HMRC - STSM113020 - Secondary Trading Of An Option

Stamp Duty

Where, before expiry of an equity option contract, the rights under the option contract are transferred and purchased, no stamp duty charge will normally arise. This is because no instrument of transfer will be required to be completed and executed whereupon the rights to an option, rather than a transfer of the underlying securities, are acquired by the option purchaser.

Top of page

Stamp Duty Reserve Tax (SDRT)

The transfer of rights under an equity option contract underlying UK registered stocks and shares, before exercise or expiry of the contract, to another person for consideration in money or money’s worth is within the scope of a SDRT charge under FA86/S87. The reason for the charge is that as a right has been transferred giving the new purchaser an ‘option to acquire’ securities, this represents a ‘chargeable security’ for SDRT by virtue of FA86/S99(3)(c).

Many equity options where the rights to the option are secondary or onward traded and transferred to new purchasers may not, however, be subject to a charge to SDRT. This is because where the terms of the equity option contract provide only for cash settlement upon option exercise, there will be no physical delivery of the underlying securities. See STSM112060 for further information on cash settlement.

Previous page

Next page