HMRC - STSM104070 - Collectives: Calculation Of The Charge: Meaning Of 'Average Value' For The N(N+E) Calculation

The provisions of FA99/SCH19/PARA5 allow a reduction on the amount of Stamp Duty Reserve Tax (SDRT) payable on the value of surrendered units in a unit trust or shares in an Open-Ended Investment Company (OEIC) in a charging week if the trust or OEIC holds both exempt and non-exempt investments.

The reduction is made by applying the fraction N/N+E to the total value of surrendered units/OEIC shares in the charging week where ‘N’ & ‘E’ represent the average market values of the relevant Exempt and Non-exempt investments held by the fund over a relevant two-week period.

Due to the differing natures of trust and OEIC funds, a range of approaches to measuring these averages may be appropriate. It is not the intention of HM Revenue & Customs (HMRC) to lay down a single rule. Furthermore, a fund to which exceptional circumstances apply, may seek to agree a bespoke arrangement with HMRC. It is, in particular, acceptable for funds to use any one of the following approaches (provided such approach is operated consistently):-

Averages of the values of ‘N’ and ‘E’ over all of the valuation points falling within the relevant two-week period (including values where there is only one such point);

Averages of the values from valuation points at an equivalent time in each of the two weeks concerned - for example, an average of each Friday’s valuation point;

Averages of the values on the last business day of month 1 and the last business day of month 2 to be used to calculate a ratio N/(N+E) which would be applied to all of the calculations relating to the two-week periods ending in month 2.

See STSM101020 for the meaning of a unit trust.

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

See STSM105020 and STSM105040 for the meaning of an exempt investment.