



CONTENTS

	PAGE
<i>Foreword</i>	<i>I-3</i>
<i>Acknowledgement</i>	<i>I-5</i>
<i>About NISM Certifications</i>	<i>I-7</i>
<i>About the Certification Examination for Taxation in Securities Markets</i>	<i>I-9</i>
<i>Syllabus Outline and Weightages</i>	<i>I-19</i>

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	Various Investment Vehicles in Securities Markets	17
1.5	Sources of Tax Regulations in Securities Markets	20

CHAPTER 2

CONCEPTS IN TAXATION

2.1	What is a 'Previous Year'?	24
2.2	What is 'Assessment Year'?	24
2.3	Who is a 'Person'?	24
2.4	Who is an 'Assessee'?	25

	PAGE
2.5 What is 'Residential Status'?	25
2.6 Scope of Income	31
2.7 Heads of Income	32
2.8 Know the Deductions	40
2.9 Know about the Exemptions	41
2.10 Know the Rebates	41
2.11 Know the Gross Total Income	42
2.12 Know the Total Income	43
2.13 Know the Tax Payable	44
2.14 Clubbing of Income	48
2.15 Set-Off and Carry Forward of Loss under the Heads - Capital Gains, Income from Other Sources and Business Income	51
2.16 Difference between Investing and Dealing in Shares and Securities	54
2.17 Alternate Minimum Tax (AMT) and Minimum Alternate Tax (MAT)	57
2.18 Double Tax Avoidance Agreement (DTAA) (Concept of Multilateral Instruments and Permanent Establishment)	60
2.19 General Anti-Avoidance Rules (GAAR)	63
2.20 Know about EEE, EET and ETE	66
2.21 Know the Maximum Marginal Rate of Tax (MMR)	67
2.22 Effective Rate of Tax	67
2.23 Know About Tax Alpha	67

CHAPTER 3

CAPITAL GAINS

3.1 What are Capital Assets?	69
3.2 Types of Capital Asset	72
3.3 How to Calculate the Period of Holding?	75
3.4 Transfer of Capital Asset	78
3.5 Transactions not Regarded as Transfer	81
3.6 Computation of Capital Gains	86

CHAPTER 4**INCOME FROM OTHER SOURCES**

4.1	Introduction	105
4.2	Dividend Income	107
4.3	Interest on Securities	108
4.4	Gift of Securities	112
4.5	Shares Issued at Premium by Closely Held Company	120
4.6	Applicability of Income Computation and Disclosure Standard (ICDS)	125

CHAPTER 5**TAXATION OF DEBT PRODUCTS**

5.1	Sources of Income from Debt Products	129
5.2	Coupon Bonds	131
5.3	Zero Coupon Bonds and Deep Discount Bonds	140
5.4	Convertible Bonds	142
5.5	Taxation of Commercial Papers	144
5.6	Taxation of Government Securities	146
5.7	Tax Free Bonds	149
5.8	Taxation of Mutual Funds	150
5.9	Masala Bonds	155
5.10	Foreign Currency Convertible Bonds	158
5.11	Taxation of Market Linked Debentures	162
5.12	Taxation of Financial Securities	164

CHAPTER 6**TAXATION OF EQUITY PRODUCTS**

6.1	Sources of Income	174
6.2	Listed Equity Shares	176

	PAGE
6.3 Tax Treatment of Unlisted Equity Shares	<i>189</i>
6.4 Tax Treatment of Preference Shares	<i>190</i>
6.5 Tax Treatment of GDR or ADR	<i>193</i>
6.6 Tax Treatment of Share Warrants	<i>199</i>
6.7 Tax Treatment of Mutual Funds	<i>201</i>
6.8 Tax Treatment of Derivatives	<i>208</i>
6.9 Dividend Stripping	<i>216</i>
6.10 Bonus Stripping	<i>216</i>
6.11 Meaning of Securities, Unit, and Record Date for Dividend/Bonus Stripping	<i>217</i>
6.12 Benefits Not Allowed from Capital Gains	<i>218</i>
6.13 Adjustment of Exemption Limit From Capital Gain	<i>221</i>
6.14 Overview of Taxation of Equity Products	<i>222</i>
6.15 Overview of Benefits Not Available from Capital Gains	<i>224</i>

