



# Finance Act 1996

## 1996 CHAPTER 8

### PART VI

#### STAMP DUTY AND STAMP DUTY RESERVE TAX

##### *Stamp duty*

#### **186 Transfers of securities to members of electronic transfer systems etc**

- (1) Stamp duty shall not be chargeable on an instrument effecting a transfer of securities if the transferee is a member of an electronic transfer system and the instrument is in a form which will, in accordance with the rules of the system, ensure that the securities are changed from being held in certificated form to being held in uncertificated form so that title to them may become transferable by means of the system.
- (2) In this section—
- “certificated form” has the same meaning as in the relevant regulations;
  - “electronic transfer system” means a system and procedures which, in accordance with the relevant regulations, enable title to securities to be evidenced and transferred without a written instrument;
  - “member”, in relation to an electronic transfer system, means a person who is permitted by the operator of the system to transfer by means of the system title to securities held by him in uncertificated form;
  - “operator” means a person approved by the Treasury under the relevant regulations as operator of an electronic transfer system;
  - “the relevant regulations” means regulations under section 207 of the Companies Act 1989 (transfer without written instrument);
  - “securities” means stock or marketable securities;
  - “uncertificated form” has the same meaning as it has in the relevant regulations.
- (3) This section applies in relation to instruments executed on or after 1st July 1996.

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- (4) This section shall be construed as one with the Stamp Act 1891.

*Stamp duty reserve tax*

**187 Territorial scope of the tax**

- (1) In section 86 of the Finance Act 1986 (introduction) after subsection (3) there shall be added—

“(4) Stamp duty reserve tax shall be chargeable in accordance with the provisions of this Part of this Act—

- (a) whether the agreement, transfer, issue or appropriation in question is made or effected in the United Kingdom or elsewhere, and  
 (b) whether or not any party is resident or situate in any part of the United Kingdom.”

- (2) The amendment made by subsection (1) above shall have effect—

- (a) in relation to an agreement, if—  
     (i) the agreement is conditional and the condition is satisfied on or after 1st July 1996; or  
     (ii) the agreement is not conditional and is made on or after that date; and  
 (b) in relation to a transfer, issue or appropriation made or effected on or after that date.

**188 Removal of the two month period**

- (1) In section 87 of the Finance Act 1986 (the principal charge) in subsection (2) (tax charged on the expiry of the period of two months beginning with the relevant day unless the first and second conditions are fulfilled before that period expires) the following shall be omitted—

- (a) the words “the expiry of the period of two months beginning with”, and  
 (b) the words from “unless” to the end.

- (2) In section 88 of that Act (special cases) in subsection (1) (which provides for instruments on which stamp duty is not chargeable by virtue of certain enactments to be disregarded for the purposes of section 87(4) and (5)) before paragraph (a) there shall be inserted—

- “(aa) section 65(1) of the Finance Act 1963 (renounceable letters of allotment etc),  
 (ab) section 14(1) of the Finance Act (Northern Ireland) 1963 (renounceable letters of allotment etc.),”.

- (3) Subsections (2) and (3) of that section (which are superseded by subsection (2) above) shall cease to have effect.

- (4) In section 92(1) of that Act (repayment or cancellation of tax where the conditions in section 87(4) and (5) are shown to have been fulfilled after the expiry of the period of two months beginning with the relevant day but before the expiry of six years so beginning)—

- (a) for “after the expiry of the period of two months (beginning with the relevant day, as defined in section 87(3))” there shall be substituted “on or after the relevant day (as defined in section 87(3))”; and
  - (b) for “(so beginning)” there shall be substituted “(beginning with that day)”.
- (5) The amendments made by this section shall have effect in relation to an agreement to transfer securities if—
- (a) the agreement is conditional and the condition is satisfied on or after 1st July 1996; or
  - (b) the agreement is not conditional and is made on or after that date.

### **189 Transfers to members of electronic transfer systems etc**

- (1) In section 88 of the Finance Act 1986 (special cases) after subsection (1) there shall be inserted—
- “(1A) An instrument on which stamp duty is not chargeable by virtue of section 186 of the Finance Act 1996 (transfers of securities to members of electronic transfer systems etc) shall be disregarded in construing section 87(4) and (5) above unless—
- (a) the transfer is made by a stock exchange nominee; and
  - (b) the maximum stamp duty chargeable on the instrument, apart from section 186 of the Finance Act 1996, would be 50p;
- and in this subsection “stock exchange nominee” means a person designated for the purposes of section 127 of the Finance Act 1976 as a nominee of The Stock Exchange by an order made by the Secretary of State under subsection (5) of that section.”
- (2) This section has effect in relation to an agreement to transfer securities if an instrument is executed on or after 1st July 1996 in pursuance of the agreement.

