HMRC - STSM117090 - Secondary Trading Of A Futures Contract

Stamp Duty

Where, before expiry of an equity futures contract in respect of underlying securities i.e. stocks and shares within the meaning of ‘stock or marketable securities’ under SA1891/S122, the rights under the contract are transferred and purchased, no stamp duty charge will normally arise. This is because no instrument of transfer will usually be required to be completed and executed where the rights to a futures contract (rather than a transfer of the underlying stocks and shares), are acquired by the purchaser.

Stamp Duty Reserve Tax (SDRT)

Whether or not a SDRT charge under FA86/S87 arises whenever rights to an equity futures contract in respect of underlying UK registered securities are agreed to be transferred for consideration in money or money’s worth, is dependent on the terms of the contract regarding settlement as follows:

The terms of an equity futures contract provide only for a cash settlement:

not subject to a charge to SDRT as no ‘rights to acquire’ securities as defined in FA86/S99 (c) have been transferred.

Under the terms of the contract, the issuer of the futures contract has the discretion upon settlement to deliver (or acquire) the underlying securities, or arrange for a cash settlement:

not subject to a charge to SDRT as no ‘chargeable security’ as defined in FA86/S99 has been transferred.

Under the terms of the contract, the holder of the futures contract has the discretion upon settlement, to acquire the underlying securities, or arrange for a cash settlement:

may be subject to a charge to SDRT because the transfer of rights to acquire an underlying security is regarded as a ‘chargeable security’ within the meaning of FA86/S99 (3)(c).

Note: The rights to an equity forwards contract cannot be transferred or secondary traded on an investment exchange.

See STSM999999 (Glossary) for the meaning of ‘equity’.

See STSM117010 for the meaning of a Futures contract.

See STSM117030 for the meaning of a Forwards contract.

Previous page

Next page