HMRC - STSM031150 - Relationship With Stamp Duty

Stamp Duty Reserve Tax (SDRT) brings within the charge to tax certain transactions that are outside the scope of stamp duty. Its scope is broader in terms of the transactions and types of consideration chargeable and because of the more limited exemptions and exceptions applying.

Chargeable transactions

Stamp duty is a tax on documents and can only be levied when a physical instrument of transfer is executed - its scope does not extend to ‘paperless’ transactions. SDRT applies to transactions, including ‘dematerialised’ or paperless transfers of chargeable securities such as those carried out through the CREST settlement system for electronic transfers. For example, when X transfers shares to Y through a common nominee, the nominee retains legal ownership of the shares so there is no instrument of transfer and stamp duty is not payable. However there is an agreement to transfer beneficial ownership of the shares and consideration passes, so SDRT applies.

Chargeable consideration

Ad valorem stamp duty is levied only on the transfer on sale of stock or marketable securities where the consideration is in the form of cash, debt or securities. In contrast, an agreement to transfer chargeable securities will be chargeable to SDRT if the consideration is in ‘money or money’s worth’. However where the transaction is effected by a document which is stamped with duty as above, this cancels the SDRT charge. A typical example is a transfer of securities in return for the issue of a life insurance policy. The instrument of transfer is not chargeable with any Stamp Duty, and if duly stamped as such will cancel any liability to SDRT on the agreement to transfer the securities.

Top of page

Chargeable securities

Where a security would be liable to stamp duty on transfer, it generally ranks as a chargeable security for SDRT purposes (for example shares in UK companies are chargeable but securities which are exempt from all stamp duties are not). However the scope of chargeable securities for SDRT goes considerably wider than the ‘stock and marketable securities’ chargeable under the stamp duty regime.

Various rights and interests relating to chargeable securities themselves qualify as chargeable securities for SDRT. For example, a sale of renounceable letters of allotment or acceptance would not normally be chargeable to stamp duty, but does give rise to an SDRT charge. Renounceable letters of acceptance are rights to securities which are themselves chargeable and, as such, qualify as chargeable securities in their own right.

Previous page

Next page