HMRC - STSM131050 - CREST: Introduction: Interface Between Shareholdings In CREST And Paper Certificate

Not all shares that are capable of being held in CREST are actually held there, as any investor who wishes may hold them in certificated form. There are also many shares, mainly in smaller companies, which are incapable of settlement in CREST - these are known as ‘residual securities’.

A shareholder who holds his shares in certificated form can change to holding them in uncertified form in CREST, either directly if the shareholder is a member of CREST or through a nominee who is a member. Transfers must be made in the appropriate form (i.e. a CREST transfer form). This process is called ‘dematerialisation’ and does not of itself give rise to a charge to Stamp Duty Reserve Tax (SDRT). Once shares have been dematerialised they can in future be transferred in CREST.

Where shares held in certificated form are transferred to another person for consideration and dematerialised into CREST at the same time there is an SDRT charge. These transactions are however exempt from stamp duty by virtue of FA96/S186.

There is no SDRT where securities are withdrawn from CREST and revert to being held in certificated form (‘rematerialisation’), provided that the transaction involves no change of beneficial ownership. Where, exceptionally, the withdrawal supports a market trade then SDRT is chargeable.

The operator of an electronic transfer system may choose to accept transfers other than in the prescribed form. These remain chargeable to stamp duty and may be capable of cancelling an SDRT charge (see STSM012010).

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