



HM Revenue
& Customs

**Guidance on the abolition of the Schedule 19 stamp duty
reserve tax charge**

Guidance note
19 March 2014

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Introduction

The Government announced at Budget 2013 that the special stamp duty reserve tax (SDRT) charge on UK unit trusts and open-ended investment companies (OEICs) would be abolished. Legislation to abolish this “Schedule 19” charge was included in the draft Finance Bill published in December 2013 for consultation. Slightly amended legislation will be included in the final Bill published in March 2014. HM Revenue & Customs (HMRC) has issued this guidance, in question and answer format, for the changes being made.

Queries or comments about this guidance can be sent by email to:
stamptaxes.budget&financebill@hmrc.gsi.gov.uk

Chapter 1

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Q1. I have units in a UK unit trust / shares in a UK open ended investment company – how will this affect me?

This change will not affect investors directly. Fund managers will no longer have to account for and pay the special stamp duty reserve tax charge that is currently levied on them.

Q2. How will abolition of the Schedule 19 charge work, given that Royal Assent for the Finance Act will not be in place at the time of abolition?

Legislation will be included in this year's Finance Bill which will come into force when the Bill receives Royal Assent. There will also be a Budget resolution (voted on in Parliament on Budget day) that will effect the abolition of Schedule 19 on a provisional basis. So the Schedule 19 charge will be abolished as planned from 30 March 2014

Q3. How are surrenders during the final week, 23 to 29 March 2014, supposed to be dealt with?

All surrenders up to and including on 29 March 2014 should be treated in the normal way within the usual time limits. So there will be one week's worth of surrenders (23-29 March) in the final notice period. The "relevant two- week period" for those surrenders will be as normal, that is from 23 March – 5 April.

The accounting date for such a surrender would be 14 May 2014.

The rules for sending notices and making payments are in the Stamp Duty Reserve Tax Regulations 1986, Statutory Instrument 1986/1711:

- Regulation 3 of the Stamp Duty Reserve Tax Regulations 1986, Statutory Instrument 1986/1711, states that tax is due and payable on the accountable date.
- Regulation 4B states that notice of details of surrenders must be given to HMRC by the accountable date.
- Regulation 2 states that the accountable date for these purposes is the fourteenth day of the month following the month in which the relevant two week period ends.

Q4. What effect will abolishing the Schedule 19 charge have on fund supermarkets?

In July 2009, HMRC published its SDRT Customer Newsletter Issue No. 10 under the title “Stamp Duty Reserve Tax (SDRT) on collective investment schemes - net dealing by intermediaries”. The Newsletter asserted HMRC’s view that net dealing by intermediaries such as fund supermarkets would result in charges to the principal SDRT charge (section 87 Finance Act 1986) arising. Since that guidance was published, fund supermarkets have been gross dealing with fund managers so as not to incur such charges. As long as that practice continues, there should be no direct impact on fund supermarkets on the abolition of the Schedule 19 charge.

Q5. How are third party transfers going to be treated after abolition?

There will be no change in respect of the principal SDRT charge (section 87 Finance Act 1986).

A “third party transfer” is where a unit holder sells their units to a third party. Where the transaction is handled by the fund manager, there will continue to be no principal SDRT charge. However, in the rare situation where the legal ownership of the units does not change and the fund manager is not called on to update their records, then a principal SDRT charge will continue to arise on the purchaser.

Q6. Why is an SDRT charge on non-pro rata *in specie* redemptions being retained?

An *in specie* redemption is where an investor surrenders units and receives assets from the fund rather than cash. The assets received by the investor are usually in proportion to the total assets held in the fund – a pro rata *in specie* redemption. However, the redemption may not be pro rata.

Currently there is no Schedule 19 or principal (section 87 Finance Act 1986) SDRT charge on a pro rata *in specie* redemption. This will continue to be the case after the Schedule 19 charge is abolished.

There is currently a Schedule 19 charge on a non-pro rata *in specie* redemption, but no principal SDRT charge on the investor. This will be reversed following the abolition of the Schedule 19 charge; there will be no Schedule 19 charge but there will be a principal charge on the investor on a non-pro rata *in specie* redemption. The retention of an SDRT charge (albeit a principal charge rather than a Schedule 19 charge) in these circumstances is fair since the investor is effectively acquiring new interests in chargeable securities.