

Shares Working Together Steering Group
28 July 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
Sarah Wulff- Cochrane (SWC)	British Bankers Association
Clare Bouwer (CB)	CIOT & Linklaters
Robert Fair (RF)	Euroclear
Jon Cannon (JC)	HMRC
Jeremy Schryber (JSc)	HMRC
Anne Berriman (AB)	HMRC
Chris Taylor (CT)	HMRC
John Heaton (JH)	ICSA
Michael Quinlan (MQ)	Law Society (E&W) & Temple Tax Chambers
Craig Leslie (CL)	Stamp Taxes Practitioners Group & EY
Fiona Cole (FC)	Stamp Taxes Practitioners Group & KPMG
Andy Thompson (AT)	WMA

Apologies

Simon English	HMRC
Stephen Jewell	HMRC
Michael Phillips	HSBC
Catherine Wright	ICSA
Nigel Popplewell	Law Society (E&W)

1. Welcome

- JC gave details of apologies received.
- JC advised the group that since the last meeting John Sherman has been appointed Head of CTIS (of which Stamp Taxes is a part).
- A new Director of Stamps Taxes has been appointed; he is Geoff Yapp and his appointment will take effect on 18th August.

2. Review of minutes from the last meeting

- JC referred to the minutes of the last meeting (already circulated) and asked if there were any comments.
- There were no points arising.

3. Stamp Duty performance

- All customer service standards are being met with regard to stamp duty processing.
- CT added that a news item was published on the HMRC website in June suggesting that customers might want to include a self-addressed envelope to avoid any chance of documents being returned to the wrong address, see Applying to get your stock transfer from stamped, at web page: - <http://www.hmrc.gov.uk/sd/shares/sharetransfers.htm#3>.
- Customers have responded favourably to the suggestion.
- CT reminded the meeting that HMRC closed all enquiry centres on 30 June 2014, and as a consequence of this there is no where for persons attending

same day stamping appointments to wait. A process is in place to collect documents in the building entrance, at this point the customer has to leave the premises. A telephone call is made when the documents are ready for collection. The process is explained at the time the appointment is made – so there are no surprises. CT said the system has been operating for several weeks.

- JC emphasised that the number of same day stamping appointments has declined significantly and as a result if this, the number of customers impacted by this is very small.

4. SDRT performance

- CT reported that there are no serious operational issues with regard to processing SDRT notifications through CREST or manually.
- There have been delays issuing receipts for manual payments due to staff prioritising other work.
- CT referred to the plan to change the way HMRC seeks penalties by bringing SDRT within the scope of schedules 55 & 56, Finance Act 2009. It had been suggested at an earlier meeting that the change could come into effect at 1 September but it is now envisaged that no action will be taken until the New Year.
- CL asked if these changes would be introduced by an appointed day order. CT confirmed that this is the intention.
- CL indicated that advance publicity would be helpful.
- RF asked if this impacted on reporting through CREST. CT explained that under the terms of Regulation 4A, HMRC considers that settlement in CREST satisfies the obligation to notify the transaction. So a transactions settled in CREST would not normally be within the scope.
- PS indicated it is possible for late payments to arise particularly with regard to OTC trading. This was acknowledged.
- It was generally agreed that HMRC should publicise the changes in advance.

AP1 - CT took an Action Point to make sure the group are given advance notice of any changes.

5. CREST Enhanced Assessment Service

- CT reported that the system went live on 30th June as planned.
- There were no material customer issues following the introduction of the system.
- Volumes of reported transactions have increased in line with expectations.
- HMRC considers that Phase I of the project; gross reporting of CCP netted transactions is a success.
- CT said that HMRC now intends to proceed with Phase II, which is to encourage retail netting services to use the same system.
- CT said that HMRC had published a Stamp Taxes news item in April 2014 on the HMRC website: <http://www.hmrc.gov.uk/so/enhanced-sdrt-sa-serv.pdf> inviting service providers to be part of a consultation.
- SWC asked If HMRC had sufficient numbers. CT said that several major firms have asked to be included. He added that other firms could still be part of the process.
- CT said that HMRC wanted to start the process as soon as possible. The aim is to maintain a level playing across all netting services. It was unlikely the

meetings would start in August due to the holiday period but an early September start is quite likely.

- PS asked if AFME would be represented. CT replied that AFME had contributed to Phase I and saw no reason why they would not be there.
- SWC asked if BBA could attend as an observer. HMRC saw no objection in principle but will check and advise.

AP2 – HMRC to consider representation of the retail netting sector of the industry for the Phase II consultation and if BBA should attend as an observer.

