

# CTT blow for MCXr others



## COMMODITY TRANSACTION TAX

However, Budget seen as positive, overall, for agri sector

A commodity transaction tax (CTT) is to debut this year. The budget proposes a tax on non-agricultural commodity transactions, to bring it level with the equity segment. While commodity exchanges were opposing such a tax, stock exchanges were saying that as there was a transaction tax on the equity segment, there should be a similar one on commodities.

ACTT of 0.01 per cent is to be imposed on sellers, equivalent to equity derivatives, but only on the non-agricultural segment, largely of metals and energy products. About 88 per cent of commodity trades are in this segment. However, the tax will be included under business profit, meaning the CTT can be deducted from business income while computing total income.

The industry sees the tax as a dampener for business, as their other demand has not been met, that losses from commodity derivative trading be allowed to be set off against business income. This is allowed in equity derivatives. Had it been done, real hedging would have increased on com-

modity exchanges. There is also disappointment on no mention of the Bill amending the Forward Contracts (Regulation) Act. The Bill seeks to strengthen the Forward Markets Commission, the commodity market regulator.

"Our analysis show that although introducing CTT on non-agri commodities can fetch the government near Rs1,500 crore, this will be a setback for the commodity market," said Ajay Kumar Kedia of Kedia Commodity Comtrade.

Added Shreekant Javalekar, managing director (MD) of the Multi Commodity Exchange: "CTT will increase the transaction cost by 300 per cent on an average, which will drive the trades towards dabba trading (not part of the stock exchange platform) or international markets. The commodity futures markets have created nearly 10 lakh jobs in non-urban areas, which might now come under threat. This is also expected to be inflationary, as the spot market and futures market move together."

D R Dogra, MD of CARE



## VOLATILE TRADE

Commodities futures turnover (₹ crore)

Period	Total	% change	Non-agri	% change	Non-agri % of total turnover
2010-11	44,042.67	47.38	39,018.41	52.93	88.59
2011-12	68,499.24	55.53	61,093.01	56.57	89.19
2012-13	65,312.90	-4.65	57,980.67	-5.09	88.77

Till February 27, 2013  
Data combine for MCX+NCEX+NMCE

Data compiled by BS Research Bureau

Ratings, said: "Overall, the budget is positive for the farm sector." He commends three aspects. First, targeting a higher level of credit for the sector, enabling farmers to seek loans for cropping. Second, continuation of the interest subvention for the community, with farmers under pressure since last year on account of a poor monsoon in some areas. The

third is inclusion of private banks in this scheme. So far, it was the public sector, cooperative and regional rural banks which were covered.

The finance minister was silent, though, on sugar decontrol, despite several committees recommending this. Also, on the issue of raising the import duty on edible oil, despite record imports.