

Stamp duty and stamp duty reserve tax: clearing relief regulations for ICE Clear Europe Limited

Who is likely to be affected?

People carrying out share trades on the London International Financial Futures and Options Exchange (LIFFE).

General description of the measure

The regulations will prevent multiple stamp duty or stamp duty reserve tax (SDRT) charges arising when share trades on LIFFE are cleared through the central counterparty services provided by Ice Clear Europe Limited (ICE).

Policy objective

Transfers of UK shares normally attract a 0.5 per cent stamp duty or SDRT charge. Where trades are cleared through a central counterparty, a chain of transfers can arise, each of which is potentially chargeable to stamp duty or SDRT. Essentially, however, there is a single transaction of sale and purchase and it is right that a single 0.5 per cent charge should arise in the hands of the ultimate purchaser. To achieve this policy aim, it is necessary to remove stamp duty and SDRT charges from the intervening transfers leaving just the single charge on the ultimate purchaser of the shares.

Background to the measure

Since 2009, LIFFE has self-cleared share transactions carried out on its trading platform, except in cases of default by one of the parties to a trade, when clearing and settlement is provided by LCH.Clearnet Limited (LCH). LIFFE has recently decided to appoint ICE to clear all LIFFE share trades and has approached HMRC to ensure that this initiative is not hampered by multiple stamp duty/SDRT charges. Following discussions, regulations are being made to remove that possibility.

Detailed proposal

Operative date

This measure will have effect from 1 July 2013.

Current law

Stamp duty and stamp duty reserve tax relief for clearing houses and their members is provided under regulations made under sections 116 and 117 Finance Act 1991. The present regulations covering LIFFE and LCH are in Statutory Instruments 2009/1828 and 2011/669.

Proposed revisions

A new statutory instrument will be made to provide relief for ICE, its members and their nominees.

Summary of impacts

Exchequer impact (£m)	2013-14	2014-15	2015-16	2016-17	2017-18
	nil	nil	nil	nil	nil
Economic impact	No economic impact is anticipated.				
Impact on individuals and households	There is no impact on individuals/households				
Equalities impacts	No equalities impact is expected.				
Impact on business including civil society organisations	This measure is expected to have no impact on businesses or civil society organisations. This is because one central counterparty is merely replacing another.				
Operational impact (£m) (HMRC or other)	There are no operational impacts.				
Other impacts	Other impacts have been considered and none have been identified.				

Monitoring and evaluation

Regular monitoring will be carried out as part of HMRC's stamp duty and stamp duty reserve tax compliance work.

Further advice

If you have any questions about this change, please contact Miles Harwood on 020 7147 2801 (email: miles.harwood@hmrc.gsi.gov.uk).

Declaration

The Rt Hon Greg Clark 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.