

FAQs ON STAMP DUTY

1. What are the amendments in the Indian Stamp Act pertaining to mutual funds?

As per Notification No. S.O. 1226(E) and G.S.R. 226(E) dated March 30, 2020 issued by Department of Revenue, Ministry of Finance, Government of India, read with Part I of Chapter IV of Notification dated February 21, 2019 issued by Legislative Department, Ministry of Law and Justice, Government of India on the Finance Act, 2019, stamp duty will be levied on mutual fund purchase transaction, with effect from July 1, 2020, as per the rates provided in the table below.

	Description	Applicable new rate
1	Issue of security	0.005%
2	Transfer of security	0.015%

2. What is the effective date for implementation of above mentioned amendment?

Effective date is July 01, 2020.

3. How much percentage stamp duty is levied on mutual fund transactions?

0.005% of the net investment value i.e., gross investment amount less any other deduction like transaction charge. E.g. On an investment of Rs. 100,100/- with a transaction charge of Rs.100/-, stamp duty will be calculated as; $(100100-100) \times 0.005 / 100.005 = 5.00$

4. Which all transactions would be covered under stamp duty?

Stamp duty applicability will be on all Purchases (including triggers from past SIP registrations), Switch-in (including triggers from past STP registrations) and Dividend reinvestment/transfer transactions. Historic purchase transactions of 01 July, 2020 will also attract Stamp Duty.

Switch in from one Plan/Option to another Plan/Option (ie Growth to Dividend or Regular Plan to Direct Plan or vice versa) within the same scheme will also attract stamp duty. The same is applicable for both physical and demat.

Transfer of Units from one demat account to another including market / off-market transfers attract stamp duty @0.015%.

i.e All unit creations from 1st July i.e., purchases, switch-in, Dividend Reinvestment processed from 1st July irrespective of actual date of acceptance / date of SIP/STP registration will be subject to stamp duty deduction @0.005%.

5. Which transactions are excluded from Stamp Duty

Following transactions will be excluded from stamp duty deduction – Transmissions (by way of gift, legacy, succession etc), Statement of Account (SOA) to Demat conversion, Transfer from dividend reinvest to dividend payout or vice-versa, change of broker where there is no switch– essentially wherever no consideration is involved

6. Which all categories of mutual fund schemes would be covered under the stamp duty charges?

All categories of mutual fund schemes would be covered under stamp duty charges.

7. Will stamp duty be applicable for units held in physical mode?

Yes. Covered below in separate FAQs

8. Will stamp duty be applicable during redemption?

No

9. Will stamp duty be applicable on Dividend Payout?

No.

10. Will stamp duty be applicable on transfer of units from broker to investor account?

No, as no consideration is involved and stamp duty is already deducted during unit issuance.

11. Is stamp duty applicable on ETF transaction?

Yes. ETF creation basket will be suitably marked up on account of stamp duty.

12. What would be the impact on units under dividend reinvestment/transfer?

For units under dividend reinvestment/transfer, stamp duty will be deducted from the dividend amount (less TDS if any) and units will be created for the balance amount.

13. Will stamp duty be applicable for subsequent conversion of units held in physical mode to Demat mode (Statement of Accounts to Demat)?

No, as no consideration is involved and stamp duty is already deducted during unit issuance.

14. How would stamp duty be levied to the investors?

For units issued in demat or non-demat form – purchase, dividend reinvestment, switch -in – stamp duty will be deducted from the net investment amount i.e., gross investment amount less any other deduction like transaction charge. Units will be created only for the balance amount (Net investment amount – stamp duty deducted).

Stamp duty will be computed @0.005% on an inclusive method using the formula -
 $((\text{Investment amount} - \text{transaction charge, if any}) / 100.005) * 0.005$.

Illustration:

Transaction Amount: INR. 1,00,100

Transaction Charges: 100

Stamp Duty: INR. 5 $((\text{Transaction Amount} - \text{Transaction Charges}) * 0.005 / 100.005)$

NAV: 10

Units: 9,999.50 $(\{\text{Transaction Amount} - \text{Transaction Charges} - \text{Stamp Duty}\} / \text{NAV})$

15. How will the investor know the stamp duty levied ?

Statement Of Account will reflect the stamp duty calculation.

