HM Revenue
& Customs

Stamp duty and stamp duty reserve tax exemption for exchange traded funds

Who is likely to be affected?

Investors in UK exchange traded funds (ETFs), though there are not yet any such funds.

General description of the measure

The measure will exempt transfers of interests in ETFs from stamp duty and stamp duty reserve tax (SDRT).

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 by the Chancellor in the 2013 Autumn Statement.

Detailed proposal

Operative date

The change will have effect from April 2014, the commencement date has not yet been determined.

Current law

Stamp duty and/or SDRT would be chargeable on the transfer of an interest in a UK ETF. The charge in most cases would be 0.5% of the consideration given for the interest, although there are cases where there could be a 1.5% charge.

Proposed revisions

Legislation will be introduced in a Statutory Instrument to exempt transfers of interests in an ETF from stamp duty and SDRT.

Summary of impacts

Exchequer impact (£m)	2013-14	2014-15	2015-16	2016-17	2017-18
	-	negligible	negligible	negligible	negligible
	This measure is expected to have a negligible impact on the Exchequer since no ETFs are domiciled in the UK and so no tax is currently collected.				
Economic impact	The measure is not expected to have any significant economic impacts. The measure may have a small positive effect on investments and employment as it will increase the attractiveness of the UK Asset Management Industry				

Impact on individuals and households	This measure is expected to have no impact on businesses or civil society organisations. This measure will have no immediate effect as no ETFs are currently domiciled in the UK. Should such funds be set up then there would be a small direct effect on purchasers of shares in such schemes. By making the UK more attractive as domicile for ETFs there could be an indirect effect on individuals who work in the administrative professions associated with fund domicile.
Equalities impacts	This policy would not have significant impacts on those with legally protected characteristics. This policy concerns the application of stamp duty to ETFs. Such schemes may be used freely by investors irrespective of any protected characteristics. We have no information about the demographic makeup of such investors.
Impact on business including civil society organisations	This measure is expected to have a negligible effect on existing businesses and no impact on civil society organisations. The measure is likely to attract more UK and non-UK asset managers to domicile ETFs in the UK. This would lead to an increase in the number of jobs in support services around the UK. This measure should not create any additional compliance costs.
Operational impact (£m) (HMRC or other)	There will be no significant operational impact as a result of this measure
Other impacts	<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. Other impacts have been considered and none have been identified.

Monitoring and evaluation

The impact of this measure will be monitored through regular communication with asset managers and their representatives.

Further advice

If you have any questions about this change, please contact Jeremy Schryber on telephone: 03000 585 762 (email: jeremy.schryber@hmrc.gsi.gov.uk).

Declaration

Sajid Javid MP, Financial Secretary to the Treasury has read this Tax Information and Impact Note and is satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impacts of the measure.