



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.

Detailed proposal

Operative date

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

Current law

The Schedule 19 SDRT 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.

Proposed revisions

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

Summary of impacts

Exchequer impact (£m)	2013-14	2014-15	2015-16	2016-17	2017-18
	-	-145	-145	-150	-160
	These figures are set out in Table 2.1 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 the Budget.				
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 impact of this 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: jeremy.schryber@hmrc.gsi.gov.uk).

1 Abolition of stamp duty reserve tax on certain dealings in collective investment schemes

- (1) Part 2 of Schedule 19 to FA 1999 (which provides for a charge to stamp duty reserve tax on certain dealings with units in unit trusts) is omitted.
- (2) Accordingly –
 - (a) in FA 1986, in section 90(1B), for the second sentence substitute “For these purposes there is a surrender of a unit where –
 - (a) a person (“P”) authorises or requires the trustees or managers of a unit trust scheme to treat P as no longer interested in a unit under the scheme, or
 - (b) a unit under the unit trust scheme is transferred to the managers of the scheme,and the unit is a chargeable security.”,
 - (b) in FA 1999, in section 123(3), for “Parts I to III” substitute “Parts I and III”,
 - (c) in FA 2001, omit sections 93 and 94,
 - (d) in FA 2004, in Schedule 35, omit paragraph 46 and the italic heading before that paragraph,
 - (e) in FA 2005, omit section 97(3), (4) and (6), and
 - (f) in FA 2010, in Schedule 6, omit paragraph 15(2).
- (3) The amendments made by this section have effect in relation to surrenders made or effected on or after 30 March 2014.
- (4) Provision made by regulations under section 98 of FA 1986, section 152 of FA 1995 or section 17 of F(No.2)A 2005 in connection with the coming into force of this section may be made so as to have effect in relation to surrenders made or effected on or after 30 March 2014 (even if the regulations are made after that date).
- (5) In subsections (3) and (4) the reference to surrenders is to be read in accordance with paragraph 2 of Schedule 19 to FA 1999.

EXPLANATORY NOTE

ABOLITION OF STAMP DUTY RESERVE TAX ON CERTAIN DEALINGS IN COLLECTIVE INVESTMENT SCHEMES

SUMMARY

1. This measure abolishes the special stamp duty reserve tax (SDRT) charge on UK unit trusts and open-ended investment companies in Part 2 of Schedule 19 to the Finance Act 1999.

DETAILS OF THE CLAUSE

2. Subsection (1) is the substantive repeal of the charging provisions.

3. Subsection (2) makes consequential amendments to primary legislation.

4. Subsection (3) is the commencement provision. The abolition is effective from a Sunday so as to minimise any computational difficulties.

5. Subsection (4) allows consequential amendments to secondary legislation to be made with retrospective effect. This is to allow the amendments to secondary legislation to have the same effective date as the changes to primary legislation.

BACKGROUND NOTE

6. There is a special SDRT charge (known as the “Schedule 19” charge) on UK unit trusts and open-ended investment companies. This is a 0.5 per cent charge on the value of surrenders, by investors, of units or shares in a fund to the fund manager, although this charge may be reduced in two different ways when the amount of tax is calculated. The tax is generally accounted for by the fund manager though ultimately borne by investors.

7. The Government announced at Budget 2013 that the Schedule 19 charge would be abolished in Finance Bill 2014 as part of a package of measures to make the UK more attractive as a domicile for investment funds.

8. If you have any questions about this change, or comments on the legislation, please contact Jeremy Schryber on 03000 585762 (email: jeremy.schryber@hmrc.gsi.gov.uk).

2014 No.

STAMP DUTY RESERVE TAX

**The Stamp Duty Reserve Tax (Finance Act 1999, Schedule 19)
(Consequential Amendments) Regulations 2014**

<i>Made</i> - - - -	<i>[*] July 2014</i>
<i>Laid before the House of Commons</i>	<i>[*] July 2014</i>
<i>Coming into force</i> - -	<i>[*] 2014</i>

The Treasury make the following Regulations in exercise of the powers conferred by section 98 of the Finance Act 1986(a), section 152 of the Finance Act 1995(b), section 17(3) of the Finance (No.2) Act 2005(c) and section [x] of the Finance Act 2014(d).

Citation, commencement and effect

1.—(1) These Regulations may be cited as the Stamp Duty Reserve Tax (Finance Act 1999, Schedule 19) (Consequential Amendments) Regulations 2014 and come into force on [•] 2014.

(2) The amendments provided by these Regulations have effect in relation to any surrender made or effected on or after 30th March 2014.

(3) In paragraph (2) the reference to “surrender” is to be read in accordance with paragraph 2 of Schedule 19 to the Finance Act 1999(e) (surrender of units to managers) and in accordance with that paragraph as modified in relation to open-ended investment companies by the Stamp Duty and Stamp Duty Reserve Tax (Open-ended Investment Companies) Regulations 1997(f).

