EXPLANATORY MEMORANDUM TO

THE STAMP DUTY AND STAMP DUTY RESERVE TAX (SINGAPORE EXCHANGE SECURITIES TRADING LIMITED) (RECOGNISED FOREIGN EXCHANGE) REGULATIONS 2013

2013 No. 1113

1. This explanatory memorandum has been prepared by HM Revenue and Customs 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 prescribe the market known as Singapore Exchange Securities Trading Limited as a recognised foreign exchange for the purposes of stamp duty and stamp duty reserve tax (SDRT) relief.

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

3.1 None

4. Legislative Context

4.1 The trading of shares in UK companies on Singapore Exchange Securities Trading Limited can result in charges to stamp duty and SDRT.

4.2 Sections 80B(3) and 80B(9) Finance Act 1986 permit the Treasury to make regulations to prescribe a market which is not in the European Economic Area (EEA) as a recognised foreign exchange.

4.3 A recognised foreign exchange can enable its members to apply for intermediary status and eligibility for stamp duty and SDRT relief.

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 Singapore Exchange Securities Trading Limited operates under rules similar to those of an equivalent EEA exchange. Furthermore, there is a Memorandum of Understanding between the UK Financial Services Authority and the Monetary Authority of Singapore, providing evidence that Singapore Exchange Securities Trading Limited is regulated to acceptable standards.

7.2 Transactions of UK securities on Singapore Exchange Securities Trading Limited can result in charges to stamp duty and SDRT.

7.3 These regulations, which prescribe Singapore Exchange Securities Trading Limited as a recognised foreign exchange, will enable its members to apply for intermediary status and eligibility for stamp duty and SDRT. This will improve liquidity on the exchange and the functioning of the stock market.

- ***Consolidation***

7.4 Not applicable.

8. Consultation outcome

8.1 This instrument follows a request from, and consultation with Singapore Exchange Securities Trading Limited. Singapore Exchange Securities Trading Limited will enter into an arrangement with HM Revenue and Customs in order to allow members of the exchange to apply for intermediary status and eligibility for stamp duty and SDRT relief.

9. Guidance

9.1 No HM Revenue and Customs guidance or other form of publicity is deemed necessary other than publication of the new instrument.

10. Impact

10.1 The provision of intermediary relief from stamp duty and SDRT is likely to increase activity on Singapore Exchange Securities Trading Limited. This will benefit UK companies to be listed on the SGX-ST from the end of June 2013, specifically those companies listed on the FTSE 100. Their shares will be more accessible to purchase with

potential for them to access further sources of capital. There is no impact on charities or voluntary bodies.

10.2 There is no impact on the public sector.

10.3 A Tax Information and Impact Note covering this instrument will be published on the HMRC website at http://www.hmrc.gov.uk/thelibrary/tiins.htm.

11. Regulating small business

11.1 The legislation does not apply to small business.

12. Monitoring & review

12.1 HM Revenue and Customs will continually monitor the practical application of the new regulation.

13. Contact

Anne Berriman at HM Revenue and Customs, Tel: 020 7147 0438 or email: anne.berriman@hmrc.gsi.gov.uk can answer any queries regarding the instrument.