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# Factsheet for Private Investors

April 2014

# Stamp Duty Exemption

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## Stamp Duty and Stamp Duty Reserve Tax exemption on eligible AIM and High Growth Segment securities

From 28 April 2014, Stamp Duty and the Stamp Duty Reserve Tax (SDRT) will no longer be chargeable on transactions in eligible securities on London Stock Exchange's AIM and High Growth Segment.

### 1. When will the abolition come into effect?

These measures will become effective from 28 April 2014.

### 2. What are Stamp Duty and Stamp Duty Reserve Tax?

Stamp Duty is a duty levied when the purchase of a share is recorded on a stock transfer form. Whereas SDRT is a tax for shares bought electronically or without a stock transfer form.

SDRT is automatically collected, where due, on the purchase of shares electronically settled in CREST. Alternatively, Stamp Duty is due on non-electronic settlements where the transaction is over £1000. Stamp Duty and SDRT apply primarily to transactions when you buy:

- Shares in a UK company
- Shares in a foreign company with a share register in the UK.

### 3. What is the current system?

SDRT on paperless transactions is usually collected automatically through CREST, an electronic reporting and settlement system administered by Euroclear UK and Ireland.

Stamp Duty and SDRT is currently levied at 0.5% on all purchases, rounded up to the nearest £0.01.

Private investors are usually charged an upfront fee which reflects the appropriate amount of tax on the transaction. This amount is normally displayed in the documentation you receive from your stockbroker, following trade completion.

The tax is collected at the point of settlement of your transaction. Standard settlement occurs on trade date plus three days (T+3). Please note standard settlement will move from T+3 to T+2 in October 2014.

### 4. What will happen after entry into law?

From 28 April, Stamp Duty and SDRT will not be levied on purchases in eligible AIM and High Growth Segment securities. Purchases made by private investors in an eligible security will therefore be Stamp Duty / SDRT exempt.





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## 5. Why is it being abolished?

London Stock Exchange, together with market participants and stakeholders, has called for removal of the stamp duty tax on growth markets as a measure to help reduce the cost of capital for growth businesses over the medium to long term.

For an end investor, removal of the tax reduces the cost of investing in the security, providing an incentive to a wider set of investors to back high growth SMEs in the UK.

## 6. As a private investor, how will this change impact me?

As mentioned above SDRT is collected automatically, which means there will be little administrative impact on private investors.

Private investors should benefit from not paying Stamp Duty / SDRT on transactions in eligible securities.

There will be no change to the trading service that stockbrokers provide to private investors for the eligible securities. Investors will be able to trade in the relevant securities as they do today.

## 7. What securities are eligible and where can I find a list of exempt securities?

Stamp Duty and SDRT will no longer be chargeable on transactions in shares that are traded on a recognised growth market such as AIM, and are not also listed on another recognised stock exchange.

To help private investors understand which securities are exempt from the tax, Euroclear UK and Ireland will maintain a list of exempt securities on their website. [www.euroclear.com/growthmarketexemptions](http://www.euroclear.com/growthmarketexemptions)

In addition, private investors can contact their brokers for more information.

Securities that currently have stamp exempt status will continue to do so.

## 8. If Stamp Duty is incorrectly applied, how do I receive a refund?

If you purchased eligible securities and tax was charged incorrectly, you can apply to the Birmingham Stamp Office for a refund. Further guidance from HMRC on how to do this is available from: [www.hmrc.gov.uk/sdrt/reliefs/refunds.htm](http://www.hmrc.gov.uk/sdrt/reliefs/refunds.htm)

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## Contact

For more information on Stamp Duty please visit

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