

Stamp Duty: Certain Transactions in Shares: Repeal of Reliefs

Who is likely to be affected?

No one is expected to be directly affected by these changes, which repeal reliefs that have no current or expected future application.

General description of the measure

Stamp duty legislation provides:

- relief for transfers to the Crown or to a body appointed by the Crown in connection with nationalisation schemes;
- partial relief for transfers made in connection with certain company acquisitions; and
- an exemption for certain transfers that prior to 2008 would otherwise have been chargeable with fixed stamp duty of £5.

These reliefs have no current or expected future application, and are therefore being repealed.

Policy objective

The repeals support the Government's objective to simplify the tax system and are part of a package of measures which will repeal reliefs that are no longer necessary, have not achieved their policy rationale or are distortive.

Background to the measure

Following the Office of Tax Simplification review of reliefs, the Government announced at Budget 2011 that it would repeal seven reliefs in Finance Act 2011 and confirmed its intention to abolish a further 36 reliefs in Finance Bill 2012 and beyond, subject to a period of consultation.

Consultation on the abolition of 36 tax reliefs was published on 27 May 2011 and views were requested on the Government's proposal to repeal these reliefs. The Government response was published on 6 December 2011. All documents are available on both the HM Treasury and HM Revenue & Customs (HMRC) websites.

Detailed proposal

Operative date

These reliefs will cease to be available for instruments executed on or after 6 April 2013. Any outstanding claims for relief for company acquisitions must be presented to HMRC, together with any stamp duty due, on or before 5 April 2013.

Current law

The current law is set out in:

- section 52 of the Finance Act 1946 which provides relief from stamp duty on certain transfers made to the Crown or to a body appointed by the Crown under nationalisation schemes;

- section 76 of the Finance Act 1986, section 113 of, and Schedule 35 to the, Finance Act 2002 and paragraph 6(3) of Schedule 19 to the Finance Act 2003 which provide for a reduced rate of stamp duty, of 0.5 per cent, on transfers taking place in the context of certain company acquisitions; and
- section 87(2) of the Finance Act 1985 and the Stamp Duty (Exempt Instruments) Regulations 1987 (SI 1987/516) which provide for the certification of certain instruments as exempt, where they were previously chargeable with fixed duty of £5.

Proposed revisions

Legislation will be introduced in Finance Bill 2012 to withdraw these reliefs and make consequential amendments.

Summary of impacts

Exchequer impact (£m)	2011-12	2012-13	2013-14	2014-15	2015-16
	-	-	nil	nil	nil
This measure is not expected to have an Exchequer impact.					
Economic impact	These changes have no significant economic impacts.				
Impact on individuals and households	These reliefs have no current application and their repeal will have no impact on individuals or households.				
Equalities impacts	Potential impacts have been considered and no different impact has been identified on people with protected characteristics.				
Impact on business including civil society organisations	These changes are not expected to have an impact on business. The reliefs for company acquisitions and transfers chargeable with fixed duty are not expected to have any impact as they have no current application. The repeal of the relief for nationalisation schemes will have no impact on business as it only applies to the Crown or bodies appointed by the Crown.				
Operational impact (£m) (HMRC or other)	There will be a negligible operational impact for HMRC.				
Other impacts	The potential for other impacts has been considered and none have been identified.				

Monitoring and evaluation

These changes do not require monitoring or evaluation. They remove unnecessary reliefs. Any correspondence received on the impact of the repeals will be dealt with on a case by case basis.

Further advice

If you have any questions about this change, please contact Jane Ewart on 020 7147 3794 (email: jane.ewart1@hmrc.gsi.gov.uk).

1 Repeals relating to stamp duty

Schedule 1 contains provision repealing certain provisions relating to stamp duty.

SCHEDULE 1

Section 1

REPEALS RELATING TO STAMP DUTY

Nationalisation schemes

- 1 (1) Section 52 of FA 1946 (exemption from stamp duty of documents connected with nationalisation schemes) is repealed.
- (2) In consequence of the provision made by sub-paragraph (1) –
 - (a) section 67 of that Act (short title, construction, etc) is repealed;
 - (b) in section 41(1) of the Transport Act 1962 (exemptions from stamp duty), omit the words from “, or in section fifty-two” to “schemes);”;
 - (c) in section 160(1) of the Transport Act 1968 (stamp duty), omit the words from “or in section 52” to “schemes)”.

Instruments subject to duty of fixed amount

- 2 (1) Section 87 of FA 1985 (certificates) is amended as follows.
- (2) Omit subsection (2) (power to exempt instruments chargeable to stamp duty of a fixed amount).
- (3) In subsection (5), omit “or Treasury (as the case may be)”.

Acquisitions

- 3 (1) The following provisions are repealed –
 - (a) section 76 of FA 1986 (rate of stamp duty payable on acquisitions), and
 - (b) section 113 of, and Schedule 35 to, FA 2002 (withdrawal of relief for company acquisitions).
- (2) In consequence of the provision made by sub-paragraph (1), omit the following provisions –
 - (a) in section 98(5) of the Taxes Management Act 1970, in the Table –
 - (i) in the first column, the entry relating to paragraph 11 of Schedule 35 to FA 2002, and
 - (ii) in the second column, the entry relating to paragraph 7 of that Schedule;
 - (b) in Schedule 14 to FA 1999, paragraph 15;
 - (c) in section 127 of FA 2000, subsection (4);
 - (d) in FA 2002, section 112;
 - (e) in FA 2003 –
 - (i) section 127, and
 - (ii) in Schedule 19, paragraph 6(3);
 - (f) in Schedule 21 to the Legal Services Act 2007, paragraph 136;
 - (g) in Schedule 1 to CTA 2010, paragraphs 196, 372 and 376.

Application

- 4 The amendments made by this Schedule have effect in relation to instruments executed on or after 6 April 2013.

EXPLANATORY NOTE

REPEAL OF STAMP DUTY RELIEFS AND EXEMPTIONS

SUMMARY

1. This clause and Schedule repeal certain stamp duty reliefs and exemptions which are no longer necessary, do not meet their policy objective or are distortive.

DETAILS OF THE SCHEDULE

2. Paragraph 1(1) repeals section 52 of Finance Act (FA) 1946 which provides for exemption from stamp duty for instruments connected with nationalisation schemes. Paragraph 1(2) makes consequential amendments.
3. Paragraph 2 amends section 87 of FA 1985, removing the power conferred by subsection (2) for HM Treasury to make regulations specifying that certain instruments are exempt from stamp duty of a fixed amount.
4. Paragraph 3(1) repeals section 76 of FA 1986 and section 113 of, and Schedule 35 to, FA 2002 which provide for a reduced rate of stamp duty for certain company acquisitions and for the withdrawal of the relief in specified circumstances. Paragraph 3(2) makes consequential amendments.
5. Paragraphs 4 sets out the commencement provisions that apply to the amendments made by paragraphs 1 to 3.

BACKGROUND NOTE

6. The Office of Tax Simplification was commissioned by the Chancellor to undertake a review of the reliefs and allowances available in the tax system. Following their review, the Government announced at Budget 2011 that it would repeal seven reliefs immediately and abolish a further 36 reliefs, subject to a period of consultation over the summer. The Government response to the consultation, published on 6 December 2011, confirmed the abolition of these reliefs.
7. If you have any questions about these changes or comments on the legislation, please contact Jane Ewart on 020 7147 3794 (email: jane.ewart1@hmrc.gsi.gov.uk).