

# CONSULTATION PAPER

Review of the Application of Stamp Duty to Stocks and Marketable Securities of Irish Incorporated Companies

29/09/2017



An Roinn Airgeadais  
Department of Finance

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# 1. Introduction

The objective of this consultation is to review the rationale for retaining Stamp Duty on share transactions in its current form in the context of a changing financial and economic environment. Any such move would be to encourage the development of businesses listed on the Main Securities Market of the Irish Stock Exchange. In approaching this question, it is of course important to conduct an assessment of the potential impact such a change may have on the Irish economy.

The Minister for Finance and Public Expenditure & Reform, Paschal Donohoe TD, invites interested parties to make submissions in relation to the above topic. The consultation period will run to **5pm on 31 October 2017**. Any submissions received after this date may not be considered.

## 2. Context

Stamp Duty is generally a tax on documents or instruments. To be liable an instrument must be listed in Schedule 1 to the Stamp Duties Consolidation Act 1999. It must also be executed in Ireland or, if executed outside Ireland, it must relate to property situated within Ireland or something done or to be done in Ireland. Some instruments may benefit from an exemption or relief.

Stamp Duty chargeable in Ireland falls into two main categories:

- The first comprises the duties payable on a wide range of legal and commercial documents, including (but not limited to) conveyances of property, leases of property, share transfer forms and certain agreements.
- The second category comprises duties and levies payable by reference to statements. These duties and levies mainly affect banks and insurance companies and include a duty in respect of financial cards e.g. Credit, ATM, Laser and Charge cards, and levies on certain insurance premiums and pension schemes.

## 3. Background

The “Getting Ireland Brexit Ready” document, published in conjunction with Budget 2017, committed to conduct a review of Stamp Duty on share transactions in 2017. This document noted that it was proposed to carry out a review of the application of Stamp Duty to stocks or marketable securities of an Irish incorporated company in the context of the sustainability of the Stamp Duty yield and the future relationship between the EU and the UK. The review will also take account of competitiveness issues.

## 4. Details on the Charge to Stamp Duty on Share Transactions

Documents transferring stocks and marketable securities are chargeable at a rate of 1% of the amount or value of the consideration paid (subject to rounding down to the nearest Euro when the calculation results in an amount which is not a multiple of €1) unless the consideration is €1,000 or less.

## 5. Current Exemptions

Where the consideration for the transfer of shares is €1,000 or less and the transfer does not form part of a larger transaction or of a series of transactions the transfer is exempt from Stamp Duty.

Where the transfer, whether on sale or by gift, takes place electronically through the CREST system the rate of Stamp Duty is 1% regardless of the amount or value of the consideration for the sale, or the value of the stocks and marketable securities in the case of a gift, i.e. the threshold of €1,000 mentioned in section 4 above does not apply and there is no rounding down to the nearest Euro when the calculation results in an amount which is not a multiple of €1.

## 6. ESM Stamp Duty Exemption

The Enterprise Securities Market (ESM) is the Irish Stock Exchange's (ISE) market for growth companies. It is designed for mid-sized companies particularly those in the early stages of their development that have specific funding needs.

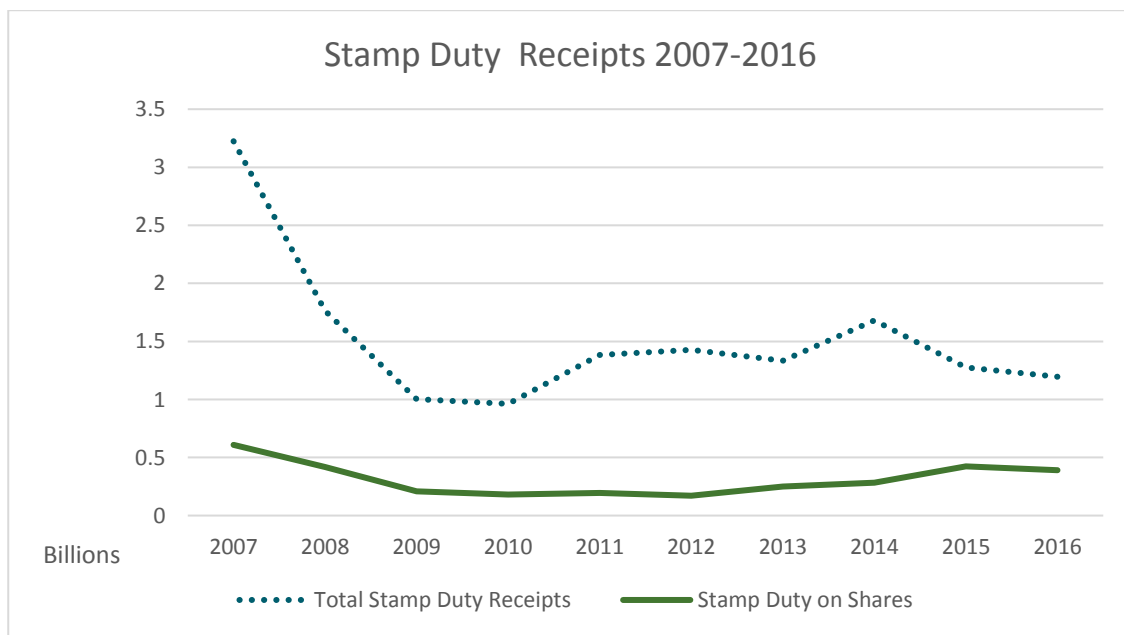
As of 05 June 2017, shares purchased in companies listed on the ESM are exempt from Stamp Duty. The purpose of this exemption is to encourage more investors to back SMEs, thereby increasing the supply of equity available for growth and job creation. It is also hoped it would encourage entrepreneurs and growing businesses to use public equity to raise finances.

