



Abolition of stamp duty and stamp duty reserve tax on growth market shares

Who is likely to be affected?

Persons purchasing UK securities traded on a 'recognised growth market' will be affected by the measure.

General description of the measure

The measure will relieve from stamp duty and stamp duty reserve tax (SDRT) – collectively, stamp tax on shares (STS) – trades made on a 'recognised growth market', including the Alternative Investment Market (AIM) and the ICAP Securities & Derivatives Exchange (ISDX) Growth Market.

Policy objective

The measure will help boost investor participation in equity growth markets and improve the conditions for growing companies raising equity financing.

Background to the measure

The measure was announced at Budget 2013.

Detailed proposal

Operative date

The measure will have effect on and after 28 April 2014.

Current law

Schedule 13 Finance Act 1999 imposes stamp duty on instruments (formal written documents) that transfer on sale, stock or marketable securities for consideration of more than £1,000.

Section 87 Finance Act 1986 introduced SDRT on agreements to transfer chargeable securities for consideration in money or money's worth. It applies when a transfer is undertaken without an instrument being executed. 'Chargeable securities' are defined in section 99 Finance Act 1986.

Proposed revisions

Legislation will be introduced in Finance Bill 2014 to abolish stamp duty and SDRT on transfers of unlisted securities traded on a 'recognised growth market'.

A market will qualify as a ‘recognised growth market’ if it meets at least one of two main conditions:

- the majority of the companies on the market have market capitalisations of less than £170 million; or
- the market’s rules of admission require companies to demonstrate at least 20 per cent compounded annual growth in revenue or employment over the previous three financial years preceding admission.

Summary of impacts

Exchequer impact (£m)	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
	+5	-170	-170	-170	-175	-175
	nil	+15	negligible	negligible	negligible	negligible
	<p>The first row shows the previously published costing of the abolition of STS on AIM and other junior markets. These figures were set out in Table 2.1 of Budget 2013 and have been certified by the Office for Budget Responsibility. More detail can be found in the policy costings document published alongside Budget 2013.</p> <p>The second row reflects the confirmation of a 28 April 2014 start date (initially costed as 1 April 2014). The Office for Budget Responsibility has included these numbers in its forecast.</p>					
Economic impact	The measure will help boost investor participation in equity growth markets and improve the conditions for growing companies raising equity financing.					
Impact on individuals and households	It is not expected that this measure will have any significant impact on individuals or households.					
Equalities impacts	It is not expected that this measure will have any impact on groups sharing protected characteristics.					
Impact on business including civil society organisations	Share trading in eligible companies quoted on a ‘recognised growth market’ will be relieved from STS. The administrative burden on business will fall primarily on share brokers and is expected to be negligible.					
Operational impact (£m) (HMRC or other)	<p>The additional costs for HM Revenue & Customs (HMRC) in implementing this change are anticipated to be negligible.</p> <p>There will be some systems changes required in CREST, the settlement service which collects STS on behalf of the Exchequer under agreement.</p>					
Other impacts	Other impacts have been considered and none have been identified.					

Monitoring and evaluation

The measure will be monitored as part of HMRC's normal assurance process.

Further advice

If you have any questions about this change, please contact Anne Berriman on 03000 585901 (email: anne.berriman@hmrc.gsi.gov.uk).

1 Abolition of stamp duty and SDRT: securities admitted to trading on recognised growth markets

Schedule 1 contains provision abolishing stamp duty and stamp duty reserve tax on instruments and transfers of securities traded on recognised growth markets.

