HMRC - STSM107060 - Amalgamation Of An Authorised Unit Trust With An Open-Ended Investment Company

Where an authorised unit trust is amalgamated or merged with an Open-Ended Investment Company (OEIC), the provisions of Regulations 9 & 10 of the Stamp Duty & Stamp Duty Reserve Tax (Open-Ended Investment Companies) Regulations 1987 allow an exemption from stamp duty and Stamp Duty Reserve Tax (SDRT) on the transfer of property held by the authorised unit trust to the OEIC.

In order to qualify for exemption, all of the following conditions, however, have to be fulfilled:-

The transfer forms part of an arrangement for the amalgamation or merger of an authorised unit trust to an OEIC whereby the whole property of the trust fund becomes part (but not whole) of the property of the existing OEIC;

Under the arrangement, all of the units in the trust fund are cancelled and extinguished;

New shares are issued as consideration by the OEIC to the former unit holders proportionate to their interest held in the trust fund; and

The consideration under the arrangement does not include anything else other than an obligation by the OEIC to assume or discharge the liabilities of the unit trust trustees.

While not subject to stamp duty, an instrument which is executed to transfer stocks or marketable securities from the authorised unit trust to the OEIC, is not regarded as being duly stamped, unless:

it is stamped with the duty to which it would be liable but for the exemption; or

it has, in accordance with SA1891/S12, been ‘adjudicated’ and stamped with a particular stamp denoting that it is not chargeable with duty.

Units which are cancelled and extinguished as part of the amalgamation/merger arrangement are not subject to a charge to SDRT under FA99/SCH19. This is because the units are not regarded as being ‘surrendered’ by the unit holders to the manager of the unit trust upon which a charge may otherwise arise.

The stamp exemption does not extend to an authorised unit trust which is amalgamated / merged with a non-UK OEIC or other foreign collective investment scheme. This is because an OEIC is defined, for the purposes of stamp duty and SDRT, as being a UK incorporated company.

See STSM101030 for the meaning of an authorised unit trust.

See STSM101050 for the meaning of an Open-Ended Investment Company.

See STSM021040 for the meaning of stocks or marketable securities.

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