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SCHEDULES

SCHEDULE 19

STAMP DUTY AND STAMP DUTY RESERVE TAX: UNIT TRUSTS

PART II

STAMP DUTY RESERVE TAX ON DEALINGS WITH UNITS IN UNIT TRUSTS

Modifications etc. (not altering text)

C1 Sch. 19 Pt. II excluded (11.5.2001 with effect as mentioned in s. 94(5) of the amending Act) by 2001 c. 9, s. 94(1)-(4)

Charge to tax

- 2 (1) There is a charge to stamp duty reserve tax where—
- (a) a person authorises or requires the trustees or managers under a unit trust scheme to treat him as no longer interested in a unit under the scheme, or
 - (b) a unit under a unit trust scheme is transferred to the managers of the scheme, and the unit is a chargeable security.

Those events are referred to in this Part of this Schedule as a “surrender” of the unit to the managers.

- (2) The tax is chargeable—
- (a) whether the surrender 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.
- (3) The persons liable for the tax are the trustees of the unit trust.
- (4) This paragraph is subject to the exclusions provided for in paragraphs 6 and 7.

Rate of tax

- 3 (1) Tax under this Part of this Schedule is chargeable at the rate of 0.5% of the market value of the unit.

This is subject to any reduction under paragraph 4 or 5.

- (2) The market value of a unit means whichever is higher of—

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- (a) the price the unit might reasonably be expected to fetch on a sale in the open market at the time of surrender, and
- (b) its cancellation price, or if it is redeemed its redemption price, at that time, calculated in accordance with the trust instrument.

Proportionate reduction of tax by reference to units issued

- 4 (1) The amount of tax chargeable shall be proportionately reduced if the number of units of the same class as the unit in question that are surrendered to the managers in the relevant two-week period exceeds the number of units of that class issued by the managers in that period.
- (2) The “relevant two-week period” in relation to a surrender is the period from the beginning of the week in which the surrender occurs to the end of the following week.
 For this purpose a week means a period of seven days beginning with a Sunday.
- (3) The reduction is made by applying the following fraction to the amount otherwise chargeable—

$$\frac{I}{S}$$

Where:

I is the number of units of the class issued by the managers in the relevant two-week period, and

S is the number of units of the class surrendered to the managers in that period.

- (4) If a consolidation or sub-division of units affects the comparison of the number of units surrendered and the number of units issued, the numbers shall be determined as if the consolidation or sub-division had not taken place.
 “Consolidation or sub-division” includes any alteration of the number of units of the class in question otherwise than in consequence of an increase or reduction in the trust property.
- (5) This paragraph does not apply if on the surrender of the unit the unit holder receives anything other than money; and for the purposes of this paragraph no account shall be taken of a surrender or issue that is not entirely for money.

Modifications etc. (not altering text)

C2 Sch. 19 para. 4 modified (6.2.2000) by S.I. 1997/1156, reg. 4A(2) (as inserted (6.2.2000) by S.I. 1999/3261, reg. 5)

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Proportionate reduction of tax by reference to assets held

- 5 (1) The amount of tax chargeable after any reduction under paragraph 4 shall be further reduced if in the relevant two-week period the trust property is invested in both exempt and non-exempt investments.
- (2) The reduction is made by applying the following fraction to that amount—

$$\frac{N}{N + E}$$

Where:

N is the average market value of the non-exempt investments over the relevant two-week period, and

E is the average market value of the exempt investments over that period.

- (3) In this paragraph “exempt investment” has the same meaning as in section 99(5A) (b) of the ^{M1}Finance Act 1986; and “non-exempt investment” means any investment that is not an exempt investment.

Marginal Citations

M1 1986 c.41.

