2021-22	414
Annexure F: Deductions under Income-tax Act	427
Annexure G: Exemptions under Income-tax Act	433
Annexure H: Tax on transfer of securities	439
Annexure I: Cost Inflation Index	443