HMRC - STSM031060 - Consideration: Money Or Money's Worth

Under FA86/S87, the principal charge to Stamp Duty Reserve Tax (SDRT) applies where there is an agreement to transfer chargeable securities for consideration in money or ‘money’s worth’.

‘Money’s worth’ means property that can be bought and sold on the open market (that is, convertible into cash). Where consideration is in money’s worth, the SDRT charge is calculated on the basis of its market value at the date the agreement is made (FA86/S87 (7)).

If any amount of the consideration is uncertain (for example in the case of an ‘earn-out’, where a business is sold partly for consideration dependent on future profits), then an estimate of consideration should be made as at the date the agreement is made.

Where consideration is paid in foreign currency, this is converted to sterling using the rate of exchange applicable at the date of the agreement (as published in the Financial Times on the following day).

The SDRT charge on consideration in money or money’s worth contrasts with the narrower definition for stamp duty where chargeable consideration consists only of money, stocks and marketable securities, and debt.

Next page