HMRC - STSM031120 - Chargeable Securities - Options To Acquire And Rights To Allotment Or Subscription

The definition of ‘chargeable securities’ also includes certain separate contractual rights or ‘derivatives’ relating to securities.

Rights of allotment/ Rights to subscribe for securities

Companies sometimes raise capital investment by offering existing shareholders the chance to subscribe for new, unissued shares. For example shareholder Y receives a renounceable letter of allotment detailing new shares in company Z Ltd which have been allocated to Y for possible subscription. There is no charge to SDRT on issue of the letter, as there is no agreement to transfer chargeable securities at this point, but the rights allotted to Y to subscribe for new Z Ltd shares are chargeable securities so, if Y sells on those rights to X, a charge will arise on transfer.

Options to acquire securities

An option confers on the holder the right (but not the obligation) to buy or sell securities at a given price on or by a given date. The exercise of an option is an agreement to transfer the underlying securities for SDRT purposes.

An option to sell securities (put option) is not included within the definition of chargeable securities, but an option to acquire chargeable securities (call option) is itself chargeable, so that a charge to SDRT arises if the rights under the option are sold on before expiry or exercise.

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