HMRC - STSM107080 - Mergers, Partitions And Reconstructions Of Authorised Unit Trusts And Open-Ended Investment Companies - Stamp Duty Reserve Tax

Following the Special Commissioner’s decision in the case of Save & Prosper Securities Ltd v CIR (Sp.C 251), HM Revenue & Customs (HMRC) accept that in the following circumstances, no charge to Stamp Duty Reserve Tax (SDRT) under FA86/S87 will generally arise, 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, or Regulation 21 of the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228);

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

The circumstances are:

Authorised Unit Trust (AUT)

No SDRT charge where an AUT amalgamates with another AUT. This is the case whether the two AUTs share the same manager or trustee, or they have separate managers or trustees.

Sub-funds of AUTs

No SDRT charge arises where:

two-sub-funds of a common AUT amalgamate or merge;

one or more sub-funds of one AUT amalgamate/merge with a sub-fund of a different AUT with the same manager or trustee;

one or more sub-funds of one AUT merge with a sub-fund of a different AUT with a different manager or trustee.

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Open-Ended Investment Companies (OEICs)

No SDRT charge arises where an OEIC amalgamates/merges with another OEIC. This is the case whether they have the same authorised corporate director or depository, or different authorised corporate directors or depositories.

Sub-funds of OEICs

No SDRT charge arises where:

two or more sub-funds of a common OEIC amalgamate/merge;

one or more sub-funds of one OEIC merge with a sub-fund of a different OEIC with the same authorised corporate director or depository;

one or more sub-funds of one OEIC amalgamate/merge with a sub-fund of a different OEIC with a different authorised corporate director or depository.

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Partitions

No SDRT charge arises where:

part of the investments of an AUT or a sub-fund of an AUT are amalgamated/merged with the investments of another AUT or a sub-fund of that AUT; or

part of the investments of an OEIC or a sub-fund of an OEIC are amalgamated/merged with the investments of another OEIC or a sub-fund of that OEIC.

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Reconstructions

No SDRT charge arises where:

A sub-fund of an AUT or OEIC is reconstructed as a separate AUT or OEIC with the same manager, trustee or depository or different managers, trustees or depositories;

A sub-fund of an AUT or OEIC is reconstructed as a sub-fund of a separate AUT or OEIC with the same manager, trustee or depository or different managers, trustees or depositories;

The investments of an AUT or OEIC, or a sub-fund of an AUT or OEIC, are split between separate AUTs and OEICs, or separate sub-funds of an AUT or OEIC, with the same manager, trustee or depository or different managers, trustees or depositories.

Transactions other than those listed above will continue to be dealt with by HMRC on a case-by-case basis. In these situations, full details of the transaction, along with copy documentation in support must be sent to HMRC Stamp Taxes. Where doubt exists as to whether a transaction actually takes place under a scheme of arrangement, the case must be submitted to Stamp Taxes - Policy for consideration.

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SDRT: Schedule 19 Finance Act 1999

No charge to SDRT arises under paragraph 2 of FA99SCH19 in the case of conversions, amalgamations/mergers, partitions and reconstructions of AUTs or OEICs, where units or shares in the discontinuing scheme are cancelled and extinguished by the manager, to allow the scheme investments to be transferred to the continuing scheme in accordance with the terms of a scheme of arrangement. This is because the unit or shareholders in the discontinuing scheme do not authorise or require the trustee or manager of that scheme to treat them as no longer interested in the units or shares.

Similarly, the issue of units or OEIC shares by the continuing scheme in accordance with the terms of a scheme of arrangement is not regarded as being an issue for the purposes of FA99/SCH19.

See STSM101030 for the meaning of an authorised unit trust.

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

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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