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STAMP DUTY ON AIM SHARES ABOLISHED

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Kate Burgess, Small Companies Correspondent, London, England

Fans of equities in small companies cheered the 2013 Budget move to abolish stamp duty on shares quoted on the London Stock Exchange's (LSE) Alternative Investment Market (AIM).

Buyers of shares traded on growth markets such as AIM will no longer have to pay the 0.5% tax from April next year, adding to the already substantial tax breaks available to investors in the junior market.

When this regime is in place, it will mean investors in AIM shares will be able to avoid capital gains tax, income tax, inheritance tax and now stamp duty too.

The decision follows years of lobbying by the LSE and the Quoted Companies Alliance (QCA) and should provide a boost to AIM.

Gervais Williams, specialist small-cap fund manager at Milton and a QCA director, said: "Removing stamp duty will reduce the cost of investing in AIM shares and stimulate liquidity. It will also reduce the cost-of-capital for AIM-listed companies, allowing them to fund growth more easily."

David Bywater, tax partner at KPMG, said: "Abolishing stamp duty for AIM-listed companies sends out a message that London and the AIM market is the place to list and raise finance for fast-growing companies."

The Chancellor said the move was part of measures designed to ease access to funding for SMEs, helping to reinvigorate their growth and therefore the economy.

It comes days after the Government said it was consulting on the details of allowing AIM shares to be held in tax-efficient Individual Savings Accounts (ISAs). ISAs allow individuals to shelter up to £11,520 annually from capital gains and income tax.

The LSE cites analysis from Deloitte suggesting that abolishing stamp duty "in the short-term could cost £72 million, under 3% of overall stamp duty, but it will be revenue neutral in the longer-term due to increased economic activity and higher tax receipts. It will also allow companies already quoted on AIM to create up to 26,000 new skilled jobs and reduce the cost-of-capital for SMEs by more than 15%."