

**EXPLANATORY MEMORANDUM TO**  
**THE PRIVATE INTERMITTENT SECURITIES AND CAPITAL EXCHANGE**  
**SYSTEM (EXEMPTION FROM STAMP DUTIES) REGULATIONS 2025**

**2025 No. 666**

**1. Introduction**

- 1.1 This explanatory memorandum has been prepared by His Majesty's Revenue and Customs (HMRC) on behalf of His Majesty's Treasury and is laid before the House of Commons by Command of His Majesty.
- 1.2 This memorandum contains information for the Select Committee on Statutory Instruments.

**2. Declaration**

- 2.1 Emma Reynolds MP, Economic Secretary to the Treasury, confirms that this Explanatory Memorandum meets the required standard.
- 2.2 Morris Graham, Deputy Director for Stamp Taxes, at HMRC confirms that this Explanatory Memorandum meets the required standard.

**3. Contact**

- 3.1 Stephen Roberts at HMRC, email: [stamptaxes.budgetfinancebill@hmrc.gov.uk](mailto:stamptaxes.budgetfinancebill@hmrc.gov.uk) can be contacted with any queries regarding the instrument.

**Part One: Explanation, and context, of the Instrument**

**4. Overview of the Instrument**

*What does the legislation do?*

- 4.1 This instrument provides an exemption from Stamp Duty and Stamp Duty Reserve Tax (SDRT) for transfers of shares in connection with trading activity that takes place on a Private Intermittent Securities and Capital Exchange System (PISCES) under the PISCES sandbox arrangements.
- 4.2 PISCES is a new type of stock market allowing private companies to have their shares traded intermittently. Using powers from the Financial Services and Markets Act (FSMA) 2023 the Government has established the legal framework for PISCES as a Financial Market Infrastructure (FMI) sandbox. An FMI sandbox allows HM Treasury to temporarily modify or disapply certain pieces of legislation, in order to support market operators to trial new or developing technologies or practices, while still achieving appropriate regulatory outcomes. PISCES is the second FMI sandbox to be set up under FSMA 2023, following the Digital Securities Sandbox (DSS). Under the PISCES sandbox HM Treasury can check that the detailed regulatory requirements for PISCES are calibrated correctly before making it permanent at the end of the sandbox period with further legislation, subject to further parliamentary approval.

***Where does the legislation extend to, and apply?***

- 4.3 The extent of this instrument (that is, the jurisdiction(s) which the instrument forms part of the law of) is the United Kingdom.
- 4.4 The territorial application of this instrument (that is, where the instrument produces a practical effect) is the United Kingdom.

**5. Policy Context**

***What is being done and why?***

- 5.1 Where UK securities are transferred, the transaction is subject to either Stamp Duty on paper instruments or documents or SDRT on agreements to transfer where the transfer will take place electronically. SDRT is not payable where either a document has been stamped for Stamp Duty purposes or is exempt from Stamp Duty.
- 5.2 PISCES is a new type of stock market established in a time-limited FMI sandbox (the PISCES Sandbox will last up to five years, with the possibility of extension by HM Treasury). It will support private companies to scale and grow, providing a stepping stone to public markets. The exemption from Stamp Duty and SDRT in connection with trading activity taking place on a PISCES will boost the attractiveness of PISCES during the sandbox period.

***What was the previous policy, how is this different?***

- 5.3 PISCES is a new type of stock market. The exemption for PISCES transactions will complement existing Stamp Duty and SDRT reliefs and exemptions including the exemption for growth markets.

**6. Legislative and Legal Context**

***How has the law changed?***

- 6.1 Stamp Duty is charged on a paper written instrument or other document which transfers on sale 'stock or marketable securities' (as defined by section 122 of the Stamp Act 1891). Part 1 of Schedule 13 to the Finance Act 1999 provides that the rate of Stamp Duty is 0.5% calculated by reference to the amount or value of consideration paid.
- 6.2 Where no paper written instrument is executed and the transaction is to be settled electronically, a 0.5% SDRT charge replaces the Stamp Duty charge. Section 87 of the Finance Act 1986 provides that an SDRT charge arises whenever 'chargeable securities' (as defined under section 99(3) of that Act) are agreed to be transferred.
- 6.3 Sections 67, 70, 93 and 96 of the Finance Act 1986 provide that a higher 1.5% Stamp Duty or SDRT rate replaces the 0.5% charge when United Kingdom incorporated company shares are transferred into non-UK clearance services and depositary receipt systems.
- 6.4 Section 99(5) of the Finance Act 1986 provides that chargeable securities do not include securities the transfer of which are exempt from all stamp duties.
- 6.5 This instrument provides an exemption from all stamp duties (meaning both Stamp Duty and SDRT) for transfers of shares in connection with trading activity that takes places on a PISCES under the FMI sandbox arrangements.
- 6.6 The power under which this instrument is made is section 56 of Finance Act 2025, which provides that HM Treasury may by regulations make provisions about Stamp

Duty or SDRT in connection with regulations made under section 13 of the Financial Services and Markets Act 2023 (testing of FMI technologies or practices). This instrument is the first use of the power.

- 6.7 The legal framework for the PISCES sandbox was established by The Financial Services and Markets Act 2023 (Private Intermittent Securities and Capital Exchange System Sandbox) Regulations 2025.

*Why was this approach taken to change the law?*

- 6.8 The power in section 56 of Finance Act 2025 is a power to make regulations in connection with regulations made under section 13 of the Financial Services and Markets Act 2023 (testing of FMI technologies or practices). The use of regulations is consistent with the use of regulations to establish the PISCES sandbox.

