HMRC - STSM021010 - Stamp Duty: Overview

Stamp Duty (SD) is charged on instruments (documents) that transfer on sale the beneficial interest in stock or marketable securities. The most common of these is the Stock Transfer Form (STF), but any document that completes an agreement to buy and sell stock or marketable securities falls within the SD charge. See STSM014010 for the rate of duty. The transfer of certain types of stock and marketable securities is exempt from charge, particularly types of loan stock falling within the provisions of Section 79 Finance Act 1986. See STSM021220.

The creation or conversion of shares into bearer form must be notified to HMRC Stamp Taxes by forms B.1.1 and B.1.2. The B.1.2 attracts the SD charge. See STSM063010 for the rate of duty.

A transfer to a depositary (a service organisation, commonly a bank, which takes the legal ownership of the stock or marketable security and issues a receipt which entitles the holder to claim the stock or marketable security at will) is chargeable with SD. Any transfer to a depositary should be highlighted when presenting the document for stamping. See STSM014020 and STSM053010 for the rate of duty. (This content has been withheld because of exemptions in the Freedom of Information Act 2000)

A transfer to a clearance service (a system for holding securities and settling transactions in them by book entry) is chargeable with SD. Any transfer to a clearance service should be highlighted when presenting the document for stamping. See STSM014020 and STSM053010 for the rate of duty. (This content has been withheld because of exemptions in the Freedom of Information Act 2000)

There is the option for a clearance service to register with HMRC to collect SDRT on all book entry transactions within the service. This reverts the rate of duty to 0.5 per cent on the transfer to the service.

If the beneficial interest is transferred to someone who uses the same nominee, so that instead of a transfer document the nominee is advised that they now hold the stock or marketable security on behalf of someone else, it is the letter advising the nominee of the change (sometimes referred to as a letter of direction) which attracts the SD charge.

Agreements for the sale of stock or a marketable security do not attract SD but they do attract Stamp Duty Reserve Tax. But if an instrument of transfer is executed to complete the agreement, the appropriate stamping of that document will also discharge the SDRT liability on the agreement. See STSM012010.

The amount of SD paid on any particular document can be seen by the impressed duty stamps on the document.

Next page