HMRC - STSM021110 - Stamp Duty: Future Stock Or Marketable Securities: Examples

Following the provisions of FA2000/S126, a consideration consisting of the future issue of shares or loan stock is liable to duty, irrespective of whether the issue is certain or contingent

Example 1

A sells some shares to B. The agreed consideration is £50,000 cash and £50,000 in loan stock with a further £10,000 loan stock for each of the next three years in which profits exceed a stated sum. The chargeable consideration is £130,000 as the maximum consideration.

Example 2

A sells some shares to B. The agreed consideration is £50,000 cash and £50,000 in loan stock with further loan stock for each of the next three years representing a percentage of the amount by which profits exceed a stated amount. The chargeable consideration is £100,000 on the initial consideration as any future payment is wholly unascertainable.

Example 3

A sells some shares to B (a company). The agreed consideration is 10,000 shares in B with a further 2,000 shares for each year in the next three that profits exceed a stated sum. The shares in B are worth £2.50 (valued on the basis set out in STSM021060) each when the shares are transferred from A to B. The chargeable consideration is £40,000 being the value of the 10,000 shares issued initially plus the 6,000 representing the maximum contingency. Shares to be contingently issued in the future are valued as shares that were issued at the date of the transaction.

Example 4

A sells some shares to B (a company). The agreed consideration is 10,000 shares in B with further shares for each year in the next three that profits exceed a stated sum, having a value of £5,000 by reference to the share price of B. The shares in B are worth £2.50 (valued on the basis set out in STSM021060) each when the shares are transferred from A to B. That element of the chargeable consideration is £25,000.The number of shares to be issued is not known; but their value is. That element of the chargeable consideration is a maximum contingency of £15,000. The total chargeable consideration is thus £40,000.

Example 5

A sells some shares to B (a company). The agreed consideration is £50,000 cash and £50,000 in loan stock with shares in B for each of the next three years to the value of a percentage of the amount by which profits exceed a stated amount. The chargeable consideration is £100,000 on the initial consideration as the future allotment of shares is wholly unascertainable in both quantity and value.

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