The measure is a tax relief, i.e. an exemption from Stamp Duty on transfers of shares in Irish companies admitted to the ESM. The exemption does not directly benefit the company itself, but rather the person buying the shares in the company from a third party vendor.

# 7. Historic Yields of Stamp Duty on Share Transactions

The table below shows the receipts from Stamp Duty on shares in the years 2007 – 2016. The annual receipts ranged from €609 million in 2007 to €392 million in 2016, which were 19% and 33% of the respective total Stamp Duty receipts for those years.

Year	Total Stamp Duty Receipts	Stamp Duty on Shares	% of Total SD Receipts from Share Transactions
2007	€3224m	€609m	19%
2008	€1763m	€419m	24%
2009	€1003m	€208m	21%
2010	€962m	€182m	19%
2011	€1383m	€195m	14%
2012	€1426m	€171m	12%
2013	€1333m	€251m	19%
2014	€1680m	€282m	17%
2015	€1276m	€424m	33%
2016	€1196m	€392m	33%



## 8. International Developments

A proposal for a Directive from the European Commission in relation to a Financial Transaction Tax (FTT) was published in February 2013. The Government's position is that FTT would be best applied on a wide international basis to include the major financial centres and to prevent the danger of activities gravitating to jurisdictions where taxes are not levied on financial transactions. Notwithstanding this, the Government previously indicated that it did not wish to stand in the way of EU Member States that wish to work together to implement FTT, and in this regard adoption of a decision formally authorising enhanced cooperation took place during the Irish Presidency of the EU in January 2013. Our concerns are widely shared amongst other Member States, including some of the participating countries (Austria, Belgium, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain). Further work at the European Council and its preparatory bodies will be required before a final agreement can be reached among the participating countries and the Member State not participating. A number of countries have implemented financial transaction taxes including some European states notably Belgium, France, Italy, Greece and the UK (Stamp Duty Reserve Tax – see 9 below).

## 9. UK Stamp Duty

The UK charges a Stamp Duty Reserve Tax at 0.5% of the value of shares transferred for purchases of more than £1,000. From 28 April 2014 the UK abolished Stamp Duty and Stamp Duty Reserve Tax on securities admitted for trading on recognised growth markets provided that they are also not listed on a recognised stock exchange.

## 10. Views Sought

The Minister for Finance invites interested parties to make submissions regarding:

- Whether Stamp Duty on share transactions continues to be justified as part of our overall taxation system;
- The extent to which Brexit related developments should influence policy on reducing or eliminating Stamp Duty on share transactions;
- What alternative revenue streams from the financial services area or elsewhere could be considered to replace the revenue forgone in the event of a reduction or elimination of Stamp Duty on shares;

- What direct impact Stamp Duty on share transactions would have on Ireland's competitive position post-Brexit;
- Is there any evidence that reduction or elimination of Stamp Duty on shares will result in an increase in availability of equity finance for corporate entities;
- What impact, if any, will a reduction or elimination of Stamp Duty on shares have on trading in equities in terms of volume and share price volatility and;
- Will a reduction or elimination of Stamp Duty on shares have any impact for pension funds or wealth management activity?

## 11. In responding to this consultation you are invited to:

- Give your views on the specific points set out above. You need not address every point – you may choose to address any or all of the points.
- Provide details of relevant issues not covered in this paper.
- Comment on the general direction in which you would like to see tax policy in this area develop.



## 12. The Consultation Process

### Consultation Period

The consultation period will run to **5pm on 31 October 2017**. Any submissions received after this date may not be considered.

### How to Respond

The preferred means of response is by e-mail to: [StampDutyConsultation@finance.gov.ie](mailto:StampDutyConsultation@finance.gov.ie)

Alternatively, you may respond by post to:

***Public Consultation – Review of Stamp Duty on Share Transactions  
Tax Division  
Department of Finance  
Room 2.1  
14-16 Upper Merrion Street  
Dublin 2, D02 K728***

Please include contact details if you are responding by post.

When responding, please indicate whether you are contributing to the consultation process as a professional adviser, representative body, corporate body or member of the public.

### Freedom of Information

Responses to this consultation are subject to the provisions of the Freedom of Information Acts. Parties should also note that responses to the consultation may be published on the website of the Department of Finance.

### After the Consultation

Responses received will be taken into consideration when finalising the Department's policy choices for each of the options specified in this paper.

### Queries

Please email [StampDutyConsultation@finance.gov.ie](mailto:StampDutyConsultation@finance.gov.ie) should you have any queries.