### **190 Transfers between associated bodies**

- (1) In section 88 of the Finance Act 1986 (special cases) after subsection (1A) there shall be inserted—
- “(1B) An instrument on which stamp duty is not chargeable by virtue of section 42 of the Finance Act 1930 or section 11 of the Finance Act (Northern Ireland) 1954 (transfer between associated bodies corporate) shall be disregarded in construing section 87(4) and (5) above in any case where—
- (a) the property mentioned in section 42(2)(a) of the Finance Act 1930 or, as the case may be, section 11(2)(a) of the Finance Act (Northern Ireland) 1954 consists of chargeable securities of any particular kind acquired in the period of two years ending with the day on which the instrument was executed; and
  - (b) the body corporate from which the conveyance or transfer there mentioned is effected acquired the chargeable securities—
    - (i) in a transaction which was given effect by an instrument of transfer on which stamp duty was not chargeable by virtue of section 81 above;

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- (ii) in pursuance of an agreement to transfer securities as regards which section 87 above did not apply by virtue of section 89 below; or
- (iii) in circumstances with regard to which the charge to stamp duty or stamp duty reserve tax was treated as not arising by virtue of regulations under section 116 or 117 of the Finance Act 1991.”

(2) At the end of that section there shall be added—

“(4) For the purposes of subsection (1B) above, if the securities mentioned in paragraph (a) of that subsection cannot (apart from this subsection) be identified, securities shall be taken as follows, that is to say, securities of the same kind acquired later in the period of two years there mentioned (and not taken under this subsection for the purposes of any earlier instrument) shall be taken before securities acquired earlier in that period.

(5) If, in a case where subsection (4) above applies, some, but not all, of the securities taken in accordance with that subsection were acquired as mentioned in paragraph (b) of subsection (1B) above by the body corporate mentioned in that paragraph, the stamp duty reserve tax chargeable under section 87 above by virtue of subsection (1B) above shall not exceed the tax that would have been so chargeable had the agreement to transfer the securities related only to such of the securities so taken as were so acquired.

(6) Where a person enters into an agreement for securities to be transferred to him or his nominee, the securities shall be treated for the purposes of subsections (1B)(a) and (4) above as acquired by that person at the time when he enters into the agreement, unless the agreement is conditional, in which case they shall be taken to be acquired by him when the condition is satisfied.”

(3) This section has effect where the instrument on which stamp duty is not chargeable by virtue of section 42 of the Finance Act 1930 or section 11 of the Finance Act (Northern Ireland) 1954 is executed on or after 4th January 1996 in pursuance of an agreement to transfer securities made on or after that date.

## **191 Stock lending and collateral security arrangements**

(1) After section 89A of the Finance Act 1986 (exceptions from section 87 for public issues) there shall be inserted—

### **“89B Section 87: exceptions for stock lending and collateral security arrangements**

- (1) Where a person (P) has contracted to sell chargeable securities of a particular kind in the ordinary course of his business as a market maker in chargeable securities of that kind and, to enable him to fulfil the contract, he enters into an arrangement under which—
- (a) another person (Q) is to transfer chargeable securities to P or his nominee, and
  - (b) in return, chargeable securities of the same kind and amount are to be transferred (whether or not by P or his nominee) to Q or his nominee,

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section 87 above shall not apply as regards an agreement to transfer chargeable securities which is made for the purpose of performing the obligation to transfer chargeable securities described in paragraph (a) or (b) above.

(2) Where the arrangement mentioned in subsection (1) above is also one under which—

(a) an amount of chargeable securities of some other kind is to be transferred by P or his nominee to Q or his nominee by way of security for the performance of the obligation described in paragraph (b) of that subsection, and

(b) on performance of that obligation, the securities mentioned in paragraph (a) above, or chargeable securities of the same kind and amount as those securities, are to be transferred to P or his nominee,

section 87 above shall also not apply as regards an agreement to transfer chargeable securities which is made for the purpose of performing the obligation to transfer chargeable securities described in paragraph (a) or (b) above.

(3) Where, to enable Q to make the transfer to P or his nominee which is mentioned in paragraph (a) of subsection (1) above, Q enters into an arrangement under which—

(a) another person (R) is to transfer chargeable securities to Q or his nominee, and

(b) in return, chargeable securities of the same kind and amount are to be transferred (whether or not by Q or his nominee) to R or his nominee,

section 87 above shall not apply as regards an agreement to transfer chargeable securities which is made for the purpose of performing the obligation to transfer chargeable securities described in paragraph (a) or (b) above.

