

June 30, 2020

FAQs On Stamp Duty

➤ **What is Stamp Duty?**

Simply stated stamp duty is a levy charged under the provisions of the Indian Stamp Act 1889 as amended from time to time.

➤ **Why Stamp Duty is being levied?**

The amendments have been affected to Indian Stamp Act to overhaul the structure of levy and collection of stamp duty on securities issued and/or transferred in the country. The Finance Act came into effect on 1st day of April 2019 but the amendments to Indian Stamp Act as mentioned in Part I of Chapter IV of the Finance Act, wherein the Central Government was empowered to enforce the amendments as and when it may deem fit.

Vide Notification No. S. O. 4419 (E)n dated Dec 10, 2019, the Ministry of Finance announced the Indian Stamp (Collection of Stamp Duty through Stock Exchanges, Clearing Corporations and Depositories) Rules 2019 and the and the same were to come into force from January 9, 2020. However, vide a notification dated January 08, 2020, the effective date was deferred to April 1, 2020. Further, through a notification GSR 226(E) dated March 30, 2020, the effective date was deferred to July 1, 2020. Accordingly, the provisions of the amended Stamp duty Act 1889 now come into effect from July 1, 2020

SEBI vide its Circular ref No SEBI/ IMD/ DF2/OW/P/2020/11099/1 dated June 29, 2020 further clarified on certain aspects of provisions of the Act based on the guidance received from MoF.

➤ **What is the effective date & the percentage of Stamp Duty?**

Effective date is July 1, 2020 & Stamp Duty rate is 0.005% of the amount net invested.

➤ **What is net Investment Amount?**

Stamp duty will be levied on the actual allotment amount. The following examples will illustrate the same

Gross Amount	Transaction Charges	Amt net of transaction charges	Stamp duty	Net amount invested
100000	100	99900	4.99	99895.01
100000	0	100000	5.00	99995

➤ **Who is the Issuer?**

Baroda Mutual Fund issues the units under the various schemes based on the subscriptions received.

➤ **How Stamp Duty will be levied to the investor?**

For units issued in demat or non-demat form – purchase, dividend reinvestment, switch – 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 - ((Investment amount – transaction charge, if any) / 100.005) * 0.005.

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Illustration:

Transaction Amount: 1,00,100

Transaction Charges: 100

Stamp Duty: Rs. 5 ((Transaction Amount - Transaction Charges) *0.005/100.005)

NAV: 10

Units: 9,999.50 ((Transaction Amount – Transaction Charges – Stamp Duty)/NAV)

On which type of transactions is the stamp duty levied

Please see the Annexure I which shows the types and modes of transactions which attract stamp duty and which do not. Further, you are advised to refer to the addendum published by the AMC in this regard.

➤ **What would be the impact of stamp duty on mutual fund schemes?**

Investors with short indicative investment horizon of less than 30 will get impacted more. The table below illustrates the impact of stamp duty across various time horizons :

Stamp Duty	No. of Days	Impact	
		Impact in % terms	Impact in % terms
		Absolute / Day	(Annualised)
0.005%	1	0.0050%	1.82500%
0.005%	2	0.0025%	0.91250%
0.005%	3	0.0017%	0.60833%
0.005%	4	0.0013%	0.45625%
0.005%	5	0.0010%	0.36500%
0.005%	6	0.0008%	0.30417%
0.005%	7	0.0007%	0.26071%
0.005%	30	0.0002%	0.06083%
0.005%	60	0.0001%	0.03042%
0.005%	90	0.0001%	0.02028%
0.005%	180	0.0000%	0.01014%

The above table merely illustrates the impact of stamp duty on the investor across various time horizons and does not seek to assure / guarantee any returns.

Baroda Asset Management India Limited will not be liable in any manner for the consequence of any action taken by the investors on basis of the information contained herein. The above is for understanding the stamp duty implications generally. Investors are advised to consult their Tax Advisor for stamp duty and tax related matters.

Mutual Fund Investments are subject to market risks, read all scheme related documents carefully.