Stamp Duty: Change to Stock Transfer Form (‘STF’)

Many small to medium companies run their company books themselves and small changes to standard forms can sometimes go unnoticed, causing extra hassle and delay when it comes to changing ownership of the shares in the company.

Since 13 March 2008, nearly all of the £5 fixed duties on the transfer of shares were abolished. It has no longer been necessary to certify on the reverse of an STF that a transaction is exempt from stamp duty and why (which was formerly necessary under the Stamp Duty (Exempt Instruments) Regulations 1987 (SI 1987/516)). A new Certificate 2 has been added to the reverse of the STF for use when a share transfer is otherwise exempt from stamp duty or there is no chargeable consideration. But why has this new Certificate 2 been added and when do you need to complete it?

The new Certificate has been added to assist Company Registrars who may have received an unstamped STF for the purpose of updating the Company Register without any indication as to the reason for the Form not having been stamped.

Why has the new certificate been introduced?

In the absence of an explanation, there is also uncertainty for the Registrar in some cases where the consideration payable is non-chargeable consideration, or where the consideration is nil. Company Registrars are liable to a penalty of up to £300 if they update a company’s register using an STF that has not been duly stamped. This has led to Registrars rejecting STFs where it is unclear why the form has not been stamped and has resulted in additional work for both

Registrars and practitioners.

The new Certificate is designed to remove the present uncertainty. It is for cases where either: the transfer is exempt otherwise than by reason of consideration not exceeding £1,000 (which is certificate 1) or the consideration is not chargeable consideration (that is, is neither cash, debt or other shares). In addition, the new STF has a footnote saying that if either Certificate is signed, or if the consideration is nil, the STF should not go to HM Revenue & Customs (HMRC) but should go to the Registrar.

What does this mean for the Company Secretary?

It remains to be seen how effective this will be. The new style STF was made available from 6 April 2012. HMRC recommends that it be used for all share transfers from that date onwards; indeed, HMRC has stated that the old STF will not be accepted after 5 September 2012. If the old STF is used meanwhile, HMRC recommends either adding the new Certificate manually to the reverse of the form and getting it signed, or providing the Registrar with further information about the transaction, including supporting documentation if appropriate (in particular, explaining why the transaction is exempt from stamp duty).

If you are changing the ownership of the shares in your company, there may be more to consider than just the stock transfer paperwork. To make sure your commercial interests are protected call John Burrowes, or Robin Hooper to consider your options.