HMRC - STSM092020 - Partnerships: Introduction Of A New Partner To An Existing Partnership

The admittance of a new partner to an existing partnership results in a transfer of an interest in the partnership that is potentially chargeable to stamp duty. Whether the instrument executed to effect the purchase by the new partner actually attracts stamp duty depends upon the nature of the transaction.

Where the price for membership paid by the incoming partner consists of cash or other assets contributed to the capital of the partnership, and there is no associated withdrawal of capital by an existing partner, the transaction does not constitute a sale and the instrument that effects the transfer is not chargeable with ad valorem stamp duty. If the assets contributed include stock or marketable securities, any stock transfer forms executed to register the change of ownership will not attract stamp duty.

But where, on the other hand, the incoming partner pays cash or its equivalent in shares direct to the existing partners, the transfer of the partnership interest is regarded as being on a sale and the document will be chargeable with ad valorem stamp duty if the partnership’s assets include stock or marketable securities. This will also be the case if the money etc. is paid to the partnership as new capital and an associated cash withdrawal is made by one or more of the existing partners.

Previous page

Next page