

## Stamp Taxes

### A. Introductory Note

1. This section presents data on Stamp taxes. It includes the years when the taxes were payable on documents but most duty does not now arise from these. Stamp duty reserve tax, which was introduced in 1986 and applies to electronic transactions in securities where there is no instrument of transfer, is also shown, as is Stamp Duty Land Tax which replaced Stamp duty on land transactions on 1 December 2003.

2. Up to the end of November 2003 instruments completing land transfers were subject to stamp duty, which was indicated by impressing embossed stamps on the documents themselves following presentation to the Stamp Office or, where composition arrangements operated, through a printed indication on the documents of the amount of payment of the duty. From 1 December 2003 Stamp duty on documents relating to land transactions was replaced by Stamp Duty Land Tax, a tax on the substance of the transaction rather than the instrument by which it is completed. In this introduction the term 'Stamp taxes' is used to refer collectively to stamp duty on share transfer instruments, Stamp Duty Reserve Tax, stamp duty on documents relating to land transactions and Stamp Duty Land Tax.

### B. Stamp Taxes

3. The main stamp taxes are charged on the transactions described below. The rates of duty vary with the type of transaction and the nature of the property. Stamp Duty Reserve Tax is charged on most transactions in securities.

#### **Land and other property (other than stock and marketable securities)**

4. Land transactions.

Up to 30 November 2003 conveyances and transfers of land and buildings and assignments of leases were, subject to any available reliefs, chargeable with stamp duty by reference to the purchase price (*'ad valorem'*). Since 1 December 2003 land transactions have been subject to Stamp Duty Land Tax, again by reference to the purchase price and subject to any applicable reliefs. The rates of duty which have applied since 1958 are set out in the table 'Rates of stamp duty'. Since March 2000 the rates have ranged from 1 per cent to 4 per cent depending on the purchase price. Stamp Duty Land Tax is not payable unless the price exceeds a threshold value, £125,000 for residential property from 2006-07, and £150,000 for non residential property in these years. For residential transactions entered into in 2008-09 before 3 September 2008

the above thresholds apply, but for residential transactions entered into on or after 3 September 2008, but before 31 December 2009, no Stamp Duty Land Tax was payable for transactions with consideration up to and including £175,000. Stamp Duty Land Tax is payable at rates which applied prior to 3 September 2008 for the final quarter of 2009-10. In the last few days of 2009-10, from 25 March 2010, and for the whole of 2010-11, purchases by first-time buyers of residential property with consideration over £125,000 but less than or equal to £250,000 were exempt from stamp duty land tax. For all years, where the price exceeds each threshold, duty is charged at the appropriate rate on the whole purchase price, including the part below the threshold.

5. Other property (apart from stock and marketable securities) transferred on sale.

Up to 30 November 2003 conveyances and transfers on sale of other property, e.g. goodwill, patents and debt, were also chargeable with stamp duty by reference to the purchase price, for the years for which information is given in the tables. The stamp duty charge on goodwill was abolished on 23 April 2002 and the charge to stamp duty on other property (other than stock and marketable securities, and partnership interests) was abolished on 1 December 2003, when Stamp Duty Land Tax replaced stamp duty on land transactions. The rates of duty were the same as for land and buildings.

6. Leases.

Grants of new leases of land and buildings are charged on both the premium (the capital sum paid by the purchaser) and the rental element. The premium attracts duty as on a freehold conveyance, but the £125,000/£150,000 threshold applies only if the annual rent does not exceed £1,000. Up to 30 November 2003 the charge to stamp duty on the rental element depended on the term of the lease and the average annual rent. Further details of stamp taxes on leases up to the end of November 2003 are given in the Stamp Office leaflet Stamp Duty on Buying a Leasehold Domestic Property (SO7). From 1 December 2003 the basis for taxing the rental element of new leases is changed. The charge is now based on the discounted net present value (NPV) of all the rent payable under the lease. The charge is 1% of the excess of the NPV over the threshold (£125,000 for residential leases, £150,000 for non-residential leases).

### **Stocks, shares, debentures etc.**

7. Transfers on sale.

Transfers of stocks and shares on sale are chargeable on the consideration given for the shares, at a single rate, currently ½ per cent. Before 13 March 2008, there was no consideration threshold beneath which stamp duty was not charged, but instruments executed on or after that date where the consideration is £1,000 or less do not attract a stamp duty charge.. Before 1984 the rate was 2 per cent but it was then reduced to 1 per cent. It was further reduced to ½ per cent from 27 October 1986. At the same time the duty was then widened to include certain transfers previously exempted including company takeovers and mergers, letters of allotment, purchase by a company of its own shares, and certain loan stock. A higher rate of duty - 1½ per cent applies where shares are transferred to a depository bank for conversion into depository receipts or transferred to a clearance service. This charge operates as an up-front 'season ticket' and subsequent transfers of the securities with the books of the depository bank or clearance service do not attract the usual 0.5% charges.

#### 8. Stamp duty reserve tax.

Most transactions in securities now take place without the need to execute an instrument of transfer, notably dealings in dematerialised shares such as within the CREST system. SDRT, introduced in 1986, applies to the underlying agreement to transfer chargeable securities. It is charged at the same rate as stamp duty on paper transfers, i.e. 0.5% of the consideration. A higher rate (1.5%) season ticket charge also applies to transfers to a depository bank or clearance service. Unlike stamp duty, however, the 1.5% charge also applies to issues of chargeable securities to those entities, although, from 1 October 2009, following an adverse decision in the European Court of Justice, the charge is no longer collected in respect of issues to European Union clearance services or depository receipt issuers.

### **Other stamp duties**

#### 9. Fixed Stamp Duty

Certain categories of instrument used to be chargeable with a fixed amount of stamp duty rather than *ad valorem*. These included instruments transferring property 'otherwise than on sale' such as those transferring legal rather than beneficial ownership of property, duplicate instruments, declarations of trust and transfers following death or divorce. . From October 1999 to 12 March 2008 the rate of fixed duty was set at £5. This was abolished with effect from 13 March 2008.

#### 10. Penalties.

Under stamp duty, these are charged on documents presented after a period of 30 days from the date the transfer instrument is executed. From 1 October 1999 to the end of November 2003 interest was charged on land documents on late submission of the instrument or delayed payment of duty. A de minimis limit of £25 applied to the interest charge. For land transactions from 1 December 2003 penalties are charged on late submission of a land transaction return. A return is late if submitted more than 30 days after the transaction to which it refers. Penalties based on the amount of understated tax are also applicable where an incorrect return is submitted. Late payment of tax also incurs interest from 30 days after the date of the transaction. It has not been possible to separately provide receipts arising from Penalties for 2004-05 or later years and these are incorporated into either Land and Property or Shares as appropriate.