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WHAT ALL CHARGES DOES AN INVESTOR / TRADER NEED TO PAY TO TRADE IN THE STOCK MARKET?

While investing in stock markets can be a lucrative option, it can tag along some risk options too. So, while trading in the stock market, knowing about the various fees and charges, including brokerage charges, and how these charges are respectively calculated can come in handy. Investors and Traders have to incur charges, taxes, levies, etc to transact in Stock Market.

These can be bifurcated in four categories:

- a. Statutory levies:** These are charges levied by Central/ State governments
- b. Regulatory levies/charges:** These are charges levied by SEBI and Exchanges
- c. Brokerage:** can be charged as mutually agreed between Stock Broker and client (subject to maximum permissible by the Exchange) and brokerage rates should be mentioned in a tariff sheet.
- d. Other mutually agreed charges:** These charges can be collected through bill and/or ledger but not through Contract Note.

A. What can be collected from the Client through the Contract Note:

Sr. No.	Description of Levies	Nature of Levy	Paid to Whom
1	Securities Transaction Tax (STT)	Statutory Levies	Central Government through Exchanges
2	GST on Brokerage and Exchange Transaction Charges	Statutory Levies	Central Government
3	Stamp Duty on Contract Notes	Statutory Levies	Computed and Collected by the Exchanges through Stock Broker and paid to State Government
4	SEBI Transaction Fee	Regulatory Levies	SEBI through Exchanges
5	Exchange Transaction Charges	Regulatory Levies (Exchange being quasi Regulator)	Exchanges
6	Investor protection Funds	Regulatory Levies	Exchanges / Clearing Corporation
7	Brokerage	Brokerage	Collected by Broker subject to prescribed limits by SEBI / Exchanges
8	Clearing Fees	Cannot be collected	Clearing Fees is neither statutory levy nor Regulatory levy/charge, hence cannot be collected from client in Contract Note.

B. What can be collected from the Client through Bill and/or ledger but not through Contract Note :

Demat Charges, API Charges, Clearing Fee, application usage charges and or any other mutually agreed charges between Stock Broker and Client can be collected through Bill but not Contract Note. Only specific charges mentioned in above table can be collected through Contract Note.

Prescribed Rates of Charges

Charges	Equity Intraday	Equity Delivery	Equity Futures	Equity Options
Brokerage	Per Executed Order e.g. Rs 15 or based on value of trade	Per Executed Order e.g. Rs 15 or based on value of trade	Per Executed Order e.g. Rs 15 or based on value of trade	Per Executed Order e.g. Rs 15 or based on value of trade
	or ₹899 Per Month (Unlimited trading in an exchange for a month) or such other monthly unlimited brokerage plan			
Securities Transaction Tax (STT)	₹2,500 per Crore (on Sell trade)	₹10,000 per Crore (on Buy and Sell)	₹1,000 per Crore (on Sell trade)	₹5,000 per Crore (on Sell trade*)
Exchange Transaction Charges	NSE ₹345 per Crore BSE ₹345 per Crore	NSE ₹345 per Crore BSE ₹345 per Crore	NSE ₹200 per Crore BSE ₹50 per Crore	NSE ₹5300 per Crore BSE ₹2500 per Crore
SEBI Charges	₹10 per Crore	₹10 per Crore	₹10 per Crore	₹10 per Crore
GST	18% on Brokerage + Exchange Transaction Charges	18% on Brokerage + Exchange Transaction Charges	18% on Brokerage + Exchange Transaction Charges	18% on Brokerage + Exchange Transaction Charges
Stamp Duty	0.003% (₹300 per Crore on Buy and Zero on Sell)	0.015% (₹1500 per Crore on Buy and Zero on Sell)	0.002% (₹200 per Crore on Buy and Zero on Sell)	0.003% (₹300 per Crore on Buy and Zero on Sell)

CHARGE STRUCTURE EXPLAINED

Mandatory and Regulatory Charges

Securities Transaction Tax (STT):

Securities Transaction Tax is collected by exchange from the broker on behalf of the client and paid to the Income Tax Department of Government of India.

Exchange Transaction Charges:

Exchange transaction charge is the income of stock exchange and stock exchange charges to the stock broker at prescribed rates. Stock Broker can charge these charges to client on actual basis.

SEBI Fee:

Securities and Exchange Board of India (SEBI) is market regulator. SEBI collects charges from stock broker through stock exchange at prescribed rates. Stock Broker can collect these charges from the client on actual basis.

Stamp Duty:

Stamp duty on the value of trade is collected by exchange from the broker on behalf of the client and paid to various state Governments of India.

Goods and services tax (GST):

GST is charged at 18% on brokerage and transaction charges. GST is not payable on SEBI fee, STT and Stamp charges.

Optional Charges

Call & Trade:

Most online flat fee stock broker charges additional brokerage per executed order when order is placed by client through call and Trade desk of Stock Broker.

This generally ranges from Rs 10 to Rs 50 per executed order depending on broker. Traditional stock brokers generally do not charge this fee.

Documentation Charges and Franking Charges: Most Stock Brokers open free Trading & DEMAT accounts, however some do collect account opening fee ranging from Rs 300 to Rs 500.

DP charges:

Most flat fee Stock Broker charges ₹20 per scrip on sell side for equity delivery position (plus 18% GST).

Annual Maintenance Charges (AMC):

When it comes to AMC, only a handful of Brokers provide true AMC free Trading & DEMAT account. Brokers usually collect an AMC ranging from Rs 300 to Rs 2,000 per annum.

API Charges:

Majority flat fee Stock Brokers collect API charges that range from Rs 1,000 to Rs 4,000 per month.

Professional Clearing Fee:

Clearing fee is the fee paid by stock broker to clearing member and cannot be collected through Contract Note. Stock Broker can collect clearing fee from client through bill or ledger at agreed rates.

S P Toshniwal, Chartered Accountant by qualification and passion for technology, founded ProStocks, India's one of the fastest growing online stock broking company. He was CEO of Mangal Keshav Securities Limited, India's first brokerage house to have foreign bank as partner, prior to starting www.prostocks.com.
