Office of
Tax Simplification

Office of Tax Simplification
Room G 41
1 Horse Guards Road
London SW1A 2HQ

8 December 2016

OTS review

Stamp Duty: Simplification review of residual paper duty on shares etc.

Stamp Duty, involving the impressing of physical stamps on documents to (in effect) validate them, has a long and fascinating history, but has now very largely been overtaken, first in 1986 by SDRT (in relation to most shares) and then in 2003 by SDLT (in relation to interests in land).

There are now only a limited range of circumstances in which physical documents need to be stamped and, in some cases at least, the process appears disproportionately unwieldy for the 21st century.

The number of documents stamped each year is a little under 100,000, raising £714m in the year 2015/16. Half the total yield comes from a few dozen major corporate transactions. The great majority of documents are processed without enquiry within 5 days.

The Office of Tax Simplification (OTS) has agreed with the Chancellor and the Financial Secretary to carry out a review of Stamp Duty. The aim of the review will be to develop recommendations about how to reform and simplify the Stamp Duty system from both a tax technical and administrative stand point. This will include considering the possibility of transforming or replacing it so as to entirely remove the need for physical stamping.

In conducting the review the OTS will provide a report in the Summer of 2017 that:

- Provides analysis and evidence of ways in which simplification could be achieved, and specific steps that could be taken to this end; and
- Considers and offers an initial evaluation of the benefits and costs for businesses and other taxpayers, HMRC and the Exchequer.

Terms of reference

The review will consider how the current Stamp Duty system could be simplified, including the possibility of its being transformed or replaced to such an extent as to bring the practice of physically stamping documents to an end. This will include consideration of a combination of technical and administrative questions and related non-tax issues such as:

- the inter-relationship between SDRT and Stamp Duty on shares
- situations where reliefs are administered by way of adjudication, such as group relief
- situations where the consideration is uncertain or contingent

- specific situations such as company purchases of own shares or demutualisations, or where Stamp Duty may currently be paid in contemplation of a sale
- the position of chargeable assets other than shares or land, such as partnership interests and certain debt securities which have equity characteristics
- transitional issues relating to existing stampable documents which have not yet been stamped or extant transactions in relation to which no stampable document yet exists
- in relation to any possible replacement Stamp Duty (e.g. by way of SDLT or SDRT)
    - how this could operate electronically
    - tax administration issues such as returns, interest and penalties
    - how to preserve effective registration requirements
- non-tax legislation which refers to Stamp Duty
- the position of company registrars, and shareholder voting rights

Further guidance for the review

In carrying out its review and developing its recommendations, the OTS should:

- Research widely among all stakeholders;
- Involve HMRC's Administrative Burdens Advisory Board;
- Consider whether devolution of tax powers within the UK has implications and especially whether the Scottish legal system impacts any recommendations;
- Consider the likely Exchequer implications of recommendations; and
- Be consistent with the principles for a good tax system, including fairness and efficiency.

For the avoidance of doubt, this review will not consider any aspects of Stamp Duty Land Tax.