EXPLANATORY MEMORANDUM TO

THE STAMP DUTY AND STAMP DUTY RESERVE TAX (EXCHANGE TRADED FUNDS) (EXEMPTION) REGULATIONS 2014

2014 No. 911

1. This explanatory memorandum has been prepared by Her Majesty's Revenue & Customs (HMRC) on behalf of the Treasury and is laid before the House of Commons by Command of Her Majesty.

This memorandum contains information for the Select Committee on Statutory Instruments.

2. Purpose of the instrument

2.1 These regulations provide exemptions from stamp duty and stamp duty reserve tax for transfers of units in exchange traded funds.

3. Matters of special interest to the Select Committee on Statutory Instruments

3.1 None.

4. Legislative Context

4.1 This instrument is being made to give effect to the announcement by the Government at the 2013 Autumn statement that transfers of units in exchange traded funds will be made exempt from stamp duty and stamp duty reserve tax.

5. Territorial Extent and Application

5.1 This instrument applies to all of the United Kingdom.

6. European Convention on Human Rights

As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

7. Policy background

- ***What is being done and why***

7.1 Exchange Traded Funds (ETFs) are a type of "collective investment scheme" or fund whose shares can by bought and sold on a stock exchange as well as through the fund manager. The Government announced at the 2013 Autumn Statement that the stamp duty or stamp duty reserve tax that would currently be chargeable on the purchase of shares in a UK-established ETF will be abolished.

7.2 There are currently no ETFs established or domiciled in the UK due to the stamps charge on buying shares in them. This measure will remove the main barrier to ETFs being domiciled in the UK.

- Consolidation

7.3 HMRC has no plans to consolidate these regulations with the existing regulations.

8. Consultation outcome

8.1 HMRC consulted informally with the major investment management industry representative body before drafting the regulations. The draft regulations were published for consultation for four weeks because they are straightforward and uncontroversial. There were no responses.

9. Guidance

9.1 HMRC will amend the relevant guidance to reflect changes made by these regulations.

10. Impact

10.1 The impact on business, charities or voluntary bodies is negligible.

10.2 The impact on the public sector is negligible.

10.3 A Tax Impact Information Note was published on 13 February 2014 alongside the draft regulations and is available on the HMRC website at http://www.hmrc.gov.uk/thelibrary/tiins.htm. It remains an accurate summary of the impacts that apply to this instrument.

11. Regulating small business

11.1 The legislation applies to small business.

11.2 This instrument will not impose any additional requirements. All sizes of firms, including those employing up to 20 people, will need to be aware of the amendments made to the legislation.

12. Monitoring & review

12.1 There will be no specific monitoring of the effects of these regulations. Their effect will be monitored through regular communication with the investment management industry.

13. Contact

Jeremy Schryber at Her Majesty's Revenue and Customs Tel: 03000 585 762 or email: jeremy.schryber@hmrc.gsi.gov.uk can answer any queries regarding the instrument.