

NATIONAL COMMODITY & DERIVATIVES EXCHANGE LIMITED
Member Compliance Guide – Imposition of Commodity Transaction Tax

Commodity Transaction Tax (CTT) has been introduced in the Finance Act 2013. The Provisions for the same are contained in Chapter VII of the said Act.

CTT is applicable with effect from July 1, 2013 on sale transactions of commodity futures, except for exempted agricultural commodities as mentioned in Annexure, at the rate of 0.01 per cent. Such tax shall be payable by the Seller.

Members may note that in compliance of the CTT Rules-2013, the undernoted procedure will be followed by the Exchange in respect of the calculation of CTT:

- a) CTT shall be determined at the end of each trading day.
- b) For the purpose of calculation of CTT, transactions shall be identified based on the client code entered by the members at the time of order entry on the Exchange trading system and as may be modified by the member using the client code modification facility provided by the Exchange. In respect of proprietary transactions the member code shall be deemed to be the client code.
- c) The value of taxable commodities transaction shall be determined with respect to the transaction executed under a particular client codes. Therefore, the Exchange shall only reckon the client code entered by the member while placing the order or as may be modified within the prescribed time. It is therefore imperative that members exercise extreme caution and diligence while entering the client code at the time of entering an order.
- d) For each client code, all the sell transactions for a trading day shall be aggregated at contract level.
- e) For the purpose of determining CTT liability, the taxable commodities transaction shall be valued at the actual traded price. On this value, the CTT rate as prescribed shall be applied.
- f) The trading member's CTT liability shall be the aggregate CTT liability of clients trading through him and the clearing member's CTT liability shall be the aggregate CTT liability of all trading members clearing under him.

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Process with regard to the implementation of the collection of CTT is as under:

a) Reports on CTT liability

A report shall be provided to the members at the end of each trading day. This report shall contain information on the total CTT liability, trading member wise CTT liability, client wise CTT liability and the detailed computations for determining the client wise CTT liability.

b) Pay-in of funds

The CTT amount shall be collected from the Clearing Member as per the timelines stipulated for the funds pay-in on a daily basis. A separate transaction shall be created and the amount shall be collected from the settlement account of members through their clearing banks as per the process currently followed in respect of settlement obligations.

c) Failure to pay funds

Non-payment of CTT will be treated as non-fulfillment of settlement obligations for the purpose of all consequential actions against the member

d) Information to clients

The contract notes issued to clients by the members on a daily basis should specify the total commodities transaction tax for the transactions mentioned therein. Members may issue the CTT details on annual basis (within one month from the close of the financial year) to their respective clients, unless required by the clients otherwise.

CTT on Options

1. Section 116 (7) of Finance Act, 2013 which defines “taxable commodities transactions” has been amended to include “options on commodity derivatives”;

2. For Sections 117 and 118, the following sections shall be substituted with effect from April 1, 2018, namely:

117. There shall be charged a commodities transaction tax in respect of taxable commodities transaction specified in column (2) of the Table below, at the rate specified in the corresponding entry in column (3) of the said Table, on the value of such transaction and such tax shall be payable by the purchaser or the seller, as the case may be, as specified in the corresponding entry in column (4) of the said Table

For further information / clarifications, please contact:

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Sr. No.	Taxable Commodities Transaction	Rate	Payable by
1	Sale of a commodity derivative	0.01 per cent	Seller
2	Sale of an option on commodity derivative	0.05 per cent	Seller
3	Sale of an option on commodity derivative, where option is exercised	0.0001 per cent	Purchaser

118. The value of taxable commodities transaction referred to in Section 117 shall be:-

- (a) in the case of a taxable commodities transaction relating to a commodity derivative, shall be the price at which the commodity derivative is traded;
- (b) in the case of a taxable commodities transaction relating to an option on commodity derivative, shall be—
 - i. the option premium, in respect of transaction at serial number 2 of the Table above
 - ii. the settlement price, in respect of transaction at serial number 3 of the Table above

Members are also advised to peruse the Chapter VII of Finance Act, 2013 & CTT Rules, 2013 and keep themselves updated on any amendments thereto for effective compliance.

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Annexure :- List of Commodities on which CTT is not applicable

Agricultural commodities – For the purposes of clause (7) of section 116 of the Act, the agricultural commodities shall be the following, namely:-

- (i) Almond
- (ii) Barley
- (iii) Cardamom
- (iv) Castor Seed
- (v) Channa/Gram
- (vi) Copra
- (vii) Coriander/Dhaniya
- (viii) Cotton
- (ix) Guar Seed
- (x) Isabgul Seed
- (xi) Jeera (Cumin Seed)
- (xii) Kapas
- (xiii) Maize Feed/ Maize
- (xiv) Pepper
- (xv) Potato
- (xvi) Rapeseed/Mustard Seed
- (xvii) Raw Jute
- (xviii) Red Chilli/ Chillies
- (xix) Soya bean/seed
- (xx) Soymeal
- (xxi) Turmeric
- (xxii) Wheat
- (xxiii) Aniseed
- (xxiv) Arhar Chuni
- (xxv) Bajra
- (xxvi) Betelnuts
- (xxvii) Celeryseed
- (xxviii) Chara or Berseem(Including Chara seed or Berseem seed)
- (xxix) Cinnamon
- (xxx) Cloves

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- (xxxi) Cotton pods
- (xxxii) Cotton seed
- (xxxiii) Ginger
- (xxxiv) Gram Dal
- (xxxv) Gram Husk (Gram Chilka)
- (xxxvi) Groundnut
- (xxxvii) Jowar
- (xxxviii) Kulthi
- (xxxix) Lakh (Khesari)
- (xl) Linseed
- (xli) Masur
- (xlii) Methi
- (xliii) Moth
- (xliv) Mung
- (xlv) Mung Chuni
- (xlvi) Mung Dal
- (xlvii) Nutmeg
- (xlviii) Onion
- (xlix) Peas
- (l) Ragi
- (li) Rice Bran
- (lii) Rice or Paddy
- (liii) Safflower
- (liv) Seedlac
- (lv) Sesamum (Til or Jiljilli)
- (lvi) Small Millets (KodanKulti, Kodra, Korra, Vargu, Sawan, Rala, Kakun, Samai, Vari and Banti)
- (lvii) Sunflower seed
- (lviii) Tur (Arhar)
- (lix) Tur Dal (Arhar dal)
- (lx) Urad (Mash)
- (lxi) Urad Dal.



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References:

- NCDEX/FINANCE & ACCOUNTS-001/2013/209 dated June 24, 2013
- NCDEX/LEGAL-005/2013/234 dated July 16, 2013
- NCDEX/FINANCE & ACCOUNTS-001/2015/087 dated March 16, 2015
- NCDEX/FINANCE & ACCOUNTS-002/2015/091 dated March 17, 2015
- NCDEX/OPTIONS-011/2018/085 dated April 02, 2018