

Annexure II – Test Objectives

NISM-Series-XX-Taxation in Securities Markets Certification Examination

Part 1- Introduction and Basic Concepts

Chapter 1: Introduction to Securities Markets

- 1.1 Know the Securities Market and Securities: Definitions and Features
- 1.2 Know the Securities Markets: Structure and Participants
- 1.3 Understand the Securities Markets: Products and Features
 - 1.3.1 Cover all securities market products (various types of equity, debt, derivatives, commodities etc.)
 - 1.3.2 Masala Bonds
 - 1.3.3 FCCBs
 - 1.3.4 ADRs, GDRs
 - 1.3.5 Security Receipts (ARC)/Securitisation/PTC
 - 1.3.6 REITs and InvITs
 - 1.3.7 AIFs
- 1.4 Know the Sources of Tax Regulations in Securities Markets (Sources: GST Council, CBDT Circulars, IT Act, IT Rules)

Chapter 2: Concepts in Taxation

- 2.1 Learn about Assessment Year
- 2.2 Learn about Previous Year
- 2.3 Learn about Person
- 2.4 Learn about Assessee
- 2.5 Learn about Residential Status
- 2.6 Know the Scope of Income
- 2.7 Understand the different heads of Income (giving examples of securities markets under the different heads)
 - 2.7.1 Salary Income
 - 2.7.2 House Property Income
 - 2.7.3 Profits and Gains of Business or Profession (To be dealt in detail)
 - 2.7.4 Capital Gains (LTCG & STCG) (To be dealt in detail)
 - 2.7.5 Income from Other Sources (To be dealt in detail)
- 2.8 Know the Deductions
- 2.9 Learn about the Exemptions (add all exemptions in annexure with cross reference)
- 2.10 Know the Rebates
- 2.11 Know the Gross Taxable Income
- 2.12 Know the Taxable Income
- 2.13 Know the Tax Payable
- 2.14 Learn about the Clubbing of income
- 2.15 Know the Set off and Carry Forward of Loss under the Heads -Capital Gains and Income from Other Sources and Business Profession
- 2.16 Understand the difference between investing and dealing in shares and securities

- 2.17 Learn about the Alternate Minimum Tax (AMT) and Minimum Alternate Tax (MAT)
- 2.18 Learn about the Double Tax Avoidance Agreement (DTAA) (Concept of Multilateral Instruments and Permanent Establishment)
- 2.19 Learn about the General Anti-Avoidance Rules (GAAR)
- 2.20 Know the Exempt Exempt Tax (EET)
- 2.21 Know the Exempt Exempt Exempt (EEE)
- 2.22 Know the Exempt Taxable Taxable (ETT)
- 2.23 Know the Marginal Rate of Tax
- 2.24 Know the Effective Rate of Tax
- 2.25 Know what are Tax alpha

Chapter 3: Capital Gains

- 3.1 Understand what are Capital Assets
- 3.2 Know the Transfer of capital asset
- 3.3 Learn about the Transactions not regarded as transfer
- 3.4 Understand the tax aspects regarding Gifts and Inheritances (Cost of acquisition)
- 3.5 Understand the Computation of capital Gains

Chapter 4: Income from Other sources

- 4.1 Know Deemed gift tax
- 4.2 Learn about the Interest and Dividend
- 4.3 Income Computation and Disclosure Standards (ICDS)

Part II - Provisions in respect of Investors

Chapter 5: Taxation of Debt Products

- 5.1 Explain the Sources of Income
 - 5.1.1 Interest Income
 - 5.1.1.1 Accrual Basis
 - 5.1.1.2 Receipt Basis
 - 5.1.2 Capital Gains
- 5.2 Describe the Types of debt products (*Tax treatment of the following bonds when they are listed and when they are unlisted; also cover stamp duty*)
 - 5.2.1 Coupon Bond
 - 5.2.2 Zero Coupon Bonds & Deep Discount Bonds
 - 5.2.3 Convertible Bonds
 - 5.2.4 Commercial Papers
 - 5.2.5 Government Securities
 - 5.2.6 Tax Free Bonds
 - 5.2.7 Tax treatment when bonds become Listed from Unlisted
 - 5.2.8 Other than equity MFs (Cover segregated portfolio, consolidation of mutual fund)
 - 5.2.9 Masala Bonds and FCCB
 - 5.2.10 Security Receipts
 - 5.2.11 Pass Through Certificates (PTC)

