HMRC - STSM107070 - Merger Of Authorised Unit Trusts

The question of whether a Stamp Duty Reserve Tax (SDRT) charge arises where an Authorised Unit Trust (AUT) mergers with another AUT has been the subject of much debate.

Merger/Amalgamation of two AUTs

The question of the stamp obligations arising in the situation where two AUTs (which share a common trustee and manager) merge, was decided before the Special Commissioners in the case of Save & Prosper Securities Ltd v CIR (Sp.C 251) in August 2000.

The Special Commissioner held that:

No ‘agreement’ was made between the unit holders of the discontinuing scheme and the Appellant. The amalgamation was a scheme of arrangement which took its effect by operation of law, under the terms of the trust deed of the discontinuing scheme, the Financial Services Act 1986 and the Financial Services (regulated Schemes) Regulations 1991. Accordingly, the amalgamation did not take effect as the result of an agreement between the parties.

There was no ‘transfer’ of units in the discontinuing scheme to the unit holders of the enlarged scheme. The units in the discontinuing scheme were surrendered in return for new units in the (enlarged) continuing scheme.

Consequently, following the Special Commissioner’s decision, HM Revenue & Customs (HMRC) accept that no SDRT charge arises under FA86/S87 on a merger/amalgamation of two authorised unit trusts, provided the transaction in question takes place under a scheme of arrangement which has effect by virtue of:

section 251 of the Financial Services and Markets Act 2000; and

The appropriate section of the Financial Conduct Authority Handbook of Rules and Guidance.

See STSM101030 for the meaning of an authorised unit trust.

See STSM107050 for stamp implications on the conversion of an authorised unit trust to an Open-Ended Investment Company.

See STSM107060 for stamp implications on the amalgamation of an authorised unit trust to an Open-Ended Investment Company.

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