## **7. Consultation**

*Summary of consultation outcome and methodology*

- 7.1 A draft statutory instrument was published for HMRC technical consultation. The consultation ran for 4 weeks starting on 26 March 2025 and ending on 23 April 2025. 3 written responses were received. All 3 responses welcomed the exemption. No changes were made to the published draft statutory instrument as a result of the written responses but changes to the published draft statutory instrument were made so that references to definitions aligned with the final version of The Financial Services and Markets Act 2023 (Private Intermittent Securities and Capital Exchange System Sandbox) Regulations 2025.
- 7.2 The previous Government published an HM Treasury led consultation in March 2024, which set out the proposed design of the regulatory regime for PISCES.<sup>1</sup> It was directed towards potential participants in PISCES such as companies, investors, and market operators; as well as regulated intermediaries (brokers, investment banks etc), professional service firms and trade associations. The consultation did not specifically mention Stamp Duty or SDRT. The consultation response published in November 2024 mentioned, however, that many respondents asked whether PISCES transactions would be subject to these taxes and that an announcement had been made at Autumn Budget 2024 that the Government would exempt PISCES transactions from Stamp Duty and SDRT.<sup>2</sup>

## **8. Applicable Guidance**

- 8.1 Guidance on the Stamp Duty and SDRT exemption for PISCES transactions will be incorporated in the relevant section of HMRC's Stamp Taxes on Shares Manual<sup>3</sup> once the instrument comes into force.

---

<sup>1</sup>Proposed Design of the Regulatory Regime for PISCES:

[https://assets.publishing.service.gov.uk/media/65e6f39e7bc329020bb8c279/Consultation\\_\\_\\_Private\\_Intermittent\\_Securities\\_and\\_Capital\\_Exchange\\_System.pdf](https://assets.publishing.service.gov.uk/media/65e6f39e7bc329020bb8c279/Consultation___Private_Intermittent_Securities_and_Capital_Exchange_System.pdf)

<sup>2</sup>PISCES Government Response:

[https://assets.publishing.service.gov.uk/media/67374daf12f25d730812722c/PISCES\\_consultation\\_response\\_November\\_2024\\_vf.pdf](https://assets.publishing.service.gov.uk/media/67374daf12f25d730812722c/PISCES_consultation_response_November_2024_vf.pdf)

<sup>3</sup> HMRC's Stamp Taxes on Shares Manual: <https://www.gov.uk/hmrc-internal-manuals/stamp-taxes-shares-manual/stsm041000>

## **Part Two: Impact and the Better Regulation Framework**

### **9. Impact Assessment**

- 9.1 A Tax Information and Impact Note was published on 30 October 2024.<sup>4</sup> It remains an accurate summary of the impacts that apply to this instrument.

#### ***Impact on businesses, charities and voluntary bodies***

- 9.2 There is no, or no significant, impact on business, charities or voluntary bodies. The measure will have a negligible impact on businesses operating as stockbrokers in relation to administrative burdens. One-off costs will include familiarisation with the legislation and implementation of the changes into business processes and IT systems which deal with the transfer and settlement of securities. Continuing costs to businesses in the normal day-to-day operation of the measure will be negligible.
- 9.3 Continuing savings could be realised by businesses as the measure will also remove any requirement to submit stock transfer forms to HMRC for stamping in relation to PISCES transfers, further reducing administrative burdens for stockbrokers.
- 9.4 There is also expected to be a reduction in administrative burden from stockbrokers not having to account for the Stamp Duty or SDRT that would have been due on purchases by their underlying clients (the end investors).
- 9.5 The measure is expected to have a positive impact on businesses whose shares will be traded on PISCES.
- 9.6 There is no significant impact on small or micro businesses. The measure is expected to have a positive impact on businesses whose shares will be traded on PISCES.
- 9.7 There is no, or no significant, impact on the public sector because the exemption is concerned with the transfer of shares in connection with trading activity that takes place on a PISCES.

### **10. Monitoring and review**

#### ***What is the approach to monitoring and reviewing this legislation?***

- 10.1 The approach to monitoring this legislation is that HMRC will monitor the change through information collected from external sources.
- 10.2 The instrument does not include a statutory review clause because the legislation relates to taxes, duties, levies or other charges and falls within the exemption in section 28(3)(a) of the Small Business, Enterprise and Employment Act 2015.

## **Part Three: Statements and Matters of Particular Interest to Parliament**

### **11. Matters of special interest to Parliament**

- 11.1 This is the first exercise of the power in section 56 of Finance Act 2025.
- 11.2 This instrument relies on a separate instrument establishing the legal framework for the PISCES sandbox. The title of the instrument is The Financial Services and Markets Act 2023 (Private Intermittent Securities and Capital Exchange System Sandbox) Regulations 2025.

---

<sup>4</sup> Tax Information and Impact Note: <https://www.gov.uk/government/publications/stamp-duty-and-stamp-duty-reserve-tax-power-to-make-changes-in-connection-with-fmi-sandboxes-and-exemption-for-piscses/stamp-duty-and-stamp-duty-reserve-tax-power-to-make-fmi-sandbox-related-changes-and-exemption-for-piscses>

## **12. European Convention on Human Rights**

- 12.1 The Economic Secretary to the Treasury has made the following statement regarding Human Rights:

“In my view the provisions of The Private Intermittent Securities and Capital Exchange System (Exemption from Stamp Duties) Regulations 2025 are compatible with the Convention rights”.

## **13. The Relevant European Union Acts**

- 13.1 This instrument is not made under the European Union (Withdrawal) Act 2018, the European Union (Future Relationship) Act 2020 or the Retained EU Law (Revocation and Reform) Act 2023 (“relevant European Union Acts”).