



Abolition of Stamp Duty Reserve Tax applied to collective investment schemes

Who is likely to be affected?

Managers of and investors in UK unit trusts and open ended investment companies (OEICs).

General description of the measure

The measure will abolish the Stamp Duty Reserve Tax (SDRT) charge for which fund managers are liable when investors surrender their units in UK unit trust schemes or shares in UK OEICs.

Policy objective

This measure supports the Government's objective of making the tax system more competitive by making the UK more attractive as a domicile for certain collective investment schemes.

Background to the measure

The measure was announced at Budget 2013.

This Tax Information and Impact Note (TIIN) updates and replaces the TIIN published on 10 December 2013.

Detailed proposal

Operative date

The change will have effect on and after 30 March 2014.

Current law

The Schedule 19 SDRT charge is levied on the managers of UK-domiciled unit trusts and OEICs.

A fund manager will pay 0.5 per cent SDRT on the market value of units they buy back from one investor and sell on to another. The amount of duty is then reduced by the proportion of the fund not invested in UK equities.

Subsection (1B) of section 90 Finance Act (FA) 1986 provides an exemption from the principal SDRT charge (section 87 FA 1986) for *in specie* redemptions. This is where an investor surrenders their units in a fund and in return receives securities from the fund rather than cash. The securities transferred to the investor will usually be in proportion (pro rata) to the assets held in the fund, but might not be.

Proposed revisions

Legislation will be introduced in Finance Bill 2014 to abolish Part 2 of Schedule 19 to Finance Act 1999. Consequential amendments will be made to primary legislation in Finance Bill 2014. Consequential amendments to secondary legislation will be made by statutory instrument.

Subsection (1B) of section 90 FA 1986 will be amended so that it applies only to pro rata *in specie* transactions. Non-pro rata *in specie* redemptions will become subject to the principal SDRT charge.

Summary of impacts

Exchequer impact (£m)	2014-15	2015-16	2016-17	2017-18	2018-19
	-160	-160	-160	-165	-170
	These figures were set out in Table 2.2 of Budget 2013 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2013.				
Economic impact	The measure is likely to have a positive effect on investments and employment. In addition this measure is likely to increase the attractiveness of the UK Asset Management industry.				
Impact on individuals and households	This measure directly affects managers of collective investment schemes. There will be an indirect effect on individuals who invest in such schemes. This measure could improve returns on investments (including pensions) but would otherwise have no impacts on individuals or households.				
Equalities impacts	This measure removes a charge and simplifies rules for managers of collective investment schemes rather than particular types of individuals. As such the proposed change is not expected to have a disproportionate impact on any protected equality groups.				
Impact on business including civil society organisations	<p>This measure is expected to have a negligible impact on businesses. There are around 100 fund managers in the UK. Fund managers control around 2,500 schemes liable to SDRT under Schedule 19.</p> <p>Schemes that are affected will pay less tax. The change removes a charge that the industry regards as complex and burdensome. All schemes that hold investments in other schemes may be affected by this change.</p> <p>The abolition of Schedule 19 is likely to attract more UK and non-UK asset managers to launch UK based fund products leading to an increase in the number of jobs in support services around the UK.</p> <p>Compliance costs are expected to be negligible.</p> <p>This measure has no impact on civil society organisations.</p>				
Operational impact (£m) (HMRC or other)	This measure will have a negligible cost to HM Revenue & Customs.				
Other impacts	<p><u>Small firms impact test</u>: the impact on small businesses will be a positive one as the legislation applies to all sizes of businesses.</p> <p>Other impacts have been considered and none have been identified.</p>				

Monitoring and evaluation

The measure will be monitored through regular communication with affected taxpayer groups.

Further advice

If you have any questions about this change, please contact Jeremy Schryber on 03000 585762 (email: stamptaxes.budget&financebill@hmrc.gsi.gov.uk).