

ClientAlert

Tax

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Stamp duty and SDRT exemption: recognised growth markets

As first announced in Budget Speech 2013, the Finance Bill 2014 abolishes, with effect from 28 April 2014, stamp duty and stamp duty reserve tax (SDRT) on transactions in shares and securities admitted to trading on a "Recognised Growth Market" provided they are not also listed on that or any other market.

To date, five markets have been granted Recognised Growth Market status, including, in particular, the Alternative Investment Market. The full list is set out as follows:

- Alternative Investment Market (AIM)
- High Growth Sector (HGS)
- Enterprise Securities Market (ESM)
- ICAP Securities and Derivatives Exchange Limited (ISDX)
- GXG Markets A/S

In order to be eligible for Recognised Growth Market status, a market must be a recognised stock exchange and meet one of two conditions:

- a majority of companies trading on that market are companies with market capitalisations of less than £170m; or
- the market's rules require that companies seeking admission be able to demonstrate at least 20% compounded annual growth in revenue or employment over the three years preceding admission.

Markets may apply to HMRC for recognition as a growth market and the above list is expected to be updated by HMRC as and when such recognition is granted.

For the exemption to apply, AIM and HGS companies must certify to Euroclear UK & Ireland Limited (Euroclear) that the relevant shares or securities are admitted to AIM or HGS and not listed on any market. In addition, AIM and HGS companies are required to give not less than two business days' notice in advance to Euroclear should their securities cease to be eligible for the exemption.

There may be similar measures imposed on companies admitted to trading on other Recognised Growth Markets.



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