HMRC - STSM113030 - Exercise Of An Option

Stamp Duty

Where rights under the terms of an equity option contract are taken-up and exercised, and an instrument of transfer is subsequently completed and executed which effectively transfers on sale the underlying securities i.e. ‘stocks or marketable securities’ as defined by SA1891/S122, represented by the option, a stamp duty charge can arise by virtue of Paragraphs 1 & 3, Part 1 of Schedule 13 Finance Act 1999. The stamp duty charge is calculated by reference to the consideration payable under the terms of the option contract.

Stamp Duty Reserve Tax (SDRT)

Where rights under the terms of an equity option contract are taken-up and exercised, a charge to SDRT may arise, by virtue of FA86/S87, where ‘chargeable securities’ (as defined in FA86/S99 ) underlying the option contract are agreed to be transferred. The SDRT charge is calculated by reference to the consideration paid in money or money’s worth ( FA86/S87(1) & (6)).

The SDRT charge is cancelled, however, where the transfer of ‘chargeable securities’ (pursuant to the exercise of an option) is settled by the execution of an instrument of title which is impressed with any relevant stamp duty or a stamp duty exemption/relief applies ( FA86/S92 ).

See STSM112050 for information on the exercise of an option.

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