



Finance Act 1999

1999 CHAPTER 16

PART VI

STAMP DUTY AND STAMP DUTY RESERVE TAX

Stamp duty reserve tax

117 Scope of exceptions for certain bearer instruments.

(1) In section 95(2) of the Finance Act 1986 (bearer instruments excepted from charge on entry into depositary receipt system), for paragraph (b) (one of the categories of instrument to which the exception does not apply) substitute—

“(b) an instrument within the stamp duty exemption for non-sterling instruments which—

- (i) does not raise new capital, and
- (ii) is not issued in exchange for an instrument raising new capital.”.

(2) After that subsection insert—

“(2A) For the purpose of subsection (2)(b)—

- (a) an instrument is regarded as raising new capital only if the condition in subsection (2B) is met, and
- (b) an instrument is regarded as issued in exchange for an instrument raising new capital only if the conditions in subsection (2C) are met.

(2B) The condition mentioned in subsection (2A)(a) is that the instrument—

- (a) is issued in conjunction with—
 - (i) the issue of relevant securities for which only cash is subscribed, or
 - (ii) the granting of rights to subscribe for relevant securities which are granted for a cash consideration only and exercisable only by means of a cash subscription; or

Changes to legislation: Finance Act 1999, Section 117 is up to date with all changes known to be in force on or before 27 December 2023. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

- (b) is issued to give effect to the exercise of such rights as are mentioned in paragraph (a)(ii).
- (2C) The conditions mentioned in subsection (2A)(b) are that—
- (a) the instrument is issued in conjunction with the issue of relevant securities by a company in exchange for relevant securities issued by another company, and
 - (b) immediately before the exchange an instrument relating to those other securities—
 - (i) was regarded for the purposes of subsection (2)(b) as raising new capital or as issued in exchange for an instrument raising new capital, or
 - (ii) would have been so regarded if the amendments made to this section by section 117 of the Finance Act 1999 had been in force at the time of its issue,
 and accordingly was or would have been within the exception conferred by subsection (2).
- (2D) For the purposes of subsections (2B) and (2C) “relevant securities” means chargeable securities which are either—
- (a) shares the holders of which have a right to a dividend at a fixed rate but have no other right to share in the profits of the company, or
 - (b) loan capital within the meaning of section 78 above,
- and which, in either case, do not carry any rights (of conversion or otherwise) by the exercise of which chargeable securities other than relevant securities may be obtained.”.
- (3) For subsection (6) of that section substitute—
- “(6) Where an arrangement is entered into under which—
- (a) a company issues securities to persons in respect of their holdings of securities issued by another company, and
 - (b) the securities issued by the other company are cancelled,
- the issue shall be treated for the purposes of this section as an issue of securities in exchange for securities issued by the other company.”.
- (4) In section 97(3) of that Act (bearer instruments excepted from charge on entry into clearance system), for paragraph (b) (one of the categories of instrument to which the exception does not apply) substitute—
- “(b) an instrument within the stamp duty exemption for non-sterling instruments which—
- (i) does not raise new capital, and
 - (ii) is not issued in exchange for an instrument raising new capital.”.

(5) After that subsection insert—

“(3A) For the purpose of subsection (3)(b)—

 - (a) an instrument is regarded as raising new capital only if the condition in subsection (3B) is met, and
 - (b) an instrument is regarded as issued in exchange for an instrument raising new capital only if the conditions in subsection (3C) are met.

Changes to legislation: Finance Act 1999, Section 117 is up to date with all changes known to be in force on or before 27 December 2023. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

- (3B) The condition mentioned in subsection (3A)(a) is that the instrument—
- (a) is issued in conjunction with—
 - (i) the issue of relevant securities for which only cash is subscribed, or
 - (ii) the granting of rights to subscribe for relevant securities which are granted for a cash consideration only and exercisable only by means of a cash subscription; or
 - (b) is issued to give effect to the exercise of such rights as are mentioned in paragraph (a)(ii).
- (3C) The conditions mentioned in subsection (3A)(b) are that—
- (a) the instrument is issued in conjunction with the issue of relevant securities by a company in exchange for relevant securities issued by another company, and
 - (b) immediately before the exchange an instrument relating to those other securities—
 - (i) was regarded for the purposes of subsection (3)(b) as raising new capital or as issued in exchange for an instrument raising new capital, or
 - (ii) would have been so regarded if the amendments made to this section by section 117 of the Finance Act 1999 had been in force at the time of its issue,and accordingly was or would have been within the exception conferred by subsection (3).
- (3D) For the purposes of subsections (3B) and (3C) “relevant securities” means chargeable securities which are either—
- (a) shares the holders of which have a right to a dividend at a fixed rate but have no other right to share in the profits of the company, or
 - (b) loan capital within the meaning of section 78 above,
- and which, in either case, do not carry any rights (of conversion or otherwise) by the exercise of which chargeable securities other than relevant securities may be obtained.”.
- (6) For subsection (7) of that section substitute—
- “(7) Where an arrangement is entered into under which—
- (a) a company issues securities to persons in respect of their holdings of securities issued by another company, and
 - (b) the securities issued by the other company are cancelled,
- the issue shall be treated for the purposes of this section as an issue of securities in exchange for securities issued by the other company.”.
- (7) Subsections (1) to (6) above apply in relation to any instrument issued on or after 9th March 1999, except one giving effect to an agreement for a company merger or takeover entered into in writing by the companies involved before 30th January 1999.

Changes to legislation:

Finance Act 1999, Section 117 is up to date with all changes known to be in force on or before 27 December 2023. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations.

[View outstanding changes](#)

Changes and effects yet to be applied to the whole Act associated Parts and Chapters:

Whole provisions yet to be inserted into this Act (including any effects on those provisions):

- Sch. 17 para. 6 - 8 Sch. 19 Pt. 1-III repealed (prosp.) by 1999 c. 16 s. 123(3)s.
[123\(4\)139Sch. 20 Pt. 5\(6\) Note](#)