HMRC - STSM061020 - Introduction: What Is A Bearer Instrument?

A bearer instrument is a document that constitutes the rights of the holder of that instrument to the securities (i.e. stocks, shares and loan capital) that the document represents. The beneficial interest in bearer shares can be transferred by simply handing the bearer instrument (or bearer certificate) to the new purchaser of the shares, as no name of the holder is shown on the instrument.

In this situation there is no need to execute a Stock Transfer form or other instrument of title to enable a transfer of the beneficial interest in the securities. It follows therefore that there is no document that can be stamped when a bearer share is delivered to the new owner.

In recognition of this fact, an ad valorem bearer instrument stamp duty charge at the rate of 1.5 per cent is imposed on bearer shares at the time they are first issued.\*\*

A lower stamp duty rate of 0.2 per cent applies to bearer instruments by usage and to deposit certificates for stock of a non-United Kingdom (UK) incorporated company denominated in sterling currency.\*\*

\*\* Following the decisions by the European Court of Justice in October 2009 in the case of HSBC Holdings PLC and Vidacos Nominees Ltd v Commissioners for HM Revenue & Customs (C569/07), and the First-Tier Tribunal [Tax Chamber] in March 2012 in the case of HSBC Holdings PLC and the Bank of New York Mellon Corporation v Commissioners for HM Revenue & Customs (TC/2009/16584), HM Revenue & Customs (HMRC) accepts that where shares in a UK incorporated company are issued, the imposition of a 1.5 per cent stamp charge is incompatible with European Union law.

Moreover, HMRC accepts that these decisions must be interpreted as applying to the 1.5 per cent stamp duty charge imposed by FA99/SCH15/PARA1 . In these circumstances and until such time as the provisions of Schedule 1 are amended, HMRC will not seek to collect 1.5 per cent stamp duty on the issue of a bearer instrument in the UK and on the issue of a bearer instrument outside the UK by or on behalf of a UK company.

See STSM061030 for information on various types of bearer instrument.

See STSM062010 for guidance on the scope of the bearer instrument stamp duty charge.

The bearer instrument stamp duty rates of charge are described in STSM063010

Exceptions from a 1.5 per cent bearer instrument stamp duty charge are described in STSM064000.

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