EXPLANATORY MEMORANDUM TO

THE STAMP DUTY RESERVE TAX (FINANCE ACT 1999, SCHEDULE 19) (CONSEQUENTIAL AMENDMENTS) REGULATIONS 2014

2014 No. 1932

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

2. Purpose of the instrument

These regulations make amendments to secondary legislation consequential to the abolition of the charge to stamp duty reserve tax (SDRT) in Part 2 of Schedule 19 to the Finance Act 1999 (the "Schedule 19 charge"). This SDRT charge is on UK unit trusts and UK open ended investment companies (OEICs) when units or shares are surrendered by investors to the managers of the scheme.

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

3.1 None

4 Legislative Context

4.1 A Schedule 19 charge arises when an investor notifies a fund manager that they wish to surrender units or shares in a UK unit trust or UK OEIC.

4.2 The abolition of the Schedule 19 charge was announced at Budget 2013. The Schedule 19 charge is abolished by section 114 of the Finance Act 2014.

4.3 The abolition has effect retrospectively from 30 March 2014. The consequential amendments made by this instrument also have retrospective effect from that date.

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 The Schedule 19 charge is only applied to surrenders of interests in UK domiciled unit trusts and OEICs. Since the charge is only applied to UK funds, investors who do not wish to bear the cost of it have the option of investing in funds that are domiciled offshore.

7.2 The Schedule 19 charge is being abolished to improve the competitiveness of UK funds and remove the deterrent to domiciling funds in the UK.

7.3 There are a number of references to the Schedule 19 charge and related legislation in secondary legislation. This instrument makes the amendments needed consequent to the abolition of the Schedule 19 charge.

- **Consolidation**

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

8. Consultation outcome

8.1 A draft Instrument was published for consultation in December 2013. No comments were received about the draft Instrument.

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 10 December 2013 alongside the draft Finance Bill 2014 clause and is available on the HMRC website at http://www.hmrc.gov.uk/thelibrary/tiins.htm.

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 this amendment to regulations. The abolition of the Schedule 19 charge will be monitored through regular communication with affected taxpayer groups.

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.