Securities Transfer Tax: a welcome simplification for LP secondary transactions?

Tax Talks on **July 21, 2026**

The UK government has published draft legislation for a new Securities Transfer Tax (STT), which is expected to replace the existing stamp duty and stamp duty reserve tax (SDRT) regimes for transfers of securities.

The proposal is intended to modernise and simplify the UK's stamp taxes on shares regime by replacing the current combination of paper-based stamp duty and agreement-based SDRT with a single, self-assessed, digital-first tax. The government is not proposing to change the main headline rate, with the principal STT charge expected to preserve the existing 0.5% charge on chargeable consideration.

For private capital sponsors, fund managers, secondaries investors and advisers, one of the most interesting aspects of the draft legislation is the proposed treatment of partnership interests. Very broadly, STT will apply to transfers of UK securities and interests in UK securities, but ordinary transfers of partnership interests should not be within scope merely because the partnership holds UK securities. A specific anti-avoidance rule is proposed for cases where partnership structures are used to avoid STT.

If enacted in its current form, this would be a welcome development for the market in secondary transfers of limited partnership interests.

Current stamp duty position

The current stamp taxes on shares regime is split between stamp duty and SDRT.

Stamp duty is a tax on instruments transferring stock or marketable securities, such as a stock transfer form. It is generally charged at 0.5% of the consideration (with higher 1.5% charges potentially applying in certain depositary receipt and clearance service cases). The regime is old, highly instrument-based and spread across a number of pieces of legislation. Stamp duty can apply in various scenarios, including where the instrument transfers shares in a UK incorporated company, or where the instrument is executed in the UK, or where original transaction documents are executed outside the UK but physically brought into the UK after execution.

SDRT was introduced later to deal with agreements to transfer chargeable securities, including paperless and CREST-settled transactions. SDRT is also generally charged at 0.5% (but with higher 1.5% charges also potentially applying in certain depositary receipt and clearance service cases).

The two regimes include rules to prevent double taxation, but their overlap and variance in scope can create complexity. In broad terms, SDRT may be cancelled or refunded where the relevant instrument is duly stamped, or where the transfer is not chargeable to stamp duty because of a relief or exemption.

Why LP secondary transactions matter

Under the current stamp duty regime, transfers of limited partnership interests can create technical UK stamp duty concerns in some circumstances, particularly because of the broad territorial scope of stamp duty and the historical focus on instruments.

In practice, parties to LP secondary transactions have often sought to manage this risk by ensuring that transaction documents are executed outside the UK and that original documents are kept outside the UK. This can be difficult in a market where documents are frequently executed electronically and transactions are managed across multiple jurisdictions.

The issue has also led to market practice involving stamp duty risk allocation provisions and covenants dealing with who bears the cost if UK stamp duty becomes payable, for example because an original document needs to be brought into the UK or produced in UK proceedings.

The draft STT legislation appears to move away from this position. The focus of the new regime is on transfers of chargeable securities and interests in chargeable securities, with a targeted anti-avoidance rule for partnership interests. Under that rule, a partnership interest may be treated as a chargeable security where the partnership holds chargeable securities and those securities came to be held as partnership property as part of arrangements whose main purpose, or one of the main purposes, was the avoidance of STT.

That should mean that ordinary transfers of fund limited partnership interests are generally outside scope, while preserving HMRC’s ability to challenge avoidance structures.

What will STT apply to?

The government’s stated aim is simplification and modernisation, rather than a fundamental change in the policy of taxing transfers of UK securities.

The main STT charge is expected to apply where a person agrees to transfer chargeable securities to another person for consideration in money or money’s worth.

Very broadly, chargeable securities include shares and certain equity-like debt interests, such as convertible loan notes, in UK incorporated companies, together with units in certain UK unit trusts and interests in or rights arising out of those securities.

For fund managers using Jersey or Guernsey incorporated, UK tax resident companies and plain vanilla debt instruments in their holding structures, the STT rules as currently drafted should broadly mirror the current stamp tax regime with transfers of shares in such companies and such debt instruments expected to fall outside the scope. Various reliefs, notably group relief and relief for insertion of a new holding company, are broadly replicated from the current stamp tax regime.

The higher 1.5% charge for certain transfers into depositary receipt and clearance service systems is also being dealt with as part of the wider modernisation project.

Digital reporting and payment

A key administrative change is that STT would be digital-first. Transactions that are not dealt with through CREST would be reported through a new HMRC online portal. This would replace the current process under which one of the parties, typically the buyer, writes to HMRC to request stamping following payment of the relevant duty.

The government also expects the portal to issue a unique transaction reference number. That should allow registrars to update share registers without the delays currently associated with stamping transfer instruments.

It is proposed that for "electronic transactions", which seems to include paperless CREST-settled transactions, currently subject to SDRT, the STT charge would arise on the date of the agreement (or on the date of satisfaction of the final condition) and be payable within 14 days after this, which broadly aligns with the current SDRT position.

However, for other transfers, it is proposed that the charge would arise where the transaction is "substantially completed", which is a new concept linked to certain milestones, such as payment of consideration, exercise of voting rights and receipt of dividends, with STT payable within 30 days following this. This represents a change from the current stamp duty position where it is effectively payable within 30 days of execution of the instrument transferring beneficial interest in the shares.

Timing and next steps

The government is aiming to introduce STT in 2027, with the exact commencement date still to be confirmed. From commencement, stamp duty and SDRT would no longer apply to transfers of securities entered into on or after that date, subject to proposed transitional provisions for pre-commencement transactions.

HMRC is seeking technical feedback on the draft legislation by 7 September 2026.

For private capital participants in secondary transactions, the key point to monitor will be whether the final legislation preserves the proposed approach to partnership interests. If it does, the reforms could materially simplify the execution of LP secondary transactions and reduce the need for some of the UK stamp duty execution protocols and risk allocation provisions that have historically been used in the market.

Related Professionals

- **Richard Miller**
  Partner
- **Daniella Abel**
  Partner
- **David M. Ward**
  Associate