Amendments to the Stamp Duty Reserve Tax Regulations 1986

2.—(1) The Stamp Duty Reserve Tax Regulations 1986(g) are amended as follows.

(2) In regulation 2—

- (a) in the definition of “accountable date”—
 - (i) omit paragraph (d);
 - (ii) omit the “and” at the end of paragraph (c); and
 - (iii) insert an “and” at the end of paragraph (b).
- (b) in the definition of “accountable person”—
 - (i) omit paragraphs (f) and (g);

(a) 1986 c. 41, as amended by section 95 of the Finance Act 1996 (c. 8).
(b) 1995 c. 4, as amended by section 122(4), Schedule 19, paragraph 13 of the Finance Act 1999 (c. 16).
(c) 2005 c. 22.
(d) 2014 c. [x].
(e) 1999 c. 16. Paragraph 2(4) was amended by section 93(2), (6) of the Finance Act 2001 (c. 9). Part 2 of Schedule 19 to the Finance Act 1999 was repealed by section [x] of the Finance Act 2014 (c. [x]).
(f) S.I. 1997/1156, amended by S.I. 1999/3261; there are other amending instruments but none is relevant.
(g) S.I. 1986/1711; relevant amending instruments are S.I. 1993/3110, 1994/1813, 1997/2430, 1999/2383, 1999/3264, 2009/56.

- (ii) omit the “and” at the end of paragraph (e); and
 - (iii) insert an “and” at the end of paragraph (d).
- (c) omit the definitions of—
- (i) “authorised corporate director”;
 - (ii) “open-ended investment company”;
 - (iii) “relevant two-week period”;
 - (iv) “surrender”;
 - (v) “unit”; and
 - (vi) “unit trust scheme”.
- (3) Omit regulation 2A.
- (4) In regulation 3, omit “, or under paragraph 2(1) of Schedule 19 to the Finance Act 1999,”.
- (5) In regulation 4—
- (a) omit the “or” at the end of paragraph (3)(a); and
 - (b) omit paragraph (3)(b).
- (6) Omit regulation 4B.
- (7) In regulation 6—
- (a) in paragraph (1), omit “or surrender” wherever it occurs;
 - (b) in paragraph (4), omit “or surrender”;
 - (c) in paragraph (4)(a), for “4, 4A, or 4B” substitute “4 or 4A”; and
 - (d) in paragraph (6), omit “, and, where appropriate, Part II of Schedule 19 to the Finance Act 1999”.
- (8) In regulation 7—
- (a) at the end of paragraph (a), omit “, or”;
 - (b) omit paragraph (b); and
 - (c) for “4, 4A or 4B” substitute “4 or 4A”.
- (9) In regulation 12(3), for “to (4B)” substitute “and (4A)”.
- (10) In regulation 13—
- (a) in paragraph (1)—
 - (i) omit “or surrender”; and
 - (ii) for “4, 4A or 4B” substitute “4 or 4A”.
 - (b) in paragraph (2)—
 - (i) omit “or under paragraph 2(1) of Schedule 19 to the Finance Act 1999,”; and
 - (ii) for “4, 4A or 4B” substitute “4 or 4A”.
- (11) In regulation 14(1), omit “or surrender”.
- (12) In the Table in Part I of the Schedule (which applies the provisions of the Taxes Management Act 1970(a) specified in the first column of that Table subject to any modification specified in the second column of that Table)—
- (a) in the entries relating to sections 49C and 49F, omit “, and, where appropriate, Part II of Schedule II to the Finance Act 1999”;
 - (b) in the entries relating to sections 93(1)(b), 95(1)(a)(a) and 99(b) for “4, 4A or 4B” substitute “4 or 4A”; and

(a) 1970 c. 9.

(b) Section 93(1) was substituted by paragraph 25 of Schedule 19 to the Finance Act 1994 (c. 9).

(c) in the entry relating to section 98(c) in the second column of the Table for “4, 4A and 4B” substitute “4 and 4A”.

(13) In Part II of the Schedule—

(a) in sections 49C and 49F (as so modified) omit “, and, where appropriate, Part II of Schedule II to the Finance Act 1999”;

(b) in sections 93(1), 95(1)(a) and 99 (as so modified) for “4, 4A or 4B” substitute “4 or 4A”; and

(c) in the second column of the Table in section 98 (as so modified) for “4, 4A and 4B” substitute “4 and 4A”.

Amendments to the Stamp Duty and Stamp Duty Reserve Tax (Open-ended Investment Companies) Regulations 1997

3.—(1) The Stamp Duty and Stamp Duty Reserve Tax (Open-ended Investment Companies) Regulations 1997 are amended as follows.

(2) Omit regulation 4A(2).

Amendments to the Authorised Investment Funds (Tax) Regulations 2006

4.—(1) The Authorised Investment Funds (Tax) Regulations 2006(d) are amended as follows.

(2) Omit regulation 14A.

