HMRC - STSM057010 - Exemptions/ Reliefs: Transfers Between Depositary Receipt Issuers And Or Unelected Clearance Services

A transfer of securities between two depositary receipt systems is usually exempt from the higher 1.5 per cent stamp duty and Stamp Duty Reserve Tax (SDRT) charge, provided both companies are resident in the United Kingdom. See FA86/S67 (9) and FA86/S95 (1).

A similar 1.5 per cent stamp duty and SDRT exemption applies to a transfer of securities between two clearance services. A 1.5 per cent charge is re-instated, however, where the transferor clearance service has elected to account for the alternative 0.5 per cent tax charge on a transfer on sale of securities within its system. See FA86/S70 (9) and FA86/S97 (1).

With effect from 29 July 2000, an exemption also applies to a transfer of securities from a depositary receipt system to a clearance service or vice versa, the latter not having elected to account for the alternative 0.5 per cent tax charge on a transfer on sale of securities within its system. See FA86/S72A and FA86/S97B. This exemption does not apply however, where securities are transferred from a clearance service, to another clearance service or depositary receipt system and, at the time of the transfer, an election under FA86/S97A is in force relating to the transferor clearance service. See FA86/S97B (3).

Where an instrument of transfer is completed in any of the transactions outlined above, no stamp duty charge will arise by virtue of FA86/S67 (9) and FA86/S70 (9). But any such instrument that was executed before 13 March 2008 will be chargeable with £5 fixed stamp duty, the transfer being regarded as being otherwise than on sale.

STSM058020 provides guidance on a clearance service electing to account for the alternative 0.5 per cent tax charge.

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