Taxes and India’s Equity Market

Recently, the Association of National Exchanges Members of India (ANMI) has requested the government to withdraw the **Long Term Capital Gains Tax** and **Securities Transaction Tax.**

- It highlighted the issues in taxation related to India's equity market, which makes the **Indian capital market unattractive globally.**
    - India is the **only country** to levy a tax on equity trading in the form of **Securities Transaction Tax (STT).**
    - Dividends, currently are **taxed thrice** in the form of **corporate tax, dividend distribution tax and finally at the investor level, i.e Securities Transaction Tax (STT).**
- **Corporate Tax:** It is levied on a **firm's profit** by the government.
    - It is taxed on **operating earnings after expenses have been deducted.**
    - The rate of corporate tax in India varies from one type of company to another i.e. domestic corporations and foreign corporations pay tax at different rates **(25-50%)**
- **Dividend Distribution Tax** (DDT): Dividend refers to the distribution of profits to shareholders of a company.
    - Thus, the dividend distribution tax is a type of tax that is **payable on the dividends** offered to its shareholders by the corporate.
    - Higher dividends mean a greater tax burden for the corporate entity.
    - Presently, the dividend distribution tax that is payable on the dividends offered to a company’s shareholders is **15%** of the gross amount distributed as dividend
- **Securities Transaction Tax(STT):** It is a tax levied at the time of purchase and sale of securities listed on stock exchanges in India.

    Both purchaser and seller both need to pay **0.1%** of share value as STT.

Source:TH