HMRC - STSM104010 - Stamp Duty Reserve Tax (SDRT) Charge On Surrender Value

The provisions of paragraphs 2 & 3 of FA99/SCH19 impose a charge to Stamp Duty Reserve Tax (SDRT) at the rate of 0.5 per cent on the market value of a unit which is surrendered or otherwise transferred to the manager of a unit trust. A corresponding SDRT charge applies to the surrender or transfer of shares in an Open-Ended Investment Company (OEIC) to the Authorised Corporate Director of the OEIC by virtue of the Stamp Duty & Stamp Duty Reserve Tax (Open-Ended Investment Companies) Regulations 1997 (SI 1997/1156).

Specifically, SDRT is calculated by reference to the total value of all units (or OEIC shares) that are surrendered during a one-week ‘charging period’. A ‘charging period’ means a week covering a period of seven days beginning with a Sunday.

A notice that is required under Regulation 4B of the Stamp Duty Reserve Tax Regulations 1986 (SI 1986/1711 ) to be completed by the manager or Authorised Corporate Director of a fund scheme and sent to HMRC each month on or before the ‘accountable date’, will typically cover a four or five week period.

The FA99/SCH19 SDRT charge applies only to units or OEIC shares which are effectively surrendered back to a fund scheme in exchange for a cash amount that is equivalent to the value of the unit/OEIC shares previously held.

Exceptionally, a similar charge can arise where units or OEIC shares are surrendered back to the fund scheme but the unit/share holder receives, by way of distribution, a share of each investment property held by the fund scheme that is not, however, proportionate to the holder’s entitlement (‘a non-pro rata in specie redemption’).

See STSM101020 for the meaning of a unit trust.

See STSM101050 for the meaning of an open-ended investment company.

See STSM103060 for the meaning of ‘accountable date’.

See STSM105100 for guidance on pro rata and non-pro rata in specie redemptions.

See STSM104080 for guidance on completion and content of a notice under Regulation 4B SDRT Regulations 1986.

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