CHAPTER 7

TAXATION OF OTHER PRODUCTS

7.1 Taxation of Employees Stock Option Plan (“ESOP”)	<i>227</i>
7.2 Sovereign Gold Bond Scheme	<i>239</i>
7.3 National Pension System	<i>246</i>
7.4 Real Estate Investment Trust	<i>256</i>
7.5 Infrastructure Investment Trust (InvITs)	<i>276</i>
7.6 Alternative Investment Funds	<i>276</i>
7.7 Exchange-Traded Funds	<i>284</i>
7.8 Unit Linked Insurance Policies	<i>286</i>
7.9 Electronic Gold Receipts (EGR)	<i>301</i>

CHAPTER 8**BUSINESS INCOME**

8.1	Speculative & Non-Speculative Business Income	<i>306</i>
8.2	Method of Accounting	<i>308</i>
8.3	Valuation of Securities Held as Stock-In-Trade	<i>315</i>
8.4	Valuation of Stock in Special Cases	<i>319</i>
8.5	Determination of Actual Cost of Securities	<i>320</i>
8.6	Computation of Business Income	<i>322</i>
8.7	Set Off and Carry Forward of Business Loss	<i>326</i>
8.8	Income Computation and Disclosure Standards	<i>329</i>

CHAPTER 9**TAXATION IN THE HANDS OF INTERMEDIARIES**

9.1	Who is an Intermediary?	<i>333</i>
9.2	Taxation of Market Intermediaries	<i>334</i>

CHAPTER 10**TAXATION IN THE HANDS OF FOREIGN
PORTFOLIO INVESTORS (FPIs)**

10.1	Meaning of Foreign Portfolio Investor	<i>359</i>
10.2	Taxability Under the Head Capital Gains	<i>361</i>
10.3	Taxability of Dividend Income	<i>368</i>
10.4	Taxability of Interest from Securities	<i>370</i>
10.5	Deduction of Tax at Source (TDS)	<i>371</i>
10.6	Rates of Surcharge and Health & Education Cess	<i>373</i>
10.7	Tax Treatment of Different Categories of FPIs	<i>375</i>

CHAPTER 11

TAX IMPLICATIONS OF IFSC

11.1	Stock Exchanges Located in IFSC	381
11.2	Products Listed on IFSC Stock Exchange	382
11.3	Applicability of the International Financial Services Centres Authority (Issuance and Listing of Securities) Regulations, 2021	382
11.4	Intermediaries in IFSC	383
11.5	Difference between A Stock Exchange Having National Presence and Stock Exchange in IFSC	384
11.6	Tax Implications	386

CHAPTER 12

TAX PROVISIONS FOR SPECIAL CASES

12.1	Taxation of Bonus Shares	414
12.2	Taxation on Share Split or Consolidation of Shares	420
12.3	Taxation of Buyback of Shares	423
12.4	Taxation of Companies in Liquidation	425
12.5	Taxation of Rights Issues	428
12.6	Taxation in Case of Mergers & Acquisitions	431
12.7	Taxation in Case of Stock Lending and Borrowing	434
12.8	Taxation in Case of Conversion of Preference Shares into Equity Shares	438
12.9	Taxation in Case of Conversion of Stock into Capital Asset	440
12.10	Taxation in Case of Segregated Portfolios of Mutual Funds	444
12.11	Taxation in Case of Consolidation of Mutual Fund Scheme or Plans	446

CHAPTER 13**INDIRECT TAXES IN SECURITIES MARKETS**

13.1	Introduction about the Goods and Services Tax	449
13.2	GST Implication on Mutual Funds	450
13.3	GST Implication on Mutual Fund Distributor	451
13.4	GST Implication on Broking Business	454
13.5	GST Implication on PMS, Investment Adviser	455
13.6	GST Implications on REITs, InvITs, AIF and any other Market Intermediary	455
Annexure A: Maintenance of Accounts		461
Annexure B: Due date for Filing of Income-Tax Return		464
Annexure C: Penalty for non-compliance		467
Annexure D: Summarized tax table – Product-wise		471
Annexure E: Tax Rates for Assessment Year 2024-25		482
Annexure F: Deductions Under Income-Tax Act		497
Annexure G: Exemptions Under Income-Tax Act		502
Annexure H: Tax on Transfer of Securities		509
Annexure I: Cost Inflation Index		513