HMRC - STSM104040 - Classes Of Shares In Open-Ended Investment Company

Paragraph 4 of FA99/SCH19, as applied to an Open-Ended Investment Company (OEIC) by virtue of the Stamp Duty and Stamp Duty Reserve Tax (Open-Ended Investment Companies) regulations 1997 (SI 1997/1156), requires the calculation of any relevant stamp duty reserve tax (SDRT) to be undertaken for each ‘class’ of OEIC share surrendered, and there are provisions to ensure that any consolidations or subdivisions in the units are properly reflected.

For the purposes of Paragraph 4, accumulation shares are to be treated as being part of the same class of shares as income shares relating to the same pool of investments, with a conversion undertaken of all accumulation shares to the appropriate number of income shares. So an OEIC (or sub-fund of an OEIC) with both income and accumulation shares should calculate the liability to SDRT for a given charging period for the OEIC as a whole. An Authorised Corporate Director with income and accumulation shares will probably find it most natural to restate accumulation shares in terms of notional income shares for this purpose. A record of the conversion calculations will need to be kept for audit purposes.

But OEICs which have only accumulation shares will, of course, have no need to restate them as notional income shares.

Switches between income and accumulation shares are not to be treated as surrenders under Paragraph 2 FA99/SCH19 but as a type of consolidation or subdivision of shares. A charge to SDRT does not arise on a switch between these types of shares; accordingly, these switches should not be included in I or S as defined in Paragraph 4(3).

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

See STSM104020 for the meaning of I/S as outlined in paragraph 4(3) FA99/SCH19.

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