Chapter6: Taxation of Equity Products

- 6.1 Explain the Sources of Income
 - 6.1.1 Dividend Income
 - 6.1.2 Capital Gains
- 6.2 Describe the tax treatment for Listed Equity Shares (Securities Transaction Tax (STT), Stamp duty, Other Charges and Fees, Grandfathering)(importance of contract notes)
- 6.3 Describe the tax treatment for Unlisted Shares
 - 6.3.1 Capital Gains when sold in OTC market
 - 6.3.2 Capital Gains when sold in the market after IPO
- 6.4 Understand the taxation of Preference Shares
- 6.5 Understand the Taxation of GDR/ADR
- 6.6 Understand the Taxation of Warrants
- 6.7 Learn about the taxation in Equity Oriented Mutual Funds (including Fund of Funds and ELSS; LTCG, STCG, Dividend, Grandfathering; Mutual Funds SIPs, SWPs, STP)
- 6.8 Learn about the Equity Derivatives (Capital Gains & Audit in case of derivatives by individuals/Companies (section 44 of IT Act)
- 6.9 Understand about Dividend and Bonus Stripping

Chapter 7: Taxation of Other Products

- 7.1 Know the tax aspects of Employee Stock Ownership (ESOPs)
- 7.2 Know the tax aspects Sovereign gold bonds
- 7.3 Know the tax aspects Annuities (NPS Tier 1 & Tier 2)
- 7.4 Learn about the Exchange Traded Funds (ETFs)
 - 7.4.1 Gold ETFs
 - 7.4.2 Other ETFs (Index ETFs, PSU ETFs)
- 7.5 Learn about Alternate Investment Funds (AIF)
 - 7.5.1 AIF Category 1 & 2
 - 7.5.2 AIF Category 3
- 7.6 Know about Real Estate Investment Trusts (REITs)
- 7.7 Know about Infrastructure Investment Trust (InvITs)
- 7.8 Learn about Other Derivative Products
 - 7.8.1 Currency Derivatives
 - 7.8.2 Interest Rate Derivatives
 - 7.8.3 Commodity Derivatives (CTT)

Part III- Provisions in Respect of Traders

Chapter 8: Business Income

- 8.1 Know Speculative/Non Speculative Business Income
- 8.2 Understand the Method of accounting
- 8.3 Learn about the Valuation of stock-in-trade
- 8.4 Learn about the Valuation of stock in special cases
- 8.5 Understand the Actual cost of assets

- 8.6 Understand the Computation of business income
- 8.7 Know about Set off and carry forward of Business Loss
- 8.8 Learn about the Relevance of ICDS

Chapter 9: Taxation in the hands of Intermediaries

- 9.1 Learn about the taxes paid by the different Securities Market Intermediaries

Chapter 10: Taxation – In the hands of Foreign Portfolio Investors (FPIs)

- 10.1 Know Who is a Foreign Portfolio Investor
 - 10.1.1 Understand the different taxes/surcharges levied on FPIs (in case of investments in Debt, Equity and Infrastructure Bonds)
- 10.2 Understand the Tax Treatment of different categories of FPIs for various instruments

Chapter 11: Tax Implications of IFSC

- 11.1 Know about the Intermediaries in IFSC
- 11.2 Know about the Products listed on IFSC Exchange (debt, equity etc.) and the implication of tax

Chapter 12: Tax provisions for special cases 5%

- 12.1 Understand the tax applicability on Bonus issues
- 12.2 Understand the tax applicability on Split & Consolidation of securities
- 12.3 Understand the tax applicability on Buyback of Shares
- 12.4 Understand the tax applicability on Liquidation of Companies
- 12.5 Understand the tax applicability on Rights issues
- 12.6 Understand the tax applicability on Mergers & Acquisitions of securities
- 12.7 Understand the tax applicability on Stock Lending and Borrowing
- 12.8 Understand the tax applicability on conversion of Bonds or Preference shares in equity shares.
- 12.9 Understand the tax liability on conversion of stock into capital asset.

Chapter 13: Indirect Taxes in Securities Markets (not in detail)

- 13.1 Learn about the Goods and Services Tax
 - 13.1.1 Understand the GST implication on Mutual funds
 - 13.1.2 Understand the GST implication on Mutual fund distributor
 - 13.1.3 Understand the GST implication on Broking business
 - 13.1.4 Understand the GST implication on PMS, Investment Adviser
 - 13.1.5 Understand the GST implications on REITs, InvITs, AIF and any other market intermediary

Annexures

- A. Compliances by Tax payers
 - a. Maintenance of Records
 - b. Filing of Returns (due date)
 - c. Penalty for non-compliance
- B. Summarised tax tables – product wise
- C. Summarised tax tables – other products
- D. Recent Developments
- E. Exemptions and Deductions with cross reference

Cross References