HMRC - STSM031030 - The Principal Charge

Under FA86/S87, the principal charge to Stamp Duty Reserve Tax (SDRT) applies where there is:

an agreement between persons (A and B):

to transfer chargeable securities

to B or to any other person

for consideration in money or money’s worth.

Under FA86/S87 (3), the charge to SDRT arises on the ‘relevant day’, which is when an agreement to transfer chargeable securities is made or, if it is a conditional agreement, when the conditions are satisfied. The charge applies regardless of whether the agreement has been completed.

Although B is liable for SDRT under FA86/S91 (1), a third party (the ‘accountable person’) is often responsible for collecting and accounting for the tax. Under FA1986/S91 B is liable for the tax, even if the transfer is to a third party (C).

For the charge to apply, there must be consideration in money or money’s worth. Where the payment is made other than in money, the SDRT charge is calculated on the basis of the market value at the time the agreement was made (FA86/S87 (7)).

A transfer may give rise to a charge to either SDRT or stamp duty, but not both (FA86/S92), so that any SDRT paid on an agreement will be repaid and the charge cancelled if an instrument is executed to effect the same transaction and is stamped with, or is not chargeable with, stamp duty.

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