HMRC - STSM115030 - Exercise Of A Warrant

Stamp Duty

If a warrant holder decides to take-up rights under the terms of the warrant, then the holder is said to have exercised the warrant and the company that issued the warrant is obligated to issue new shares upon subscription being received from the holder.

Where rights under the terms of a share warrant are exercised resulting in new shares being subscribed for and paid by the warrant holder, the issue of new shares is not subject to stamp duty. The reason for this is that new shares vest upon registration of the holder’s name, so no instrument of transfer is required to be completed and executed upon which stamp duty can be assessed.

Stamp Duty Reserve Tax (SDRT)

Similarly, no SDRT charge arises whenever rights under the terms of a share warrant are exercised resulting in the issue of new shares to the former warrant holder. This is because SDRT is a tax on ‘chargeable securities’ (see FA86/S99) which are agreed to be transferred (see FA86/S87) rather than any agreement to issue securities.

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