HMRC - STSM051040 - Cancellation Of A Depositary Receipt

The holder of a depositary receipt can, at any time, require the depositary receipt issuer (or its nominee) to cancel the receipt in exchange for the underlying shares. Where a receipt is cancelled, the depositary receipt issuer must deliver the same security and quantity of shares that was originally deposited with the bank against the issue of the receipt.

There is no ad valorem stamp duty or 0.5 per cent Stamp Duty Reserve Tax (SDRT) charge when a receipt is cancelled and the underlying shares are transferred to the holder, as the transfer is in satisfaction of the holder’s rights under the depositary receipt.

The execution of a paper instrument i.e. a stock transfer form, to effect the transfer of the underlying shares, is not subject to stamp duty, although a £5 fixed stamp duty charge applied by virtue of FA99/SCH13/PARA16 where the instrument was executed before 13 March 2008 and the shares represented ‘relevant securities’.

See STSM053020 for the meaning of ‘relevant securities’.

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