



# AIM JOURNAL

THE ONLINE MONTHLY FOR THE ALTERNATIVE INVESTMENT MARKET

## **Is stamp duty reform coming? What the budget told us...**

Last month's long awaited and economically disruptive budget may have broadly impressed the market – the Pound was up and gilt yields fell – but the subtext revealed in the red book all too often makes for the most interesting reading. Whilst the three year exemption from stamp duty on share transactions for newly listed companies was part of the Chancellor's speech, tucked away in the report, we found a couple of additional references to the tax.

### **Stamp Tax revenues aren't rising**

The reality is that politically, despite only £3bn or so being collected by the tax in recent years and this figure not showing much hope of growing, it will be close on impossible to ever abolish. It would be seen as a sop to the rich, or pandering to the whims of the millionaires, rather than simply levelling the playing field that leaves UK retail investors favouring foreign stocks over domestic ones for their ISAs to avoid the levy. It's obviously encouraging that the exemption for AIM listed stocks has been maintained, whilst the recently launched PISCES framework will also see securities traded under this mechanism having no stamp duty charged either. However, two key comments in the budget red book are worth a closer look.

### **Digital solution to speed up settlement**

Firstly, the government will legislate in Finance Bill 2025-26 to introduce a power allowing regulations that enable the testing of the new digital service for the Securities Transfer Charge. This will replace Stamp Duty and Stamp Duty Reserve Tax as part of the modernisation of the Stamp Taxes on Shares framework, and is necessary to accommodate both faster settlement and the move towards complete digitalisation of securities. This dovetails well with the way Avenir Registrars has always structured its systems and processes, using a modular approach that enables us to react quickly when tax regimes do change. On top of that, our digital first approach also means we can support that digitalisation agenda, but a question many will be asking is what's the motive here? Does this approach also pave the way to offer more dynamic pricing options, with rates set in a granular fashion? This isn't without precedent as it's an approach that has been mooted in Ireland where levies will be set annually based on a company's market cap. If so, will the age of billion pound plus companies listing on AIM come to an end if they are singled out for higher levies – or in a more optimistic light could specific growth industries benefit from periodic exemptions?



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## **Is stamp duty reform coming? What the budget told us...(cont'd)**

### **Under review – but where next?**

Secondly – and perhaps contrasting quite sharply with the above – was a note that while recognising the need to maintain responsible fiscal policy, the government will also continue to evaluate Stamp Taxes on Shares to ensure the UK is positioned well for the future and best supporting the competitiveness of our world-leading capital markets. Is that just a token acknowledgement that the tax is holding back the UK economy, is it paving the way for change in the longer term – which would seem unusual from this government given the political risk – or again does it play into that idea that a more granular approach is warranted here?

### **The power to change is here**

The technology certainly exists to take a more nuanced approach. We are after all many years on from the physical stamping of receipts, even if some of the legacy processes do still linger. Against a backdrop of far bigger economic issues, the application and evolution of stamp duty may seem like a niche interest, but with growing evidence suggesting that this is a key factor in holding back both the appeal of listing in the UK as well as disincentivising investors in an ever more global financial landscape, we should maintain pressure to ensure policymakers remain mindful of the risk – and their ability to create change for good.

Hardeep Tamana, Managing Director, Avenir Registrars

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