

Frequently Asked Questions

A minor (below the age of 18) can invest in stock market. The guardian operates minor trading account, demat account and bank account. Most brokers in India allow Minor to open account.

1. Who is considered a minor in India?

Children below the age of 18 years in India are considered as a Minor.

2. Can a Demat and Trading account be opened for a minor?

- a. Yes, both demat and the trading account can be opened in the name of a minor child. The account is operated by a Guardian till the minor becomes major, Guardian has to be the father or in his absence mother. In absence of both, father or mother, the Guardian can be appointed by the court.
- b. The Guardian is legally entitled to open, operate and even close the bank account, demat account and trading account on the minor's name.
- c. Note that two KYC Application Forms must be filled i.e. one for the Guardian and another for the minor (to be signed by Guardian).

3. Things to know about Minor Demat & Trading Account:

- a. Demat account can be opened in the name of a minor child by the natural guardian (parents) or court-appointed guardians only.
- b. The guardian needs to fulfill all requirements for documents and KYC norms to open the account in the name of the minor.
- c. PAN Card of the legal Guardian is required to open the demat or trading account.
- d. The date of birth certificate is required for a minor child.
- e. When minor turns major, the account becomes inoperative. A new separate account has to be opened in this case. Demat holdings can be transferred from minor account to major account.
- f. If paper shares are held jointly with a minor, they need to first be transferred to the minor and then to the demat account in the minor's name.
- g. A 3-in-1 Account (Bank + Trading + Demat Account) can be opened in the name of a minor. A minor cannot be a joint holder in a demat account. The demat account can be held only in the name of the minor.
- h. If shares are held jointly with a minor in paper form, they need to first be transferred to the minor and then to the demat account in the minor's name.
- i. Through the Minor's Trading account only delivery of shares can be bought & sold.

4. Does minor need a bank account before opening a demat or trading account?

YES, a separate bank account on minor's name is required. Internet banking is allowed through guardian login. For tax purpose, minor income is added to the parent's income,

5. Can a minor demat account be opened without its PAN card?

No, the minor PAN card is mandatory for a minor demat account and trading account. Guardian (father or mother) also have to provide their PAN card along with the minor.

6. What are minor stock trading account restrictions?

1. Minor Trading Accounts are allowed only to invest in the stock market (Equity Delivery Trades only).
2. They are not allowed to trade in the following segments:
 - a. Equity Intraday
 - b. Equity Derivative Trading (F&O)
 - c. Currency Derivatives (F&O)

7. Can a minor be a joint holder in a demat account?

No. Minor can't be a joint holder in a demat account. A joint account cannot be opened
With a minor in it as one of the account holders. Minor account should be a separate account.

8. What happens to a minor demat account when the minor becomes major?

When a minor completes 18 years of age and become major, he has two options:

a. Close Minor Demat Account and open a new Demat Account

The existing minor account can be closed and a new demat account opened in the name of the minor turned major. All securities in the minor account can be transferred to the new demat account.

b. Convert Minor Demat Account to Major Demat Account

Existing minor account can still be used. Minor turned major has to sign a new agreement with the DP and complete all formalities required for opening a new demat account. Guardian details entered earlier have to be deleted.

9. What are the tax laws in the case of Minor? Suppose the minor account made a profit of 2L in a year and the parent come under 20% tax slab, does minor need to pay 20%?

The minor income is added in father or mother whose income is more.

Minor doesn't have to file separate tax returns.

"Any income that accrues or is paid to a minor is added to the parent's income under section 64(1A) and the parent will be taxed just like if it were their own income."

I have two minor children's. Can I be the Guardian of both of them when opening the minor demat account on my kid's name?

10. Can I trade online in my son's minor trading account?

Yes, the Guardian on the account is allowed to trading online on behalf of the minor.

Note that only Equity Delivery traders are allowed to the minor. Other segments including intraday and F&O are now allowed in the minor trading account.

11. Can a minor apply in buyback offers?

Yes, as long as they fulfill all other requirements like any other major i.e. hold the stocks on the record date.

12. How do I open a minor demat account?

Demat account can be opened in the name of a minor. The account will be operated by a guardian till the minor becomes major.

The guardian is legally entitled to open, operate and even close the bank account, demat account and trading account on the minor's name. For a minor demat account, two KYC Application Forms must be filled i.e. one for the guardian and another for the minor. Minor Trading Accounts are only allowed to invest in the stock market (Equity Delivery Trades only). They are not allowed to trade in Equity Intraday, Equity Derivative Trading (F&O), Currency Derivatives (F&O).

13. What you should consider before opening Minor Demat Account?

Following things should be considered before opening Minor Demat Account:

1. PAN card of minor is mandatory
2. The legal guardian has to provide all the documents and fulfill the KYC norms.
3. PAN Card of a legal guardian is required to open a demat or trading account.
4. The date of birth certificate is required for a minor child.
5. When minor turns major, the account becomes inoperative. A new separate account has to be opened in this case. Demat holdings can be transferred from minor account to major account.
6. If paper shares are held jointly with a minor, they need to first be transferred to the minor and then to the demat account in the minor's name.
7. A 3-in-1 Account (Bank + Trading + Demat Account) can be opened in the name of a minor.

14. Can I open minor demat and trading account online?

Only a few banks allow opening demat and trading accounts online. Demat as well as Online Trading accounts are available in SBI Cap Sec Ltd, ICICI Bank, HDFC Bank, etc.

15. Can minor apply for IPO (Initial Public Offer)?

Yes, minor can apply for IPO shares as long as they have a demat account.

16. Does Minor need a Demat account to invest in IPO?

Yes, demat account is mandatory to apply in an IPO. Minor can still use bank account of any family member to apply in an IPO.

17. Can I sell shares which I received in the minor demat account through IPO allotment?

Yes, the equity delivery trades are allowed to the minor. You can see IPO shares anytime. Please contact your broker for the same.

You could also transfer shares from minor demat account to Guardian demat account and then sell it. As anyway the tax liability is with the Guardian, it doesn't actually make any difference.

Note that you cannot do equity intraday or F&O trading in the minor account.

18. How do I sell shares received in IPO allotment in minor demat account?

There are two ways:

- a. Sell them directly through the minor trading account linked to the minor demat account in which you received the allotment. The process is same as any other trading account.
- b. Transfer the shares to the Guardian's trading account and sell them.

Note that as tax liability lies with the account Guardian, it actually doesn't matter where you sell it from.

19. As PAN Card of the Guardian is mandatory in the minor account, will that cause any problem in IPO Allotment if IPO is applied by both Guardian and minor?

The primary PAN number on minor's demat account is minor's own PAN number. Thus it doesn't cause any conflict when applying in IPO as only primary PAN Number is considered for checking the duplicate application.

Many people apply in IPO with all their family members' name (including major and minors) to increase their chances of allotment in case IPO oversubscribed multi-fold.

20. How to apply in an IPO on a minor's name?

The only way to apply in an IPO on a minor's name is to have an account with a bank that provides 'third party ASBA Application'.

There are 2 ways to apply in an IPO:

1. ASBA as Payment Method

Banks don't offer a net banking to minor's (on minor accounts name). The guardian can access the minor's bank account but with the guardian's client ID.

2. UPI as Payment Method

Only minor above the age of 15 with a bank account as a single (not joint) are eligible for UPI. Minor below the age of 15 years or a minor who is a joint account holder is not eligible for UPI. This there is no way for a minor below 15 years to apply in an IPO using UPI.