

Ref: 06-07/ISS/35872/GC

June 8, 2006

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**All Registered Intermediaries of ISS
Administrators/ Executive Director of Participating Exchanges, Co-ordination
Officers at Participating Exchanges/Regional Administrative Offices**

Dear Sir / Madam,

**Sub: Clarifications relating to payment of Service Tax by Sub-brokers and
Authorised Persons**

This circular is issued in continuation of our earlier circulars and with a view to providing clarifications in the matter.

At the outset, it is informed that all Registered Intermediaries are required to get themselves registered as Sub-brokers/Stock Brokers under Rule 4 of the Service Tax Rules, 1994. The Registered Intermediaries are required to forward to ISS details of their service tax registration, including copies of the registration certificates issued by the Service Tax authorities.

Service Tax is payable by the Registered Intermediaries on the commission income earned by them from ISS for both the Capital Market segments of NSE and BSE, as well as for the F&O segment of NSE.

As you are aware, ISS collects service tax from the end clients and makes the payment to the Service Tax authorities on the total brokerage charged to the clients within the stipulated time, i.e. by 5th of a month for the previous month.

With effect from transactions of June 2006, ISS shall download the data on the Sub-broker/ Authorised Person commission in the I-BOS system (i.e. back office system) latest by the 2nd day of the following month. Registered Intermediaries are required to submit bills showing the commission payable to them along with the applicable service tax on the same in the format prescribed (**Annexure I**) latest by the 4th day of the month. ISS shall release the Sub-broker/Authorised Person commission, along with the applicable service tax amount, only to those Registered Intermediaries who raise the stipulated bills. The Registered Intermediaries are required to ensure that the service tax amount received from ISS is paid to the Government (i.e. Service Tax department) latest by 5th of the following month.

The Registered Intermediaries are required to submit proof of remittance to the government of the service tax on their commission incomes received from ISS.

It is informed that the Sub-broker/ Authorised Person commission, as well as the applicable service tax amount, would be released for the subsequent month on submission of proof of payment of the service tax to the concerned authorities for the previous month is received by ISS.

The procedures stated above are required to be followed by all the Registered Intermediaries, so that there is no non-compliance on their part with the provisions of the Service Tax as well as on the part of ISS, in meeting the statutory obligations.

Registered Intermediaries are required to cooperate in the matter.

Yours faithfully

For **ISE SECURITIES & SERVICES LIMITED**

GOVIND S CHAVAN
Head – Market Operations

(To be issued on the letterhead of the Registered Intermediary)

Annexure I

BILL

(Separate bill is require to submit by Sub-broker/Authorised Person for each segment)

Sub-broker/Authorised Person Name: _____

Sub-broker/Authorised Person Code: _____

Service tax registration number: _____

Bill No: _____

Date: _____

To:

Head – Finance & Accounts

ISE Securities & Services Limited

International Infotech Park,

5th Floor, Tower No 7,

Vashi, Navi Mumbai – 400 703

Dear Sir/Madam,

We are raising a bill for the commission receivable by us for the transactions done through you in the month of _____.

Sub-broker/Authorised Person Commission for

_____(month) _____(year)

(NSE CM segment / BSE Equities segment / F&O segment)

Rs. _____

Add: Service tax @12%

Rs. _____

Add: Education cess @2%

Rs. _____

Total amount payable

Rs. _____

Amount in words: _____

You are requested to pay us the amount indicated above at the earliest. We shall be forwarding the proof of payment of service tax on the commission income earned by us to you shortly.

Thanking you,

Yours faithfully

For **Name of Registered Intermediary**

(Proprietor/Partner/Director)