HMRC - STSM131010 - CREST: Introduction: Background

Stamp Duty Reserve Tax (SDRT) was introduced on 27 October 1986, to coincide with ‘Big Bang’, when radical changes were made to the way share trading was carried out on the London Stock Exchange (LSE).

Whereas stamp duty was charged on documents, SDRT applied to transactions (‘agreements to transfer chargeable securities’). Certain transactions that did not involve the execution of an instrument, and therefore did not attract stamp duty, became chargeable to SDRT.

The years after 1986 brought changes to the basis of settlement of share transactions and a gradual move away from ‘certified’ share ownership to electronic, (‘dematerialised’) share ownership. This led eventually to the replacement of the previous paper-based Talisman system with CREST.

CREST is not a trading system on which dealings in stocks and shares takes place - rather it is a settlement system that enables stocks and share to be held, transferred and settled in dematerialised form by mean of electronic messages. It commenced operations in July 1996.

Whilst transactions can still be settled outside the CREST system, CREST is central to the administration of SDRT and most trades on the London Stock Exchange (LSE) and other exchanges are now effected electronically through CREST, without the need for stock transfer forms.

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