SCHEDULE 1

Section 1

ABOLITION OF STAMP DUTY AND SDRT: SECURITIES TRADED ON RECOGNISED GROWTH
MARKETS

PART 1

MEANING OF “RECOGNISED GROWTH MARKET” AND “LISTED”

Recognised growth market

- 1 (1) In this Schedule, “recognised growth market” means a market recognised as a growth market by the Commissioners for Her Majesty’s Revenue and Customs for the purposes of this Schedule.
- (2) On an application made by a market, the market is to be recognised by the Commissioners as a growth market if, and only if, the Commissioners are satisfied, on the basis of evidence provided by the market, that the market qualifies for recognition.
- (3) A market qualifies for recognition at any time (“the relevant time”) if it is a recognised stock exchange which meets one or both of the following conditions—
 - (a) a majority of the companies whose stock or marketable securities are admitted to trading on the market are companies with market capitalisations of less than £170 million;
 - (b) the Commissioners are satisfied that the admission requirements of the market include provision requiring companies to demonstrate compounded annual growth in gross revenue or employment of at least 20% over the last three periods of account preceding admission (“the pre-admission periods”).
- (4) In sub-paragraph (3)—
 - “period of account” of a company means a period for which the company draws up accounts;
 - “recognised stock exchange” has the meaning given by section 1005(1) of ITA 2007.
- (5) For the purposes of sub-paragraph (3)(a) a company’s market capitalisation at the relevant time is the average of the closing market capitalisations of the company on the last trading day of each calendar month (or part of a calendar month) in the qualifying period.
- (6) “The qualifying period” means whichever is the shorter of—
 - (a) the last three calendar years preceding the relevant time, or
 - (b) the period beginning with the day on which the company is admitted to trading on the market and ending at the end of the last calendar year preceding the relevant time.

- (7) For the purposes of sub-paragraph (3)(a), a company is to be disregarded if it is admitted to trading on the market in the calendar year in which the relevant time falls.
- (8) In the case of a company with a market capitalisation in a currency other than sterling, the closing market capitalisation for the last trading day of any calendar month is to be taken, for the purposes of sub-paragraph (5), to be the sterling equivalent of that capitalisation (calculated by reference to the spot rate of exchange for that last trading day).
- (9) For the purposes of sub-paragraph (3)(b), the percentage of the compounded annual growth in gross revenue over the pre-admission periods is calculated by applying the formula –

$$\left(\left(\frac{EV}{BV} \right)^{1/3} - 1 \right) \times 100$$

where –

“EV” is the company’s gross revenue for the last of the pre-admission periods,

“BV” is the company’s gross revenue for the period of account immediately preceding the pre-admission periods.

- (10) For those purposes, the percentage of the compounded annual growth in employment over the pre-admission periods is calculated by applying the formula –

$$\left(\left(\frac{EV}{BV} \right)^{1/3} - 1 \right) \times 100$$

where –

“EV” is the number of employees of the company at the end of the last of the pre-admission periods,

“BV” is the number of employees of the company at the end of the period of account immediately preceding the pre-admission periods.

- (11) The Treasury may, by regulations –
 - (a) make provision for the revocation by the Commissioners of a recognition under this paragraph and about the consequences of a revocation;
 - (b) amend this paragraph so as to add, remove or alter a condition which must be met in relation to a market for it to be recognised by the Commissioners under this paragraph.
- (12) Regulations under this paragraph may contain incidental, supplemental, consequential and transitional provision and savings.
- (13) The power to make regulations under this paragraph is exercisable by statutory instrument, and any statutory instrument containing such regulations is subject to annulment in pursuance of a resolution of the House of Commons.

Listed

- 2 Section 1005(3) to (5) of ITA 2007 (meaning of “listed” etc) applies in relation to this Schedule as it applies in relation to the Income Tax Acts.

Stamp Act 1891

- 3 This Part of this Schedule is to be construed as one with the Stamp Act 1891.

Commencement of Part 1 and transitional provision

- 4 (1) This Part of this Schedule is treated as having come into force on 28 April 2014.
- (2) Where, having been satisfied as mentioned in paragraph 1(2), the Commissioners have recognised a market as a growth market in anticipation of the coming into force of this Part, that recognition has effect on and after 28 April 2014 as if it were a recognition under paragraph 1.

PART 2

STAMP DUTY

Main charge

- 5 Stamp duty is not chargeable under Schedule 13 to FA 1999 (transfers on sale) on instruments relating to stock or marketable securities admitted to trading on a recognised growth market but not listed on any market.

