HMRC - STSM126050 - Aggregation Of Gross Trades

To reduce share transaction settlement costs in the CREST system, a financial entity may allow multiple gross buy and/or multiple sell share transactions undertaken in a UK ‘chargeable security’ between itself and a counterparty to be separately aggregated on a daily basis, resulting in a single aggregated (total) gross buy instruction and/or a single aggregated (total) gross sell instruction reported to CREST for settlement purposes.

In many cases, aggregation may be offered along with other settlement netting services, or form part of a settlement netting process.

The provisions of FA86/S87(1) provide for a charge to Stamp Duty Reserve Tax (SDRT) whenever a person (A) agrees with another person (B) to transfer ‘chargeable securities’ for consideration in money or moneys worth. In this situation, SDRT is a gross securities transaction based tax, calculated by reference to the consideration payable for each transaction undertaken. Where the calculation of tax results in an amount which is not a multiple of one penny, the amount so calculated shall be rounded, by virtue of FA86/S99(13), to the nearest penny, taking any 0.5 pence as nearest to the next whole penny above.

In this situation a SDRT ‘accountable person’ must calculate any relevant tax due by reference to the consideration paid per each individual gross transaction, rather than by reference to the aggregated total amount of consideration.

Where multiple gross buys (&/or gross sells) in a UK chargeable security are aggregated resulting in a single gross instruction for settlement in or outside of CREST, the aggregation provider must ensure that full transaction data of the individual gross buys (&/or gross sells) that make-up the aggregated instruction(s) are retained for a minimum of four years and made available, following any request, to HM Revenue & Customs (HMRC), Stamp Taxes.

If a financial entity is operating, or is proposing to operate, an aggregation service in respect of trading UK chargeable securities undertaken between itself an a counterparty, details of the proposed activity must initially be notified to HMRC Stamp Taxes.

See STSM031090 for the meaning of ‘chargeable securities’.

See STSM126020 for the meaning of settlement netting.

See STSM142060 for the meaning of an ‘accountable person’

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