

# 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 transactions in securities where there is no deed 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 documents relating to land transactions were subject to stamp duty, which was indicated by stamps put 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 document itself. In this introduction the term 'Stamp taxes' is used to refer to stamp duty on share documents, 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 chargeable to stamp duty by reference to the purchase price and whether any reliefs applied. Since 1 December 2003 these land transactions have been subject to stamp duty land tax, again by reference to the purchase price and the existence of any 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 if the price does not exceed a threshold value, £125,000 for residential property for 2006-07 and 2007-08, for example, and £150,000 for non residential property in these years. For residential transactions completed in 2008-09 before 3 September 2008 the above thresholds apply but for residential transactions completed on or after 3 September 2008 no stamp duty land tax is payable for transactions with consideration up to and including £175,000. 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 (other than stock and marketable securities) on sale.

Up to 30 November 2003 conveyances and transfers of other property, e.g. goodwill, patents and debt, were also chargeable to 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) 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

£600. 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 are chargeable on the price of the shares, at a single rate, currently ½ per cent and with no threshold. 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 - is charged where shares are converted into depository receipts or transferred to a clearance service.

8. Stamp duty reserve tax. Most transactions in securities now take place without an instrument of transfer, notably dealings in dematerialized shares such as within the CREST system. SDRT, introduced in 1986, applies to these transactions. It is charged at the same rate as stamp duty on paper transfers. It also applies to the purchase of securities registered in the name of a nominee who acts for both buyer and seller, and the purchase of securities which are resold before they are transferred to the buyer.

### **Other stamp duties**

9. Documents not classified. These are mainly those charged with fixed duties and consist largely of duplicate documents and deeds of trust. From October 1999 to end November 2003 the fixed duty was set at £5. This was abolished on 1 December 2003.
10. Penalties. These are charged on documents submitted after the 30 day period permitted for submission after completion of the sale. From 1 October 1999 to the end of November 2003 interest was charged on late submission of document or delayed payment of duty. A de minimus limit of £25 applied to the interest charge. 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.

### **C. Enquiries and Further Information**

- 11 Requests for further information should be addressed to Mossisa Regassa, KAI Analysis (Enterprise and Property), HM Revenue & Customs, 100 Parliament Street, London SW1A 2BQ. A telephone enquiry number for this section is given in the 'Update calendar and enquiry points' page.