Charge in relation to the purchase by a company of its own shares

- 6 Stamp duty is not chargeable by virtue of section 66(2) of FA 1986 (return relating to company’s purchase of own shares treated as instrument of transfer on sale) on returns relating to shares admitted to trading on a recognised growth market but not listed on any market.

Charge in relation to property vested by Act or purchased under statutory power

- 7 Section 12 of FA 1895 (collection of stamp duty in cases of property vested by Act or purchased under statutory powers) does not apply to stock or marketable securities admitted to trading on a recognised growth market but not listed on any market.

Depositary receipts: charge

- 8 In section 67 of FA 1986 (depositary receipts), after subsection (8) insert –
- “(8A) Where an instrument transfers shares or stock or marketable securities admitted to trading on a recognised growth market but not listed on any market, subsections (2) to (5) do not apply and stamp duty is not chargeable on the instrument.
- (8B) In subsection (8A) “recognised growth market” and “listed” are to be construed in accordance with Part 1 of Schedule 1 to FA 2014.”

Clearance services: charge

- 9 In section 70 of that Act (clearance services), after subsection (8) insert –
- “(8A) Where an instrument transfers shares or stock or marketable securities admitted to trading on a recognised growth market but not listed on any market, subsections (2) to (5) do not apply and stamp duty is not chargeable on the instrument.
- (8B) In subsection (8A) “recognised growth market” and “listed” are to be construed in accordance with Part 1 of Schedule 1 to FA 2014.”

Charge on transfers of partnership interests

- 10 (1) Schedule 15 to FA 2003 (SDLT: partnerships) is amended as follows.
- (2) In paragraph 31 (stamp duty on transfers of partnership interests: continued application), after “that section)” insert “or in Schedule 1 to the Finance Act 2014 (abolition of stamp duty in relation to certain securities),”.
- (3) In paragraph 33 –
- (a) in sub-paragraph (1A), for “stock or marketable” substitute “relevant”,
 - (b) in sub-paragraph (3), for “stock or marketable” substitute “relevant”,
 - (c) in that sub-paragraph omit “that stock and” (in both places),
 - (d) in sub-paragraph (6), for “stock or” (in each place) substitute “relevant”,
 - (e) in sub-paragraph (7), for “stock or” (in both places) substitute “relevant”, and
 - (f) after sub-paragraph (8) insert –
- “(8A) In this paragraph “relevant securities” means stock or marketable securities other than any stock or marketable securities admitted to trading on a recognised growth market but not listed on any market.
- In this sub-paragraph “recognised growth market” and “listed” are to be construed in accordance with Part 1 of Schedule 1 to FA 2014.”

Commencement of Part 2

- 11 (1) Paragraph 6 has effect in relation to any purchase of shares by a company on or after 28 April 2014.
- (2) Paragraph 7 has effect in relation to –
- (a) any Act passed on or after 28 April 2014, and
 - (b) any instrument of transfer pursuant to such an Act executed on or after that date.
- (3) Subject to that, this Part of this Schedule has effect in relation to –
- (a) any instrument which is executed on or after 28 April 2014 in pursuance of –
 - (i) an agreement made on or after that date, or
 - (ii) a conditional agreement made before that date where the condition is satisfied on or after that date, and

- (b) any instrument which is not executed in pursuance of a contract and is executed on or after that date.

PART 3

STAMP DUTY RESERVE TAX

“Chargeable securities”

- 12 In section 99 of FA 1986 (SDRT: interpretation), after subsection (4A) insert –
- “(4B) “Chargeable securities” does not include securities falling within paragraph (a), (b) or (c) of subsection (3) which are admitted to trading on a recognised growth market but not listed on that or any other market.
- (4C) In subsection (4B), “recognised growth market” and “listed” are to be construed in accordance with Part 1 of Schedule 1 to FA 2014.”