(4) Where the arrangement mentioned in subsection (3) above is also one under which—

(a) an amount of chargeable securities of some other kind is to be transferred by Q or his nominee to R or his nominee by way of security for the performance of the obligation described in paragraph (b) of that subsection, and

(b) on performance of that obligation, the securities mentioned in paragraph (a) above, or chargeable securities of the same kind and amount as those securities, are to be transferred to Q or his nominee,

section 87 above shall also not apply as regards an agreement to transfer chargeable securities which is made for the purpose of performing the obligation to transfer chargeable securities described in paragraph (a) or (b) above.

(5) For the purposes of this section a person is a market maker in chargeable securities of a particular kind if he—

(a) holds himself out at all normal times in compliance with the rules of The Stock Exchange as willing to buy and sell chargeable securities of that kind at a price specified by him, and

(b) is recognised as doing so by The Stock Exchange.

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- (6) The Treasury may by regulations provide that for subsection (5) above (as it has effect for the time being) there shall be substituted a subsection containing a different definition of a market maker for the purposes of this section.
  - (7) Regulations under subsection (6) above shall apply in relation to any agreement to transfer chargeable securities in pursuance of an arrangement entered into on or after such day after 1st July 1996 as is specified in the regulations.
  - (8) The power to make regulations under subsection (6) above shall be exercisable by statutory instrument subject to annulment in pursuance of a resolution of the House of Commons.”
- (2) This section applies in relation to agreements to transfer chargeable securities in pursuance of an arrangement entered into on or after 1st July 1996.

## **192 Repayment or cancellation of tax**

- (1) In consequence of section 188(1) above, subsections (4), (5) and (8) of section 87 of the Finance Act 1986 (exemption from stamp duty reserve tax where an instrument is executed etc) shall cease to have effect.
- (2) In section 88 of that Act (which provides for instruments on which stamp duty is not chargeable by virtue of certain enactments to be disregarded for the purposes of section 87(4) and (5)) in subsections (1), (1A) and (1B) for “section 87(4) and (5) above” there shall be substituted “section 92(1A) and (1B) below”.
- (3) In section 92 of that Act (repayment or cancellation of tax) in subsection (1) (which refers to the conditions in section 87(4) and (5))—
  - (a) for “section 87(4) and (5)” there shall be substituted “subsections (1A) and (1B) below”; and
  - (b) for “the following provisions of this section shall apply” there shall be substituted “subsections (2) to (4A) of this section shall apply”.
- (4) After that subsection, there shall be inserted—
  - “(1A) The first condition is that an instrument is (or instruments are) executed in pursuance of the agreement and the instrument transfers (or the instruments between them transfer) to B or, as the case may be, to his nominee all the chargeable securities to which the agreement relates.
  - (1B) The second condition is that the instrument (or each instrument) transferring the chargeable securities to which the agreement relates is duly stamped in accordance with the enactments relating to stamp duty if it is an instrument which, under those enactments, is chargeable with stamp duty or otherwise required to be stamped.”
- (5) At the end of that section there shall be added—
  - “(6) In this section “the enactments relating to stamp duty” means the Stamp Act 1891 and any enactment which amends or is required to be construed together with that Act.”
- (6) The amendments made by this section shall have effect in relation to an agreement to transfer securities if—

- (a) the agreement is conditional and the condition is satisfied on or after 1st July 1996; or
- (b) the agreement is not conditional and is made on or after that date.

### **193 Depository receipts**

- (1) Section 93 of the Finance Act 1986 (depository receipts) shall be amended in accordance with the following provisions of this section.
- (2) In subsection (1) (charge to stamp duty reserve tax where certain things are done in pursuance of an arrangement) in paragraph (b) (transfer or issue to, or appropriation by, a person falling within subsection (3))—
  - (a) after “transferred or issued to” there shall be inserted “the person mentioned in paragraph (a) above or”; and
  - (b) for “such a person” there shall be substituted “the person mentioned in paragraph (a) above or a person falling within subsection (3) below”.
- (3) In subsection (6) (payment by instalments) in paragraph (d) (instrument received by person falling within subsection (3)) for “subsection (3)” there shall be substituted “subsection (2) or (3)”.
- (4) This section has effect—
  - (a) so far as relating to the charge to tax under section 93(1) of the Finance Act 1986, where securities are transferred, issued or appropriated on or after 1st July 1996 (whenever the arrangement was made);
  - (b) so far as relating to the charge to tax under section 93(10) of that Act, in relation to instalments payable on or after 1st July 1996.