Exclusion of charge in certain cases of change of ownership

- 6 (1) This paragraph applies where in pursuance of arrangements between the person entitled to a unit and another person (“the new owner”)—
- (a) the unit is surrendered to the managers, and
- (b) the person surrendering the unit authorises or requires the managers or trustees to treat the new owner as entitled to it.
- (2) There is no charge to tax under this Part of this Schedule if no consideration in money or money’s worth is given in connection with the surrender of the unit or the new owner’s becoming entitled to it.
- (3) There is no charge to tax under this Part of this Schedule if the new owner is—
- (a) a body of persons established for charitable purposes only, or
- (b) the trustees of a trust established for those purposes only, or
- (c) the Trustees of the National Heritage Memorial Fund, or
- (d) the Historic Buildings and Monuments Commission for England.
- (4) There is no charge to tax under this Part of this Schedule if an instrument executed at the time of the surrender—
- (a) in pursuance of arrangements between the person entitled to the unit and the new owner, and
- (b) transferring the unit from the one to the other,

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would be exempt from stamp duty (if stamp duty were otherwise chargeable) by virtue of any of the provisions mentioned in sub-paragraph (5).

- (5) The provisions referred to in sub-paragraph (4) are—
- (a) section 42 of the ^{M2}Finance Act 1930 or section 11 of the ^{M3}Finance Act (Northern Ireland) 1954 (transfers between associated companies); and
 - (b) regulations under section 87(2) of the ^{M4}Finance Act 1985 (power to exempt instruments from stamp duty of fixed amount).
- (6) Where by virtue of sub-paragraph (2), (3) or (4) there is no charge to tax, both the surrender and the related issue shall be left out of account for the purposes of paragraph 4.

Marginal Citations

- M2** 1930 c.28.
M3 1954 c.23(N.I).
M4 1985 c.54.

VALID FROM 11/05/2001

Exclusion of charge in case of individual pension accounts

- ^{F1}6A (1) There is no charge to tax under this Part of this Schedule on the surrender of the unit if—
- (a) immediately before the surrender, the unit is held within an individual pension account,
 - (b) not all the units under the unit trust scheme are so held at that time, and
 - (c) a certificate pursuant to sub-paragraph (2) is contained in, or provided with, the relevant monthly tax return.
- (2) The certificate must be given by the persons making the relevant monthly tax return and must state—
- (a) that at all times in the period to which the return relates the trustees or managers were able to identify which of the units under the scheme were held within individual pension accounts, and
 - (b) that at no time in that period have the trustees or managers imposed any charge on, or recovered any amount from, an IPA unit holder which included an amount directly or indirectly attributable to tax payable by the trustees under this Part of this Schedule.
- (3) In sub-paragraph (2), “IPA unit holder” means—
- (a) a person acquiring, or who has acquired, a unit under the unit trust scheme, where the unit is to be held within an individual pension account,
 - (b) a person holding a unit under the scheme, where the unit is held within an individual pension account, or
 - (c) a person surrendering, or who has surrendered, a unit under the scheme, where immediately before the surrender the unit is or was held within an individual pension account.

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(4) In this paragraph—

“individual pension account” has the same meaning as in regulations under section 638A of the Taxes Act 1988 (as at 6th April 2001, see regulation 4 of the Personal Pension Schemes (Restriction on Discretion to Approve) (Permitted Investments) Regulations 2001 (S.I. 2001/117)) ;

“the relevant monthly tax return”, in the case of any surrender, means the notice required by regulations under section 98 of the Finance Act 1986 (c. 41) to be given by the managers (or, failing that, the trustees) under the unit trust scheme to the Commissioners of Inland Revenue containing among other things details of all surrenders in the relevant two-week period;

“the relevant two-week period” has the meaning given by paragraph 4(2).]

Textual Amendments

- F1** Sch. 19 Pt. II para. 6A inserted (11.5.2001 with effect as mentioned in s. 93(6) of the amending Act) by 2001 c. 9, s. 93(4)

Exclusion of charge in case of in specie redemption

- 7 There is no charge to tax under this Part of this Schedule if on the surrender of the unit the unit holder receives only such part of each description of asset in the trust property as is proportionate to, or as nearly as practicable proportionate to, the unit holder’s share.

Interpretation

- 8 (1) For the purposes of this Part of this Schedule “issue” in the context of the issue of a unit by the managers under a unit trust scheme includes their transferring an existing unit or authorising or requiring the trustees to treat a person as entitled to a unit under the scheme.
- (2) References in this Part of this Schedule to the surrender or issue of a unit under a unit trust scheme do not include a surrender or issue effected by means of, or consisting of the issue of, a certificate to bearer.

Transitional provision

- 9 This Part of this Schedule applies where the surrender of the unit to the managers occurs on or after 6th February 2000.

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