

HM Revenue & Customs
Shares Working Together Group (WTSG)
Tuesday 18th June 2019
Left Auditorium
1 Horse Guards Road, London SW1

Attendees:

Kathryn Robertson (Chair)	HMRC	Lynette Bober	Rawlinson Hunter/ ICAEW
Simon English	HMRC	Fiona Cole	KPMG/STPG
Stephen Roberts	HMRC	Sarah Wulff-Cochrane	BBA/ UK Finance
Neil Parkes	HMRC	Michael Phillips	HSBC
Joel Lord	HMRC	Michael Quinlan	Templetax
Daniel Cross	HMRC	Steve Banfield	Equiniti/ICSA
Pete Tonkiss	HMRC	Tracy Graham	Link Group/ICSA
Rob Read (Minutes)	HMRC		

Apologies: Morris Graham (HMRC), Amy Timmins (HMRC), Peter Stewart (BBA), Martin S Walker (Deloitte), Suzi Evans (Deloitte).

Minutes of Meeting:

1. Welcome

Kathryn Robertson (KR) welcomed the group to the meeting followed by introductions by all attendees.

2. Action points from last meeting

AP1, common errors on stock transfer forms was addressed as a separate agenda item at this meeting. (See agenda item 4). AP2 is still outstanding and will be looked into. All other action points from the previous meeting had been actioned. It was noted that for AP3 the HMRC intermediary application checklist had been added to the HMRC Shares manual at STSM042075.

See <https://www.gov.uk/hmrc-internal-manuals/stamp-taxes-shares-manual/stsm042075>

3. Stamp Duty / SDRT Performance

Peter Tonkiss (PT) provided a breakdown of SD/SDRT performance. PT confirmed that for SD Birmingham had during Apr to June 2019 received the following:

	Received	Cleared	On Hand
Normal Marking	9051	5995	3096
Adjudication	2640	1270	1370
Exemption Claims (S42/S75/S77)	1088	958	130
Telephone Referrals	932	619	313

PT mentioned that Birmingham were grateful for agents including self-addressed envelopes as this saves time. PT went on to highlight that there are problems with a new IT system which deals with payments. The problem is that payments are going into the wrong Stamps bank account due to the Barclays sort code defaulting to SDLT. Sarah Wulff-Cochrane (SW) asked whether these problems were being looked at. PT responded that they are currently trying a work around and work is underway to put in place a solution to add all 3 Stamp Tax regimes (SD, SDRT & SDLT) to the drop down menu. The problem is not causing a sizeable delay to processing, but due to the number of SD items being processed each day, these small delay margins per item can add up.

The group asked about reasons for increase in adjudications. Michael Quinlan (MQ) asked whether this was due to the introduction of market value measure? PT said that there was a small increase due to market value rules.

4. Stock Transfer Forms – Common Problems

This item in the meeting follows on from an action point from the previous WTSG meeting from Nov 2018. It was agreed at that meeting that HMRC would provide more information on the most common errors.

Neil Parkes (NP) explained that data has been compiled for period Feb-Apr 2019 during which a total of 5,369 stock transfer forms (STFs) including Companies House SH03 forms (for company buy-backs of own shares) were processed. The overall error rate during this period was 23%.

The data for April was further analysed to identify the main types of errors which were:

- Penalty for late submission not paid – 25% of the errors in April
- No date on the STF – 22%
- Rounding Errors – 16%
- Copy STF rather than original presented – 12%
- Consideration box left blank – 2%
- Cheque not signed or dated – 2%

In respect of the issue of late presentation penalties not being paid, in most instances penalties are overlooked by customers presenting instruments for stamping, rather than being wrongly calculated. <https://www.gov.uk/guidance/stamp-duty-penalties-appeals-and-interest> gives details of how HMRC will initially apply/calculate penalties for late submission, including that no penalty will be charged if it is less than £20. This should therefore mean that customers should be able to calculate the penalty in most circumstances, and the same guidance also gives details of how customers can ask for HMRC's opinion on the penalty amount before submitting documents for stamping.

During discussions it was noted that the errors seen were of the same kinds that have been seen for several years and many were fairly "simple" errors, such as not populating the "consideration money" box when the consideration paid was in a form other than "cash".

It was queried whether particular agents were responsible for these errors, as if that was the case then this could be followed up directly with them to try and address the issue. This data was not available during the meeting, but it was agreed that HMRC would look into this.

(This was investigated after the meeting, and it was found that this was not the case, with the errors being distributed across many agents).

Although the Stock Transfer Act 1963 prescribes what share transaction information is to be recorded in a STF, the STF is not an HMRC issued form. So HMRC cannot directly change the design to try and address some of these issues, although the group agreed that they would explore whether it was possible to influence the design of the STF to help counter some of the issues seen. Both Steve Banfield (SB) and Tracy Graham (TG) mentioned that they would raise this to the ICOSA.

AP1. SB / TG to raise the issue of STF form with the ICOSA.

Separately HMRC is considering what can be done in terms of education, such as an article within the Stamp Taxes Newsletter on gov.uk (the intention is that the newsletter will be revived, with an edition being published in the Autumn), the use of a webinar or YouTube video and updating the current list of common STF errors on gov.uk. The possibility of using the HMRC Twitter feed was discussed by the group, and HMRC will look into this with the relevant teams.

Finally, from a process perspective HMRC is, for certain error types, considering whether the error can be addressed without the need to contact and/or return instruments to the customer, and so speed up the process for all parties. This would also include where there is no error with the STF, but supporting documentation has not all been provided.

