
Stamp Duty Exemption

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 securities admitted to trading on a recognised growth market provided they are not also listed on a recognised stock exchange.

In the context of London Stock Exchange's markets, eligible securities on AIM and the High Growth Segment of the Main Market will benefit from the exemption.

1. When will the exemption come into effect?

The measure will become effective from 28 April 2014.

2. Who will be affected?

Any market participant purchasing securities traded on a 'recognised growth market' is likely to be affected.

3. Which securities are eligible for exemption?

A list of exempt securities, as a result of this legislation change, will be available on Euroclear UK and Ireland's website at: www.euroclear.com/growthmarketexemptions

According to the legislation mentioned in Question 6, Stamp Duty and SDRT will no longer be chargeable on transactions in securities admitted to trading on a recognised growth market provided they are not also listed on a recognised stock exchange.

The meaning of 'listed' is defined in Section 1005(3) to (5) Income Tax Act 2007. A list of recognised stock exchanges is maintained by HMRC and can be found in Tables 1 and 2 at: www.hmrc.gov.uk/fid/rse.htm

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

4. What is a recognised growth market?

To qualify as a 'recognised growth market', the market must meet one of the following conditions:

- a) a majority of companies on the market have a market capitalisation of less than £170 million; or,
- b) the admission rules require companies to demonstrate at least 20 per cent compounded annual growth (in revenue or employment) over the last three financial years of submissions.

London Stock Exchange's AIM and the High Growth Segment (HGS) have individually been granted the status of a 'recognised growth market' by HMRC. Therefore, transactions in eligible securities trading on either AIM or the HGS will be exempt from the tax.

“The abolition of stamp duty on shares admitted to AIM will help attract more investment and liquidity into some of the UK's most ambitious, dynamic and innovative companies.”

Xavier Rolet, CEO London Stock Exchange Group



5. Where can I find a list of recognised growth markets?

HMRC will maintain a list of markets that have been granted 'recognised growth market' status. Further information available on: www.hmrc.gov.uk/so/news.htm

6. Which piece of legislation enacts this change?

The abolition of Stamp Duty and SDRT on growth markets is detailed in Section 108 and Schedule 20 of the Finance Bill 2014.

7. As an AIM or HGS company what do I and my Nomad need to do to prepare for Stamp Duty abolition?

Since not all AIM or HGS companies automatically qualify for the exemption, to assist HMRC and Euroclear in implementing the tax change, as a company, to make use of the new exemption, you must confirm that your securities are admitted to AIM or HGS and are not also listed on a recognised stock exchange.

The form is available from: www.euroclear.com/dam/EUI/IssuerDeclarationStampDuty.pdf

You may also wish to discuss this with your Nomad or Key Adviser.

8. Are there any primary market rule changes for AIM companies?

No changes will be made to the AIM Rules in advance of 28 April 2014. However, we will continue to assess whether any clarification is required over the longer term to ensure a company's stamp duty and SDRT status is clearly understood by market participants.

9. What will be the impact on current procedures after the entry into force on 28 April 2014?

An AIM or HGS company will be required to provide self-certification that its securities admitted to the recognised growth market are not listed on a recognised stock exchange.

Issuers whose securities have a change in eligibility under this legislation must complete the self-certification declaration (for example, should an issuer's eligible securities be removed from the recognised growth market).

We do not envisage that this will create significant administrative burdens for issuers and their advisers.

10. What is the benefit of the tax exemption?

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 issuers over the medium to long term.

Removal of the tax reduces transaction costs for investors and will therefore have a significant signalling impact to the investor community, helping to widen the pool of investors and improving liquidity in these companies.

11. If the tax 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

Contact

For more information on Stamp Duty please visit

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