
Editorial

Reform of Stamp Duty

Stamp duty is felt by many to be a rather outdated form of taxation, complicating the free transfer of certain types of property. Abolition does not seem likely in view of its current yield to the Treasury of £1,000 million; the Government has, however, accepted the need for reform. The Inland Revenue consultative document, "The Scope for Reforming Stamp Duties", outlines some possible areas of change. There is no doubt that the stamp duty aspects of inter-company transfers or reconstructions add to the complexity and expense of such operations, and simplification and removal of anomalies would be desirable. However, while the suggested reforms would reduce the administrative expenses of the Revenue, in some cases they would increase the duties payable by companies.

The document reviews in detail the exemption for renounceable allotment letters (paras 6.18–22). While the case is accepted for such relief for bona fide new issues of shares, the document casts some doubt on whether continuation of the "pref-trick" duty saving scheme on acquisitions of shares for cash will be

permitted. The document also reviews the exemptions for corporate restructuring and merger transactions (s 55, FA 1927 and s 42, FA 1930). Here the present qualifying conditions are seen as too rigorous and are likely to be brought into line with the related capital duty exemption — in particular the current 90 per cent shareholding or acquisition requirement is likely to be replaced by a 75 per cent requirement.

The possible abolition of duty on gifts *inter vivos* prompts the Revenue to ask whether company registrars would insist on all exempt transfers being formally adjudicated (as considerable Government administrative savings could be made if adjudication were not to be generally required); the answer is obvious: registrars would accept unadjudicated transfers if the governing legislation gave them the necessary authority and protection.

The Revenue recognises in the document that in the longer term the days of stamp duty may be numbered, as the progressive shift from manual to computerised record-keeping may force a change from a document-based duty to a transaction-based duty which would involve heavier collection costs.

Comments on the document are invited by September 30.