6. Stamp duty Late Stamping Penalties

- JS referred to proposals to update the way HMRC applies the legislation to bring practise and guidance more in line with other tax regimes.
- The aim is been to encourage compliance by taking account of customer behaviours.
- No actual changes to the legislation are envisaged.
- MQ and CL both felt there were limited circumstances in which a stamp duty penalty could be applied on the basis of customer behaviours.
- JS and JC thanked MQ and CL for their insight.
- JS said that HMRC would endeavour to provide examples of actions linked to customer behaviours.
- It is planned to apply the new stamp duty penalties from October.

AP3 – HMRC to provide examples with guidance indicating what actions should be linked to customer behaviours

7. Stamp Taxes Shares Manual (STSM)

- JS confirmed that the STSM has now been published on the HMRC internet website
- JS thanked the group for their feedback and assistance in bring the operation to a conclusion.
- He did acknowledge that further work will be necessary since the guidance only applies to legislation in place as at September 2013.
- Changes included in the Finance Act 2014 can now be incorporated as the Act has received Royal assent
- It is envisaged that there will be regular updates in future, most probably around changes in the Finance Acts.
- JC said that this is a significant advance and would enable updates to be made within weeks.
- JS invited comments feedback to JS or Sheila Southwick.
- CL was pleased that document could be viewed easily on mobile devices.

8. Growth Markets Exemption (GME)

- AB reported that the exemption took effect from 28 April 2014.
- AB said processes are in place with all growth markets.
- AIM companies are required to confirm eligibility to EUI.
- EUI website has a list of exempt securities.
- RF confirmed data is updated regularly by EUI and there have been no problems.
- RF explained that EUI has developed a 'fix' to enable trades carried out before exemption has been granted but settled after exemption has been given to be filtered out and charged. This update will go live in November.

- JH reported that registrars get end of day feeds from EUI and are generally on top of stamp duty impacts of the changes on off market trading.

9. Legislative change: Abolition of Schedule 19 (Stamp Duty Reserve Tax on Collective Investment Schemes)

- JS reported changes introduced with effect from 30 March 2014. A new SI was published last week including consequential changes.
- CL commented on the effects of abolition on FA1986\S90 (1B) and FA86\S99 (5). Noted per FSMA2000\S237 exemption is available to UK funds which could be an issue for some funds.

10. Low Strike Options

- SWC said members have asked if HMRC is going to publish new guidance around low strike rates in call options.
- CT said that HMRC's views on what is considered the consideration when a call option is exercised i.e. the strike price, is nothing new.
- CT said that deep in the money options (DIMOs) are also nothing new.
- He added that HMRC has seen call options with a particularly aggressive pricing strategy that can result in a strike price as low as 2% of the market value and this causes concern.
- HMRC has been asked the question; at what point the strike price becomes unacceptable? One point arising from discussions is that arbitrarily fixing a limit based on price could have an impact on legitimate options trading.
- HMRC's view is that in these circumstances, agreeing the option could be seen as affecting a transfer and HMRC is taking advice on this.
- CT said that businesses operating these policies should be able to demonstrate that the transactions are undertaken on a commercial basis.
- MQ said when arbitraging on ADR conversions the 1.5% charge is a factor.
- MQ asked if HMRC has seen evidence of this type of activity other than in ADR conversions. It was confirmed that this is the case. MQ asked if this is SDRT motivated, replied that HMRC has no way of knowing.
- JC said that the industry wants to rely on the strike price as this gives certainty
- HMRC may need to look at the legislation but no decision has been made.

11. CDI/ADR

- SWC asked if HMRC is talking to CREST about ADRs traded in CREST.
- RF explained that this concerns ADRs "wrapped" in a CDI. CREST is aware of the issues and has asked HMRC for clarification.
- MQ asked if these CDIs are charged. RF replied that approach has been inconsistent.
- HMRC is seeking a legal opinion.
- JC said that this represents one many challenges to the integrity of The tax and indicate that HMRC is currently reviewing it's strategy regarding taxes on shares and opened this up for general discussion.
- MQ said asked about the position with regard to PwC case on transfers into clearance services (this case is outside the GLO). JC said he would look into this.
- CL asked if there is any appetite to abolish stamp duty?
- JS said HMRC is currently taking stock and has yet to enter solution mode so it's too early to say. It is recognised that stamp duty accounts for only 10% of the £3bn collected through taxes on shares.

12. AOB

- No points

Meeting ended 11:55

Action Point		For
AP1	Advance Communications regarding New Penalties	CT
AP2	HMRC to reconsider whether the retail netting section of the industry is properly represented and if BBA should attend as an observer.	CT/RR
AP3	HMRC to provide examples with guidance indicating what actions should be linked to customer behaviours	JS