Tax briefing note
Stamp duty on shares

June 2025

What is it?

Stamp duty on shares refers to two taxes on the purchase of most shares and some other financial instruments payable by the buyers. Most bond transactions are exempt. Stamp duty reserve tax (SDRT) applies to electronic transfers of shares. It was introduced in 2003, replacing stamp duty which was first introduced in England in 1694. It is rounded up to the nearest penny. Stamp duty still applies to paper share certificates over £1,000 in value and is rounded to the nearest £5.

A standard rate of 0.5 per cent has applied since 1986, when it was halved from 1 per cent, having been halved two years previously from 2 per cent. Stamp duty historically applied to land and buildings (at various rates) but in 2003 this ended with the introduction of the new, separate stamp duty land tax. In 2014, shares listed on the London Stock Exchange's alternative investment market and high growth segment became exempt from SDRT. Subscriptions to new share of offerings, purchases of units in a unit trust and purchases of shares in an open ended investment company are also exempt.[1]

What's the problem with it?

Stamp duties reduce the efficiency of stock markets for UK companies, with a disproportionately large burden on marginal investment projects, and they distort merger and acquisition activity, encouraging overseas ownership. Liability on equity transactions but not debt encourages a bias towards using debt.

It makes raising capital more expensive in two ways. First, to raise capital, investors must pay the stamp duty bill as well as the investment sum. Secondly, by shifting the balance between investments away from equity, it reduces the size of the market which then leads to investors demanding a higher return to reflect the increased chance of being unable to sell their shares quickly and easily. This effect is particularly acute for smaller companies because their shares are traded less frequently so investors price in anticipated 'flight to liquidity', which makes capital more expensive.

Efficient capital markets enable companies to grow, creating jobs and prosperity. Harming their efficiency is a particularly destructive way of raising tax revenue, not only hitting the (primarily pension) funds which own most shares, but also the whole economy due to the destructive effects mentioned above.[2]

What should be done?

Abolish stamp duty entirely and without delay. A partial reduction or phased abolition would not be justified given the relatively small impact on public finances (stamp duty on shares accounts for under half of 1 per cent of total revenues).

[1] HM Government, Tax when you buy shares, 2022, www.gov.uk/tax-buy-shares (accessed 4 April 2025).
[2] Oxera, Stamp duty: its impact and the benefits of its abolition, May 2007.