5. Compliance Update

Joel Lord (JL) gave an update to the group regarding compliance issues. One of the issues was in connection to off market notices and the accountable date deadlines. He highlighted that many notices are being received based on the 7th day following the month the agreement to transfer was undertaken rule (Regulation 2(c) SI 1986/1711 – accountable date), rather than within 14 calendar days of the transaction date provided by Regulation 2(a) of SI 1986/1711.

MQ queried this and Rob Read (RR) responded that where a security is for example capable of being reported or settled in the CREST system, then under Regulation 2(a) the accountable date is 14 days from the relevant transaction date. Where a security is not capable of being reported or settled in CREST, then the 7th day following the month rule applies [see Regulation 2(c) of SI1986/1711].

JL went on to mention the use of incorrect stamp flags used in CREST. SCW asked whether there were any common themes. JL replied that HMRC have been dealing with SDRT reclaims on transfers to clearance services where the customer had been correctly charged SDRT at 1.5% on the transfer, but on being charged the customer subsequently submitted a reclaim to HMRC stating that intermediary relief applied or there was no change in beneficial ownership (NCBO) for example. Such examples are invalid reasons to support a reclaim on transfers to a 1.5% SD/SDRT regime.

JL also outlined HMRC's SDRT compliance programme for the coming year, which will encompass both desk audits, plus face to face visits. MQ asked whether physical visits was something HMRC was starting again. SE replied that HMRC uses a risk based approach to compliance and that it utilises a number of compliance tools one of which can include physical visits.

6. Update on The Stamp duty and SDRT (Amendment) (EU EXIT) Regulations 2019 (SI 2019/555); The Taxes (Amendments) (EU Exit) Regulations 2019 (SI 2019/689 and The Taxes (Amendments) (EU Exit) (No. 2) Regulations 2019 (SI 2019/818)

Steve Roberts (SR) briefed the group on three statutory instruments which make EU withdrawal related technical changes to stamp taxes and ATED legislation. Certain parts of current legislation

rely on European Union and European Economic Area related references. In particular intermediary and stock lending relief rely on definitions taken from MiFID. The changes will keep the law working in the same way as it does now if the UK leaves the EU without a negotiated deal, including for the intermediary, stock lending and exchange traded fund reliefs. SR confirmed that he would circulate links to the EU withdrawal SI's and the recent SI in respect of denoting duty other than by impressed stamps (see agenda item 8).

AP2. SR to circulate to WTSG links to the SI's covering changes to Stamp legislation on EU Exit and denoting duty other than by impressed stamps.

7. Update on 2019 Shares Consultation document

SR provided an update on the shares consultation, going onto say that the document will hopefully be published sometime in July but was unable to confirm an exact date yet. KR thanked everyone who had contributed to the consultation. A point was raised about possible delay to publication and whether this was political. KR responded that any delay was not due to any political sensitivities but was merely due to the recent and anticipated Ministerial changes.

SCW asked about draft legislation and whether delays were anticipated because parliamentary drafters were working on EU Exit legislation. KR reassured attendees that there is still resource capacity in the Office of Parliamentary Counsel to undertake Budget and Finance Bill drafting work.

8. Update on Stamping Presses

KR reminded attendees that HMRC was exploring alternatives for the current stamping mechanism. Since the last WTSG, HMRC had held a separate meeting to consult on replacing the Stamp presses.

KR reminded the group that the reason why HMRC is looking at replacing the current mechanism is because the presses are old, which brings with it a number of problems such as maintenance etc. The Birmingham Stamp Office will also be relocating to the new Birmingham Regional centre in due course and the presses are difficult to relocate and it is HMRC's aim to find a modern replacement.

One of the key points which came out the stamp press meeting was that Registrars had some concerns about possible replacement solution. HMRC had arranged a visit to a Registrar to gain further feedback which would be fed into requirements for a Stamp press replacement.

There were some discussions about cost and whether SD could be abolished/migrated into SDRT regime. MQ asked if the move to replace the Stamps presses without changing the underlying Stamp Duty regime means that the Government has decided not to implement the OTS recommendations of 2017.

KR explained that the long term aim is to digitise but it is recognised this would be quite an undertaking and best tackled under through a full modernising of Stamp Duty.

Replacing the current presses doesn't require fundamental changes to legislation. A statutory instrument (The Stamp Duty (Method of Denoting Duty) Regulations 2019 (SI 2019/719) was laid in April to give HMRC flexibility in the mechanism to apply a Stamp Duty mark to documents as the current legislation was quite prescriptive in that a document must be impressed with a Stamp Duty mark.

KR stated that a potential supplier had been identified and that HMRC was putting together their requirements. As part of this the group was asked for any external volunteers who would be

interested in a test and learn exercise by this potential supplier. Representatives from the Registrars groups expressed interest.

9. AOB

MQ noted as per earlier item of errors on stock transfer forms, that many of the errors are from agents within the legal profession. He asked if Neil Parkes (NP) can set out the errors in the minutes of this meeting so that MQ could circulate to the Law society.

AP3. NP to add errors to minutes to enable MQ to circulate to Law Society.

With no further points to raise the meeting was brought to a close.

Summary of Action Points:

AP1. SB / TG to raise the issue of STF form with the ICSA.

AP2. SR to circulate to WTSG links to the SI's covering changes to Stamp legislation on EU Exit and denoting duty other than by impressed stamps..

AP3. NP to add errors to minutes to enable MQ to circulate to Law Society.