Modernisation of stamp taxes on shares framework: CIOT response

General Features

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The CIOT responded to the call for evidence published on 21 July 2020 on the Modernisation of the Stamp Taxes on shares framework, agreeing that modernisation would be welcome and saying that the aim should be for a new, modernised framework which is based on a single tax and introduce a self-assessment system of tax.

The stamp taxes on shares (STS) framework encompasses the legislation, guidance and administrative processes that allow HMRC to administer stamp duty and SDRT. In our response to the call for evidence exploring how the framework could be modernised, the CIOT said that we hoped that this call for evidence is the start of a medium to long term project. We envisage a new, modernised STS framework which is based on a single tax and would:

- be based largely on the principles/scope of SDRT legislation but including the reliefs found in stamp duty; and
- introduce a self-assessment system of tax, filed by way of a return (like stamp duty land tax and other taxes).

We hope this call for evidence is the first step in a process and that there will be several stages of further consultations as the shape of a new STS framework is developed. We agreed that it would be difficult to modernise the STS framework in a piecemeal fashion and said that there should be consultation on specific policy and legislative changes that become apparent as the modernised framework takes shape. The CIOT looks forward to being involved in this process.

With regard to legislation, our response noted that, ultimately, the best outcome would be if legislation is consolidated and re-written to reflect the design and application of the new STS framework. Although the legislation will inevitably draw

heavily on some aspects of existing legislation, one of the current difficulties with the existing STS framework is the piecemeal nature of the legislation, which makes the rules very difficult to navigate. It would be preferable, therefore, if the end result was a new body of legislation – whether an act or a schedule to a Finance Act – which puts all of the rules in one place.

We strongly suggested that in the interim the government should make such changes to the existing stamp duty rules as are necessary to enshrine the 'virtual' stamping procedures which have been so successfully implemented in response to the COVID-19 pandemic, and to address some of the unresolved issues (for example, around submitting actual documents in the future) to provide taxpayers with appropriate comfort in respect of the virtual procedures.

We said that in the shorter term, the government should not make any material changes to SDRT or CREST (other than changing the cancellation clauses in FA 1986 s 92 to reflect the 'virtual' stamping procedures in legislation) since SDRT is currently well understood by the capital markets and CREST operates smoothly.

The call for evidence and our full response is available here.

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