Commencement of Part 3

- 13 This Part has effect in relation to any agreement to transfer securities –
- (a) where the agreement is conditional, if the condition is satisfied on or after 28 April 2014, and
- (b) in any other case, if the agreement is made on or after that date.

EXPLANATORY NOTE

ABOLITION OF STAMP DUTY AND STAMP DUTY RESERVE TAX (SDRT): SECURITIES TRADED ON RECOGNISED GROWTH MARKETS

SUMMARY

1. Clause X introduces an exemption from stamp duty and Stamp Duty Reserve Tax (SDRT) for transfers of securities admitted to trading on recognised growth markets.

DETAILS OF THE SCHEDULE

2. Part 1 defines what is meant by ‘recognised growth market’. Sub-paragraphs (1) and (2) of the Schedule provide that HMRC will be responsible for recognising a market as a growth market on the basis of evidence provided by the market upon application for recognition.

3. Sub-paragraph (3) of Paragraph 1 sets out the criteria for qualification as a recognised growth market. The market must be a recognised stock exchange, where the majority of companies admitted to trading on the market have a market capitalisation of less than £170 million (sub-paragraph (3)(a)), and/or the market’s admission criteria require companies to demonstrate a recent record of growth in either gross revenue or employment over the three periods of account immediately preceding the date of the application (sub-paragraph (3)(b)).

4. Sub-paragraph (4) defines ‘period of account’ and ‘recognised stock exchange’.

5. Sub-paragraphs (5) to (8) explain how a company’s market capitalisation for the purposes of sub-paragraph (3)(a) is to be calculated.

6. Sub-paragraphs (9) to (10) set out the formula by which compounded annual growth is to be demonstrated for the purposes of sub-paragraph (3)(b).

7. Sub-paragraphs (11) to (13) give the Treasury power, under regulations, to make provision for revocation of a market’s recognition, or to amend the rules under which HMRC can recognise a growth market.

8. Paragraph 2 provides that ‘listed’ means the same in this Schedule as it does in the Income Tax Acts.

9. Paragraph 3 provides that Part 1 of this Schedule is to be construed as one with the Stamp Act 1981.

10. Paragraph 4 provides that Part 1 of the Schedule is treated as coming into force on 28 April 2014 and that where HMRC has formally recognised a market as a growth market before that date, the recognition will have effect from 28 April 2014.

Part 2

Stamp Duty

11. Paragraph 5 exempts from stamp duty transfers of stock or marketable securities admitted to trading on a recognised growth market but not listed on any market.
12. Paragraph 6 exempts from stamp duty a purchase of its own shares by a company where the shares are admitted to trading on a recognised growth market but not listed on any market.
13. Paragraph 7 provides that an Act of Parliament that vests stock or marketable securities does not attract stamp duty where the stock or securities are admitted to trading on a recognised growth market but not listed on any market.
14. Paragraphs 8 and 9 remove a stamp duty charge from instruments that transfer, to a depositary receipt regime or clearance service, stock or marketable securities admitted to trading on a recognised growth market but not listed on any market.
15. Paragraph 10 amends the rules for transfers of partnership interests in Schedule 15 to Finance Act 2003 to ensure that stamp duty is not chargeable to the extent that the partnership property includes stock or marketable securities admitted to trading on a recognised growth market but not listed on any market.
16. Paragraph 11 brings into force the stamp duty provisions in Paragraphs 5 to 10 with effect from 28 April 2014 but ensures that a transfer executed after 28 April 2014, but pursuant to an agreement made before that date, will not be exempt.

Part 3

Stamp Duty Reserve Tax (SDRT)

17. Paragraph 12 inserts new sub-sections (4B) and (4C) into section 99 Finance Act 1986 and amends the definition of chargeable securities for SDRT purposes to exclude securities admitted to trading on a recognised growth market but not listed on any market.
18. Paragraph 13 brings into force the SDRT changes in Paragraph 12 for agreements to transfer securities that are made, or become unconditional, on or after 28 April 2014.

