Stamp taxes on shares modernisation: CIOT response

General Features | Large Corporate | Personal tax

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The CIOT responded to a consultation on a new single tax to replace stamp duty and stamp duty reserve tax that will modernise and consolidate the existing taxes on transactions involving securities (and, potentially, some historic land interests).

In April, the government published a consultation on 'Stamp Taxes on Shares modernisation'. This proposed that the existing stamp duty and stamp duty reserve tax legislation be rewritten, modernised and consolidated. The new single tax that would replace them would be self-assessed and administered in line with the rest of the UK tax system.

The consultation was the culmination of consultation process that began following the publication by the Office of Tax Simplification of a report in 2017 in which it recommended the modernisation and digitalisation of stamp duty. Following on from that report, HMRC published a Call for Evidence on the principles and potential options for modernising the Stamp Taxes on Shares Framework and established a joint HMRC and industry Working Group in November 2021. The CIOT has been part of this Working Group, discussing and exploring the various options and issues arising from the proposed modernisation.

In our response to the consultation, we welcomed the proposals for a new single tax on securities, as a welcome simplification. We said that the government should be bold in order to ensure that the opportunity is taken to achieve a clear and modern legislative framework for the taxing of transfers of securities.

We also noted, however, that there are some aspects where the differences between the transactions undertaken through CREST and those that are not significant. We said that it would be sensible to recognise these differences and have some distinct rules for listed and unlisted transactions, rather than having a single rule for every aspect to the detriment of one or the other type of transaction. This is particularly true in relation to the charging point and the accountable date.

In order to simplify and modernise the regime, we suggested that pre 2003 interests in land should be removed from scope. We said that, importantly, in terms of the administration of the tax system and its overall fairness, it is wrong to include a charge on interests in land within a tax that is otherwise presented as a tax on securities. We added that to the extent the government wishes to keep these historic transactions that are currently resting on contract potentially in scope, the rules should be subsumed within the stamp duty land tax regime.

We urged simplification and modernisation in relation to the more historic aspects of geographical scope. We also said that we do not agree with the proposal to remove the de minimis, the threshold of consideration below which transactions are treated as exempt. Removing this would create an additional burden for transactions of very low value. Instead, we suggested that the de minimis is increased to reflect inflation.

In conclusion, the majority of the proposals in the consultation document are sensible and a new single tax will be a welcome simplification. Inevitably, though, there are some areas that require further thought and some aspects where we suggested that the government should be bold in order to ensure that the opportunity is taken to achieve a clear and modern legislative framework for the taxing of transfers of securities.

Our full response can be read at: www.tax.org.uk/ref1125.

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