### **194 Rates of charge expressed as percentages**

- (1) In section 87 of the Finance Act 1986, in subsection (6) (which specifies the rate at which stamp duty reserve tax under that section is charged) for “50p for every £100 or part of £100” there shall be substituted “0.5 per cent.”
- (2) In section 93 of that Act (depository receipts)—
  - (a) in subsection (4) (rate of charge) for “£1.50 for every £100 or part of £100” there shall be substituted “1.5 per cent.”;
  - (b) in subsection (5) (which applies subsection (4) with modifications in certain cases where the securities are transferred by a chargeable instrument) for the words from “as if “£1.50” read” onwards there shall be substituted “as if “1.5 per cent.” read “1 per cent.””; and
  - (c) in subsection (10) (payment in instalments etc) in paragraph (b), for “£1.50 for every £100 or part of £100” there shall be substituted “1.5 per cent. of the amount”.
- (3) Section 94(8) of that Act (which defines “the day of The Stock Exchange reforms” for the purposes of section 93(5) and which becomes unnecessary in consequence of the amendment made by subsection (2)(b) above) shall be omitted.
- (4) In section 96 of that Act (clearance services)—
  - (a) in subsection (2) (rate of charge) for “£1.50 for every £100 or part of £100” there shall be substituted “1.5 per cent.”;

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- (b) in subsection (3) (which applies subsection (2) with modifications in certain cases where the securities are transferred by a chargeable instrument) for the words from “as if “£1.50” read” onwards there shall be substituted “as if “1.5 per cent.” read “1 per cent.””; and
  - (c) in subsection (8) (payment in instalments etc) in paragraph (b), for “£1.50 for every £100 or part of £100” there shall be substituted “1.5 per cent. of the amount”.
- (5) Section 96(12) of that Act (which defines “the day of The Stock Exchange reforms” for the purposes of subsection (3) and which becomes unnecessary in consequence of the amendment made by subsection (4)(b) above) shall be omitted.
- (6) In section 99 of that Act (interpretation) after subsection (12) there shall be added—
- “(13) Where the calculation of any tax in accordance with the provisions of this Part results in an amount which is not a multiple of one penny, the amount so calculated shall be rounded to the nearest penny, taking any ½p as nearest to the next whole penny above.”
- (7) Subsections (1) to (5) above have effect in accordance with the following provisions of this subsection, that is to say—
- (a) in relation to the charge to tax under section 87 of the Finance Act 1986, subsection (1) above applies where—
    - (i) the agreement to transfer is conditional and the condition is satisfied on or after 1st July 1996; or
    - (ii) the agreement is not conditional and is made on or after 1st July 1996;
  - (b) in relation to the charge to tax under section 93(1) of that Act, paragraphs (a) and (b) of subsection (2) above apply where securities are transferred, issued or appropriated on or after 1st July 1996 (whenever the arrangement was made) and subsection (3) above has effect accordingly;
  - (c) in relation to the charge to tax under section 93(10) of that Act, paragraph (c) of subsection (2) above applies in relation to instalments payable on or after 1st July 1996;
  - (d) in relation to the charge to tax under section 96(1) of that Act, paragraphs (a) and (b) of subsection (4) above apply where securities are transferred or issued on or after 1st July 1996 (whenever the arrangement was made) and subsection (5) above has effect accordingly;
  - (e) in relation to the charge to tax under section 96(8) of that Act, paragraph (c) of subsection (4) above applies in relation to instalments payable on or after 1st July 1996.

## **195 Regulations concerning administration: sub-delegation to the Board**

In section 98 of the Finance Act 1986 (Treasury regulations with respect to administration etc) after subsection (1) there shall be inserted—

- “(1A) The power conferred on the Treasury by subsection (1) above includes power to make provision conferring or imposing on the Board functions which involve the exercise of a discretion.”



