

Shares Working Together Steering Group
16 March 2017, 10:30 am, HMT,
Room 2/10, 1 Horse Guards Rd., London

Present: For HMRC, Stamp Taxes:

Morris Graham, Howard Buttery, Simon English, Rob Read, Steve Roberts

External Members:

Michael Quinlan – Law Society,
Adam Parry – CIOT,
Peter Stewart – BBA,
Craig Leslie – STPG,
Fiona Cole – STPG

Michael Phillips - HSBC
Pete Miller – ICAEW Tax Faculty
Andy Thompson – Wealth Management Assoc.
Michael McCormick – BBA

Apologies –

Robert Van-Geffen – AFME

Sarah Ghaffari - ICAEW

Pete Downing, Adam Shooter, Anne Berriman – HMRC Stamp Taxes.

1. Welcome & Introductions

MG welcomed everyone to the meeting and attendees introduced themselves. MG then outlined details of the recent HMRC organisational redesign emphasising however that Stamp Taxes outward facing functions remain unchanged.

2. Minutes of the last meeting

No comments were made in relation to the contents.

Action point 1 – related to the proposal for Adam Shooter to produce a guidance note to address common errors on stock transfer forms sent to Stamps. MQ had been asked to then circulate. Adam was still in the process of putting the note together hence the action point remains open and MQ mentioned it would be useful to send a copy to the Assoc. of Paralegals. Once the guidance is ready for circulation, it will be sent to representative bodies to publicise to their members. SE asked for WTSG members to let him know of any other suggestions as to how best to publicise this and any future advice and guidance. Stamps staff were examining developing Webinars and Online Video messages to use as tools to circulate updates, advice and guidance yet to come.

Action Point 2 – related to requests by group members for clarification in respect of the share for share FB 2016 legislation in relation to (1) a drafting point and (2) the treatment of members voluntary liquidation. SR confirmed that he had sent an email to the group on 5 August 2016 discharging the AP. SR noted that there were new members of the group and agreed to re-circulate the email. SR confirmed that the point on voluntary members liquidations was covered in the draft guidance circulated to members.

3. SD Performance

RR advised that documents received for stamping were being dealt with to target and changes to internal processes had delivered improved performance in clearing s.77 relief claims.

4. SDRT Performance

RR advised that there had been some problems with the data link used to receive CREST data. HMRC IT partners have corrected the problem and are loading backlog of data onto the database. This has affected repayment processing activity in Birmingham with backlogs of work going back to late Feb. The team is working hard to clear delays.

PS enquired what was the procedure where a reclaim request received can't be matched to a record on CREST because of data load problems.

5. FB 2016 Updates

SR provided an update on the Deep in the Money Option firstly, outlining that the measure appeared to be working as intended, stopping mischief encountered previously relating to securities entering depositary receipt systems or clearance services for low consideration.

SE took the opportunity to mention his conversations with the depositary and clearance service groups and his aim for reaching general agreement as to the payment, liability and accountability rules that transferors and depositaries should follow when inputting data and transaction details into CREST. SE's discussions had been around seeking a consensus for pre & post-checking transaction and payment details involved when accepting UK shares into the system. HMRC requires assurance that adequate due diligence controls are in place to monitor and check share transaction instructions received from deliveror and onward input to CREST.

When those discussions are complete, HMRC is proposing to draft guidance for circulation to the 1.5% regimes. PS stated that in his capacity as nominee for a depositary bank and clearance service, he would like to be involved in those discussions with HMRC.

As a consequence SE advised he is composing guidance to assist banks and clearing system operators, and suggested it would be useful to talk with WTSG representative bodies also to assist clarifying the rules and putting effective guidance together.

With regard to the Share for Share Exchange measure, SR had circulated his draft guidance and was grateful for the responses received. SR proposed a meeting with those bodies who had provided him with comments, to explore in more depth the suggestions received. PM outlined his issues with the policy and was keen to engage further in discussions because of "collateral" damage caused by the measure. PM said that other advisors might be less affected by the impacts because their customer base was different but the activities of the customer base of his firm had certainly been adversely impacted. PM was keen that any discussion examines why this legislation had been introduced.

SR advised he was happy to discuss all the issues in a separate meeting as he'd proposed but in the meantime, thought it useful if the guidance he'd produced could be published ahead of any further discussions to provide the market with clarity and certainty. No objections were raised in principle to that suggestion and SR proposed a separate discussion with PM to discuss examples for inclusion in guidance.

6. DX Post

HB explained the reasons for Stamp Office's aim to end using DX post from 1 April 2018. HB outlined the steps taken so far to reduce and discourage DX traffic such as the DX number has been removed from the Stamp Office address details published online, and Birmingham colleagues do not send replies or post through DX.

However HB emphasised Stamps did not want to turn off using DX if this would create a degraded customer service or any particular problems for solicitors, hence thought useful to explain the proposal noting any issues the WTSG might foresee. No problems or objections were outlined.

7. OTS – Review of SD paper transactions

SE outlined the OTS's aim to publish a paper summer 2017 recommending proposals on transforming or simplifying SD. The OTS terms of reference which outline the scope of the SD review stresses that whatever changes are recommended this should be tax neutral. The review specifically and only covers SD and not SDRT or SDLT, although of course there will be some interaction between the taxes. Some WTSG members had spoken with the OTS already and SE advised he would share the contact details for the OTS reps if any other WTSG members would like to contribute to the debate.

8. AOB

- a. MP asked about the latest position with SDRT phase 2 CREST enhancement. SE advised that, after the previous information gathering exercise, Stamps were still examining certain aspects. RR explained that from the consultations, the main focus of phase 2 is around aggregation and that there were a number of variables to consider. One of the points is the feasibility of managing additional data if the move to gross Stamp reporting was made.
- b. RR advised that he had put together draft guidance on non-UK Open Ended Investment Companies (OEIC's) holding UK shares, and the tax treatment. He is planning to circulate his draft to practitioners group and all feedback welcome. SE went on to explain that further to a number of enquiries and having taken legal advice, the aim of the guidance is to clarify how sub-fund structures are operated and the treatment for stamp duty purposes when contributing to or withdrawing from the fund. FC asked whether the guidance extended to other types of funds, although RR replied that the guidance relates to OEIC's.
- c. SE advised that MQ had in the last two days circulated a paper to the Group about depositary interests in depositary receipts representing UK shares and any resultant stamp implications following SE's earlier draft note. While acknowledging that the Group were no doubt still digesting the content, SE welcomed any further thoughts on the views expressed and/or whether there is still general interest in this subject area that warrants continuation of the issue on hand.

No further points arose for discussion and the meeting ended at 12:15.

Action Points:

1. Adam Shooter to produce a guidance note to address common errors on stock transfer forms sent to Stamps; copying in the Assoc. of Paralegals.
2. SR to re-circulate his email clarifying the content of the share for share company takeovers legislation.

3. RR to liaise with Birmingham colleagues clarifying the procedure involved if the reclaim request received can't be matched to a CREST record.
4. SR to publish Share for Share Exchange guidance after speaking with PM about particular further examples and arrange a meeting with CIOT, Stamps Practitioners Group and ICAEW representatives to discuss their feedback on the legislation..
5. SE to circulate OTS contact details to enable the WTSG to comment on the SD process review.
6. Stamps to continue engaging with HMRC IT partners about CREST performance and enhancement.
7. RR to circulate his draft guidance on non-UK OICs.
8. WTSG to provide any further comment to SE and MQ about their interest on depositary interests in depositary receipts.

HOWARD BUTTERY
HMRC Stamp Taxes