HMRC - STSM107010 - Overview - Contribution To A Unit Trust / Open-Ended Investment Company

The creation of units in a unit trust or shares in an Open-Ended Investment Company (OEIC), following a cash contribution by an investor, is regarded as an issue for the purposes of FA99/SCH19. The number of issues is to be included by the trust/OEIC fund manager in his Stamp Duty Reserve Tax (SDRT) computations when reporting the number of units or shares surrendered during the same ‘relevant two-week period’ in a monthly notice to HM Revenue & Customs.

There are instances, however, where an investor, in lieu of cash, may transfer other forms of property including SDRT ‘chargeable securities’ (or ‘stock or marketable securities’ - stamp duty) to an existing trust or OEIC, as a subscription for the issue of units or OEIC shares.

In such situations, the investor is transferring ownership of his ‘chargeable securities’ in return for a proportionate percentage interest in each of the existing underlying investments (which includes his own contributing shares) held within the trust or OEIC fund. In relinquishing ownership, the contribution of any ‘stock or marketable securities’ is regarded as being a “transfer on sale” and chargeable to stamp duty on the value of the units / OEIC shares issued as consideration (FA99/SCH13 and FA99/SCH19/PARA1(2)). The issue of units or OEIC shares as consideration for the contributed property is regarded as ‘stock’ for stamp duty charging purposes.

If the transaction is not completed by the execution of an instrument of transfer impressed with stamp duty, the contribution of ‘chargeable securities’ is regarded as an agreement to transfer between the investor and the unit trust/OEIC fund manager. The agreement is subject to a charge to SDRT under FA86/S87 with the issue of units / OEIC shares regarded as ‘money’s worth’ for SDRT charging purposes.

In situations where property other than cash is received as subscription for the issue of units/OEIC shares, a fund manager must not include the issue of units or OEIC shares in his Schedule 19 monthly SDRT calculations.

See STSM101020 for the meaning of a unit trust.

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

See STSM104080 for information of a SDRT monthly notice.

See STSM103070 for the meaning of a ‘relevant two-week period’.

See STSM021040 for the meaning of ‘stock or marketable securities’.

See STSM031090 for the meaning of ‘chargeable securities’.

Next page