BACKGROUND NOTE

19. This exemption has been introduced to support the Government's policy of encouraging growth in smaller companies.
20. Transfers of shares and securities of UK registered companies on sale generally attract stamp duty or SDRT charges at the rate of 0.5 per cent. Stamp duty is charged if the transfer is effected by the execution of a written instrument. SDRT applies to transfers in respect of which no written instrument is executed.

21. The new provisions ensure that transfers of shares and securities admitted to trading on markets specifically designed for smaller companies, or for companies that can demonstrate a sustained record of growth, will no longer attract stamp tax charges.

22. If you have any questions about this change, or comments on the legislation, please contact Anne Berriman on 03000 585901 (email: anne.berriman@hmrc.gsi.gov.uk).



**Relief from stamp duty and stamp duty reserve tax: securities
traded on recognised growth markets**

Q&A Guidance
10 December 2013

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Introduction

The Government is planning to relieve from stamp taxes, purchases in shares quoted on growth markets.

This document provides initial guidance on the draft legislation published today.

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Chapter 1

Overview

At Budget 2013 (link here: <https://www.gov.uk/government/publications/budget-2013-documents>), the Government announced that it would relieve from stamp taxes, purchases in shares quoted on growth markets such as AIM. The proposed relief has now been set out in the draft Finance Bill 2014 (link here: [HM Revenue & Customs: Finance Bill 2014 - Draft Legislation 10 December 2013](#)).

HMRC invites technical comments on the draft clauses from interested parties by 4 February 2014.

Further updates will be placed on the Stamp Taxes pages of the HMRC website (link here: <http://www.hmrc.gov.uk/so/news.htm>).

Chapter 2

Q&A

When will the relief come into effect?

The relief is scheduled to come into effect on 28 April 2014.

Which securities will be covered by the relief?

The relief will apply to purchases of securities quoted on a Recognised Growth Market. To qualify as a Recognised Growth Market, a market must be a Recognised Stock Exchange (RSE) (link here: [HM Revenue & Customs: Recognised Stock Exchanges*](#)) and meet one of two conditions:

- either a majority of companies traded on that market must be smaller than £170m market capitalisation; or,
- the market's rules must require that issuers seeking admission demonstrate at least 20% compounded annual growth in revenue or employment over the three years preceding admission.

The relief will not be available to securities which are listed on any market in accordance with the definition of 'listed' in Section 1005(3) to (5) ITA 2007.

See the draft clauses for more detail about the qualifying conditions.

*Tables 1 and 2 at this link show which exchanges are RSEs. All markets of these exchanges are RSEs in their own right unless stated otherwise.

I operate an eligible growth market: how do I apply for recognition?

HMRC will consider applications for recognition from late February 2014, once the technical consultation on the draft clauses has closed and feedback has been considered. During the recognition period, which is expected to last for three weeks, markets will be invited to apply in writing to the address below, enclosing documentary evidence that one of the two conditions set out in the legislation have been met:

Chris Taylor
HM Revenue and Customs
Stamp Taxes Office
City Centre House
30 Union Street
Birmingham
B2 4AR

Applications received after this initial period will be considered for recognition in July 2014, when the Finance Bill receives Royal Assent.

Markets considering applying in February to become a Recognised Growth Market are invited to contact Chris Taylor (email: Christopher.Taylor3@hmrc.gsi.gov.uk) as soon as possible to register their interest and to ensure they are kept informed of developments concerning this measure.

Can overseas growth markets apply for recognition?

Yes, if they meet the relevant conditions.

I am an intermediary: how will I know if a security is in scope of the relief?

HMRC will maintain a list of Recognised Growth Markets on its website. It will be for venues and market intermediaries to establish arrangements for identifying relieved securities.

How can I give technical feedback on the draft clauses?

Feedback on the draft clauses, and any other enquiries about this measure, should be addressed in the first instance to Anne Berriman (email: anne.berriman@hmrc.gsi.gov.uk). The deadline for feedback is 4 February 2014.