16. What would be the impact of stamp duty on mutual fund schemes?

Investors with short indicative investment horizon of less than 30 days will get impacted more because the stamp duty is being charged @ 0.005% is a onetime charge. The simple annualised impact will keep on reducing with increase in investment horizon. Please refer the table for illustration purpose:

		Return Impact (%)	
Stamp Duty (1)	No. of Days (2)	Absolute 3=(1/2)	Annualised (3) *365
0.005%	1	0.00500%	1.825%
	3	0.00167%	0.608%
	5	0.00100%	0.365%
	10	0.00050%	0.183%
	30	0.00017%	0.061%
	90	0.00006%	0.020%
	180	0.00003%	0.010%
	365	0.00001%	0.005%

The above table clearly illustrates that the impact reduces from 1.825% in a single day to 0.183% in 10 days to 0.061% in 30 days to 0.005% in a year. Further, an investor who have high churn in their portfolio may have a higher impact on account of stamp duty.

17. Will the depositories compute stamp duty for units held in demat?

Depositories will be computing stamp duty at their end as well. Wherever there are differences, which is expected to arise due to rounding-off issues, on a conservative basis depositories will consider higher of the two values viz., stamp duty information given by RTA and stamp duty computed at their end, for adjustment against advance paid by AMC

18. What is the rate of stamp duty charged on the type/mode of transactions?

The Stamp Duty (SD) chargeable effective from July 1, 2020 on the type/mode of transactions will as per the table given below:

Sr. No.	Transaction type / mode	SD payable by	Collection Agent	Applicable Rate	Place of Remittance of stamp duty
1	Sale of listed units on the Stock Exchange	Buyer	Stock Exchange	0.005%	State where buyer is located
2	Off market transfer of units through a depository, for consideration, as disclosed by the trading parties	Buyer	Depository	0.015%	State where buyer is located
3	Issue of units in a dematerialized form, irrespective of mode of subscription	Issuer (Please refer note no 5 below)	Depository	0.005%	State where buyer is located
4	Issue of units in physical form (Statement of account), for subscriptions through any mode, other than Stock exchange Platforms	Issuer (Please refer note no 5 below)	RTA	0.005%	State where buyer is located
5	Issue of units in physical form (Statement of account), for subscriptions through Stock exchange Platforms / Depositories	Issuer (Please refer note no 5 below)	RTA	0.005%	State where buyer is located
6	Third party sale of units in physical form for consideration	Transferor	RTA	0.015%	State where buyer is located
7	Transfer / Transmission where there is no consideration involved	NA	NA	NA	NA
8	Issue of units when creating segregated portfolio	NA	NA	NA	NA
9	Redemption / Switch outs/ maturity of units	NA	NA	NA	NA
10	Demat of units or conversion to SoA, without change in beneficiary	NA	NA	NA	NA

Notes:

- Issue of units covered as above, will include dividend reinvestment, dividends transfer, switch in & issue of units in unclaimed redemption /dividend plans
- Various mode of subscriptions referred are physical & electronic (through website of AMC, RTA, MF Utilities, Channel Partners, Distributors etc.)
- Stock Exchange Platforms refer to BSE's Star MF & NSE's NMF-II. Mutual Funds have also enabled subscriptions through DPs, which are routed through the Depositories
- Wherever it is not specifically mentioned as applicable to either Demat or SoA, it shall be applicable to both forms
- As stamp duty is a levy, it will be recovered from the investor from their subscription / switch in amount. The investors will bear the charge, akin to the securities transaction tax (STT) on redemptions.

Note: Also refer to the FAQs on stamp duty available on SEBI website. For details click here--
https://www.sebi.gov.in/sebi_data/faqfiles/jun-2020/1593534237938.pdf

**MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISKS,
 READ ALL SCHEME RELATED DOCUMENTS CAREFULLY.**