



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

14 August 2017

Angela Knight and Paul Morton  
Office of Tax Simplification  
1 Horse Guards Road  
London  
SW1A 2HQ

*Dear Angela & Paul*

Office of Tax Simplification report on stamp duty on paper documents

I am writing to thank you for your report on stamp duty on paper documents. The report includes valuable insights into the context and impact of stamp duty, and I am grateful to you and your team for your work.

In this letter I will respond to the core recommendations of Chapter 2. I understand my officials will be looking at and discussing further the ideas in Chapter 3.

1. You recommend a package of four main elements to put stamp duty on a modern digital footing and retire the stamping machines. These are: providing taxpayers with a unique transaction reference number, amending company registrars' legal obligations in respect of share transfer registrations, making stamp duty assessable and aligning the scope of stamp duty with stamp duty reserve tax. I agree with the direction of travel of these recommendations, and I understand the benefits that these changes would realise for those involved in time-sensitive share transactions. I will consider the recommendations carefully, and I will weigh up the benefits in the wider context of other ongoing reforms to the tax system.

2. A consequence of ending the use of stamping machines is that it will no longer be necessary to round up the amount of duty payable to a multiple of £5. You propose repealing the rules which require the rounding up to £5 following digitisation. This seems sensible, and would follow logically from digitisation.

3. You have recommended introducing group relief and reconstruction relief rules directly into the stamp duty reserve tax rules, so that it is no longer necessary to create a paper instrument for no other reason than to claim these reliefs. Currently the reliefs apply to paper share transactions but are not available where equivalent transactions are carried out in de-materialised form. You have also recommended replacing compulsory adjudication for stamp duty relief claims with a short form notification. Both recommendations simplify administrative burdens for both business and HMRC, and I see value in my officials exploring them further.

4. You also make proposals about certain documents which are currently within the scope of stamp duty but which will need to be considered further if a new assessable digital stamp duty regime is introduced. These are documents which relate to the granting of

options, the transfer of partnership instruments and the completion of land transactions contracted on or before 10 July 2003. If the package of recommendations to digitise stamp duty mentioned above is pursued, it will be important to review the scope of stamp duty in order to consider the impact of making it an assessable tax, so I agree with these recommendations on this basis.

Thank you again for your work in this area.

A handwritten signature in blue ink, appearing to read 'Philip Hammond', written in a cursive style.

PHILIP HAMMOND