HMRC - STSM021270 - Stamp Duty: Transfer Of An Interest In A Partnership

An instrument that evidences the transfer of a partnership interest, whether effecting a change in the relative interests of existing partners or the acquisition of an interest by an incoming partner, is liable to Stamp Duty (SD) by reference to paragraphs 31 to 33 of FA03/SCH15.

The legislation states that such instruments should be formally adjudicated. So even if no duty is payable the document is strictly not properly stamped unless it bears the Adjudication Stamp. See STSM022050.

The stamp duty charge arises if the partnership assets include stock or marketable securities. The proportion of the value of those assets that is subject to charge is the same as the proportion of the change in the partnership interests.

An interest in a partnership is neither stock nor a marketable security. A transfer of a partnership interest therefore strictly attracts stamp duty at the rates applicable to general property (that is, from 1 per cent to 4 per cent, depending upon the amount or value of the consideration). But the amount of duty payable is not to exceed the amount that would be chargeable if the instrument of transfer had been one transferring the underlying stock or marketable securities,

Example 1

A partnership has various assets which include an investment portfolio of shares worth £1m. The partnership itself is valued at £20m. One of the existing partners sells his 10 per cent interest in the partnership to an incoming partner for £2m.

Stamp duty is calculated as follows:-

Example 2

As in the example above, but now the partner sells half of his share (5 per cent) to another partner. This time the instrument is stampable with £250 (5 per cent of £1M @ 0.5 per cent).

Example 3

As in example 1 but now the partnership has no assets which include Stock or Marketable Securities. The instrument is adjudicated as not chargeable with any stamp duty.

Previous page

Next page