

Shares Working Together Steering Group
17 February 2014 @ 10:30am
Floor G, room number- Auditorium R
100 Parliament Street
(1 Horse Guards Road entrance)
Westminster, London.

Attendees

| | |
|-----------------------|--------------------------------------|
| Peter Stewart (PS) | British Bankers Association |
| Nicholas Smith (NS) | British Bankers Association |
| Robert Fair (RF) | Euroclear |
| Michael Phillips (MP) | HSBC |
| Michael Quinlan (MQ) | Law Society & Temple Tax Chambers |
| Craig Leslie (CL) | Stamp Taxes Practitioners Group & EY |
| Clare Bouwer (CB) | CLOT & Linklaters |
| Roland Phillips (RP) | HMT |
| Jon Sherman (JS) | HMRC |
| Jon Cannon (JC) | HMRC |
| Jeremy Schryber (JSc) | HMRC |
| Anne Berriman (AB) | HMRC |
| Chris Taylor (CT) | HMRC |

Apologies

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| David Nicholas | Euroclear |
| Sarah Wulff-Cochrane | British Bankers Association |
| Catherine Wright | ICSA |
| Nigel Popplewell | Law Society (E&W) |
| Fiona Cole | Stamp Taxes Practitioners Group & KPMG |
| Jane Hume-Poyner | HMRC |

1. Review of minutes from the last meeting

JS led a review of the action points from the last meeting focussing on the action points: -

| Action Point | | For |
|--------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| AP1 | To invite attendance from HMT, to update the group on current thinking and policy position on European Financial Transaction Tax issues | See agenda item 7. |
| AP2 | To check that legislation with regard to applying the accountable date for payments within Regulation 2 (a) and (b) SDRT regulations 1986 (relevant transaction date + 14days) is being applied correctly. | CT indicated that Stamp Office is endeavouring to apply accountable date consistently and in accordance with the legislation. Investigations have identified a knowledge gap for some recently appointed staff members that is being addressed. He was grateful that the SWTSG had raised the matter. |

2. Stamp Duty performance

- Stamp Office reports that all customer service indicators are being met.
- Additional resource has been allocated to stamp duty technical work and this is already having a positive effect.
- We had an issue impacting on our ability to stamp documents between 02/01/14 and 10/01/14. There was a drift from 5 to 8 days for stamping and returning documents. The position was quickly recovered. Updates were published on the HMRC website.
- CT reported that a noticeable increase in the level of all types of technical submissions; stamp duty group relief claims, claims around mergers and acquisitions, schemes of arrangement etc is being experienced.
- CL suggested one reason for the possible increase could relate to companies increasingly turning to the UK as a tax jurisdiction of choice.
- CT advised that some feedback indicated unfounded concerns about complying with Companies House reporting obligations.
- PS suggested communications between HMRC and Companies House might ease the situation. CL suggested that HMRC and Companies House could jointly publish clarification.
- It was acknowledged that the 'clearance agenda' was often dictated by Court deadlines and reporting obligations.
- JSc advised that stamp duty does not come within the scope of departmental arrangements rearing non-statutory business clearances.

3. SDRT performance

- CT reported that there are no known operational issues with regard to processing SDRT notifications through CREST or manually.
- CT referred to the presentation by EUI at the last meeting of the group and reported that work on the enhanced assessment service for CREST is progressing and is on course for implementation at the end of QTR2 2014.

4. STS Manual progress report

- JSc advised that an internal test site for the guidance manual has been uploaded onto HMRC systems and is currently being road tested.
- JSc advised that this is a significant step forward. He acknowledged the manual would have to be updated to include recent law changes however; this will be much easier to achieve in the new format.
- CB asked when information regarding the HSBC will be incorporated in to the manual. JSc replied that it would but to what extent was partly dependant on the progress of related ongoing Court actions.
- MQ indicated that a hearing date had been set for one of the actions.

5. Edinburgh Stamp press

- CT reported that HMRC has been in communication with interested parties since October 2011 regarding a proposal to remove the Edinburgh stamping press from use. The matter has been discussed by the group at the meeting in February 2013.

- The Scottish Law Society has confirmed its acceptance. And HMRC has agreed to adopt a pragmatic approach to any issues that might arise where there are uniquely Scottish issues.
- The intention is to take the stamping press out of use with effect from 1 April 2014.

6. Legislative changes

- Recognised Growth Markets (RGM) exemption will take effect from 28 April 2014.
- AB provided further details regarding the outcomes from consultations and communications on the subject.
- It is anticipated that the draft legislation will remain largely unchanged.
- HMRC is asking markets wanting to qualify for relief from the start date of 28 April to apply by the end of March.
- EUI are developing a solution to enable transactions in securities on an RGM to be tax exempt in CREST. RF added that EUI is actively talking to AIM and others.
- PS asked how the exemption would be applied. It is anticipated the ISIN for the RGM securities will be exempted in CREST.
- PS asked if the list of exempt securities will be available to view in CREST. RF confirmed this is the intention.
- RP what would happen if a market would cease to qualify for relief? JC indicated that rapid churn is not expected and it is unlikely the conditions for exemption will cease to be satisfied unexpectedly.
- RF confirmed that static data will be updated frequently
- HMRC is in communication with interested parties.
- Guidance will be updated and published as necessary.
- Abolition of Schedule 19 (Stamp Duty Reserve Tax on Collective Investment Schemes) with effect from 30 March 2014.
- CB commented on the effect of abolition on FA86\S90(1B) and FA86\S99 (5). It was confirmed that consequential changes to primary and secondary legislation will be included in considerations.
- MQ asked about the effect on secondary trading through Fund Supermarkets and the like. It is anticipated that Fund Supermarkets will continue to report to the Fund managers - in which case there is no impact.
- Measures to exempt trading interests in Exchange Traded Funds have been published as has a Tax Information and Impact Note.
- CL reminded the group that seeding an ETF would remain within the scope of FA86\S87.

7. FTT Update (Roland Phillips from the Treasury)

- RP set the scene regarding EU proposals for a Financial Transaction tax (FTT) The following points came out of the discussion:-
- The UK government is not taking part in negotiations.
- The lead on the FTT being taken by Germany and France.

- There will need to be unanimous agreement by all participating members before anything will become law.
- The UK government has made a legal challenge claiming the FTT is unlawful. A decision should be published in the next 2 months
- Various options have been discussed around the scope of the FTT; what should be within the scope and how should it be taxed.
- It was pointed out that there are potential infrastructure issues around the ability of markets and market participants to administer the tax.
- There was agreement that further updates on the subject with HMT present would be desirable.

8. AOB

Stamp duty penalties – a proposal to amend the working approach to charging penalties had been discussed at the last meeting of the group. HMRC had indicated it has been reconsidering the matter taking account of the points raised. HMRC reported the matter is still under consideration and will report back to the group.

New penalties for SDRT - HMRC is committed to putting in place one legal framework for information powers and penalties across all tax regimes.

SDRT already comes within the scope of legislation regarding information powers (Schedule 36, Finance Act 2007) and inaccuracy penalties (Schedule 24, Finance Act 2007). HMRC is proposing to bring SDRT within the scope of new penalties for late notifications (Schedule 55, Finance Act 2009) and late payments (Schedule 56, Finance Act 2009).

To put this in context, in 2012-13 issued 120 penalties amounting to less than £15,000. In addition, it is anticipated there will be no impact on 96% of the SDRT assessed and paid through CREST.

It is anticipated that no change will take effect before September 2014.