HMRC - STSM115020 - Secondary Trading Of A Warrant

Stamp Duty

Where, before expiry, the rights under a UK company registered warrant underlying ‘stock or marketable securities’ (SA1891/S122) are transferred and purchased, a stamp duty charge may arise under FA99/SCH13 calculated by reference to the consideration paid for the transfer. The reason for a charge is that an instrument of transfer may be required to be completed and executed where the legal and beneficial rights to the warrant earlier registered in the legal name of the seller are acquired by the new purchaser of the warrant.

Stamp Duty Reserve Tax (SDRT)

Whether a SDRT charge under the provisions of FA86/S87 arises on any agreement to transfer rights under a warrant (before exercise or expiry of the warrant) covering ‘chargeable securities’ as defined in FA86/S99 to another person for consideration in money or money’s worth, is dependent on the following:

If the terms of the UK company registered warrant provide only for a cash settlement upon exercise of the warrant, no charge to SDRT arises;

If the terms of the UK company registered warrant provide, upon exercise of the warrant, for shares to be delivered on settlement, a charge to SDRT may arise. This is because the transfer of rights giving the new purchaser an opportunity to acquire stocks or shares may represent a chargeable security for SDRT by virtue of FA86/S99(3)(c).

The SDRT charge is cancelled, however, where the transfer of a share warrant underlying UK registered company stocks and shares is effectively settled by the completion and execution of an instrument of transfer which is impressed with any relevant stamp duty or a stamp duty exemption/relief applies (FA86/S92).

Previous page

Next page