### *Clearance services*

#### **196 Election by operator for alternative system of charge**

- (1) In section 70 of the Finance Act 1986 (clearance services) in subsection (1) (which, subject to subsection (9), makes provision with respect to stamp duty on transfers into clearance services) after “Subject to subsection (9)” there shall be inserted “and section 97A”.
- (2) In section 96 of that Act (clearance services) in subsection (1) (which, subject to subsection (5) and section 97, provides for stamp duty reserve tax to be chargeable on transfers into clearance services) for “section 97” there shall be substituted “sections 97 and 97A”.
- (3) After section 97 of that Act (exceptions) there shall be inserted—

#### **“97A Clearance services: election for alternative system of charge**

- (1) A person whose business is or includes the provision of clearance services for the purchase and sale of chargeable securities or relevant securities (an “operator”) may, with the approval of the Board, elect that stamp duty and stamp duty reserve tax shall be chargeable in accordance with this section in connection with those clearance services.
- (2) An election under subsection (1) above—
  - (a) shall come into force on such date as may be notified to the operator by the Board in giving their approval; and
  - (b) shall continue in force unless and until it is terminated in accordance with the following provisions of this section.
- (3) If and so long as an election under subsection (1) above is in force, stamp duty or stamp duty reserve tax (as the case may require) shall, in connection with the clearance services to which the election relates, be chargeable in relation to—
  - (a) a transfer or issue falling within section 70(1) or 96(1) above,
  - (b) an agreement falling within section 90(4) above by virtue of section 96(1) above, or
  - (c) an agreement falling within section 90(5) above,as it would be chargeable apart from sections 70, 90(4) and (5) and 96 above.
- (4) Where stamp duty or stamp duty reserve tax is chargeable by virtue of subsection (3) above in relation to a transfer, issue or agreement, sections 70, 90(4) and (5) and 96 above shall not have effect in relation to that transfer, issue or agreement.
- (5) Nothing in subsection (3) or (4) above affects the application of section 70 or 96 above in relation to a transfer falling within section 70(1) or 96(1) above by the operator or his nominee to, or to a nominee of, another operator in relation to whom no election under subsection (1) above is for the time being in force.
- (6) The Board may require the operator, as a condition of the approval of his election under subsection (1) above, to make and maintain such arrangements as they may consider satisfactory—

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- (a) for the collection of stamp duty reserve tax chargeable in accordance with this section, and
  - (b) for complying, or securing compliance, with the provisions of this Part and of regulations under section 98 below, so far as relating to such tax.
- (7) Where the operator is not resident in the United Kingdom and has no branch or agency in the United Kingdom, the Board may require him, as a condition of the approval of his election under subsection (1) above, to appoint and, so long as the election remains in force, maintain a tax representative.
- (8) A person shall not be an operator's tax representative under this section unless that person—
- (a) has a business establishment in the United Kingdom, and
  - (b) is approved by the Board.
- (9) A person who is at any time an operator's tax representative under this section—
- (a) shall be entitled to act on the operator's behalf for the purposes of stamp duty and stamp duty reserve tax in connection with the clearance services to which the operator's election under subsection (1) above relates,
  - (b) shall secure (where appropriate by acting on the operator's behalf) the operator's compliance with and discharge of the obligations and liabilities to which the operator is subject, in connection with the clearance services to which the operator's election under subsection (1) above relates, by virtue of legislation relating to stamp duty or stamp duty reserve tax (including obligations and liabilities arising before he became the operator's tax representative), and
  - (c) shall be personally liable in respect of any failure to secure the operator's compliance with or discharge of any such obligation or liability, and in respect of anything done for purposes connected with acting on the operator's behalf,
- as if the obligations and liabilities imposed on the operator were imposed jointly and severally on the tax representative and the operator.
- (10) An election under subsection (1) above may be terminated—
- (a) by not less than thirty days' notice given by the operator to the Board or by the Board to the operator; or
  - (b) if there is or has been a breach of a condition of the approval of the election imposed by virtue of subsection (6) or (7) above, by a notice—
    - (i) given by the Board to the operator,
    - (ii) taking effect on the giving of the notice or at such later time as may be specified in the notice, and
    - (iii) stating that it is given by reason of the breach of condition.
- (11) Where an election under subsection (1) above is terminated, section 96 above shall have effect as if chargeable securities of the same amounts and kinds as are, immediately before the termination, held by the operator or his nominee in connection with the provision of the clearance services, had, immediately

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after the termination, been transferred to the operator or, as the case may be, to the nominee by a transfer falling within subsection (1) of that section.

(12) In this section “relevant securities” has the same meaning as in section 70 above.”

(4) Section 97(2) of that Act (no charge to tax under section 96 on transfers to a stock exchange nominee or to, or to a nominee of, a recognised investment exchange or recognised clearing house) shall not have effect in relation to any transfer effected on or after 1st July 1996.

(5) In section 99(10) of that Act (interpretation of “chargeable securities” in sections 93, 94 and 96) for “and 96” there shall be substituted “, 96 and 97A”.

(6) Subsections (1), (2), (3) and (5) above shall come into force on 1st July 1996.