Date

Two of the Lords Commissioners of Her Majesty’s Treasury

Name

Name

(a) Section 95(1) was amended by section 148 of the Finance Act 1988 (c. 39), section 163(1)(a) of the Finance Act 1989 (c. 26), and paragraph 27 of Schedule 19 to the Finance Act 1994 (c. 9).

(b) Section 99 was substituted by section 66 of the Finance Act 1989 (c. 26).

(c) Section 98 was amended by section 164 of the Finance Act 1989 (c. 26) and section 68(3) of the Finance Act 1990 (c. 29).

(d) S.I. 2006/964, as amended by S.I. 2008/3159. There are other amending instruments but none is relevant.

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations provide for consequential amendments to the Stamp Duty Reserve Tax Regulations 1986 (S.I. 1986/1711), the Stamp Duty and Stamp Duty Reserve Tax (Open-ended Investment Companies) Regulations 1997 (S.I. 1997/1156) and the Authorised Investment Funds (Tax) Regulations 2006 (S.I. 2006/964). The amendments are required as result of the abolition of Stamp Duty Reserve Tax applied to certain dealings in Collective Investment Schemes (“CISs”) in Part 2 of Schedule 19 to the Finance Act 1999 (“Schedule 19”).

Part 2 of Schedule 19 was repealed by section [x] of the Finance Act 2014 (c. [x]) and has effect for those dealings in CISs made or effected on or after 30th March 2014. Section [x] of the Finance Act 2014 (c. [x]) provides the power for the consequential amendments made by these Regulations to have retrospective effect.

A Tax Information and Impact Note covering this instrument will be published on the HMRC website at <http://hmrc.gov.uk/thelibrary/tiins.htm>.

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EXPLANATORY MEMORANDUM TO
THE STAMP DUTY RESERVE TAX (FINANCE ACT 1999, SCHEDULE 19)
(CONSEQUENTIAL AMENDMENTS) REGULATIONS

2014 No. [xxxx]

1. This explanatory memorandum has been prepared by Her Majesty's Revenue & Customs (HMRC) and is laid before the House of Commons by Command of Her Majesty.

This memorandum contains information for the Select Committee on Statutory Instruments.

2. **Purpose of the instrument**

- 2.1 These regulations make amendments to secondary legislation consequential to the abolition of the charge to stamp duty reserve tax (SDRT) in Part 2 of Schedule 19 to the Finance Act 1999 (the "Schedule 19 charge"). This SDRT charge is on UK unit trusts and UK open ended investment companies (OEICs) when units or shares are surrendered by investors to the managers of the scheme.

3. **Matters of special interest to the Select Committee on Statutory Instruments**

- 3.1 None

4. **Legislative Context**

- 4.1 A Schedule 19 charge arises when an investor notifies a fund manager that they wish to surrender units or shares in a UK unit trust or UK OEIC.
- 4.2 The abolition of the Schedule 19 charge was announced at Budget 2013. The Schedule 19 charge is abolished by section [x] of the Finance Act 2014.
- 4.3 The abolition has effect retrospectively from 30 March 2014. The consequential amendments made by this instrument also have retrospective effect from that date.

5. **Territorial Extent and Application**

- 5.1 This instrument applies to all of the United Kingdom.

6. **European Convention on Human Rights**

As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

7. **Policy background**

- What is being done and why?

7.1 The Schedule 19 charge is only applied to surrenders of interests in UK domiciled unit trusts and OEICs. Since the charge is only applied to UK funds, investors who do not wish to bear the cost of it have the option of investing in funds that are domiciled offshore.

7.2 The Schedule 19 charge is being abolished to improve the competitiveness of UK funds and remove the deterrent to domiciling funds in the UK.

7.3 There are a number of references to the Schedule 19 charge and related legislation in secondary legislation. This instrument makes the amendments needed consequent to the abolition of the Schedule 19 charge.

- Consolidation

7.4 HMRC has no plans to consolidate these regulations with the existing regulations.

8. Consultation outcome

8.1 [To be completed after the consultation.]

9. Guidance

9.1 HMRC will amend the relevant guidance to reflect changes made by these regulations.

10. Impact

10.1 The impact on business, charities or voluntary bodies is negligible.

10.2 The impact on the public sector is negligible.

10.3 A Tax Impact Information Note was published on 10 December 2013 alongside the draft Finance Bill 2014 clause and available in *Overview of Legislation in Draft*, published on the GOV.UK website on 10 December 2013.

11. Regulating small business

11.1 The legislation applies to small business.

11.2 This instrument will not impose any additional requirements. All sizes of firms, including those employing up to 20 people, will need to be aware of the amendments made to the legislation.

12. Monitoring & review

12.1 There will be no specific monitoring of the effects of this amendment to regulations. The abolition of the Schedule 19 charge will be monitored through regular communication with affected taxpayer groups.

13. Contact

Jeremy Schryber at Her Majesty's Revenue and Customs Tel: 03000 585 762 or email: jeremy.schryber@hmrc.gsi.gov.uk can answer any queries regarding the instrument.

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