GILES WATLING MP

HOUSE OF COMMONS

LONDON SW1A 0AA

The Rt Hon Jeremy Hunt MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
London SW1A 2HQ

27th October 2022

Dear Jeremy,

In line with HM Government's ambition to instil a 'digital first' approach to policymaking, we, the undersigned, are writing to request that an anomaly in stamp duty and stamp duty reserve tax legislation is addressed to ensure the regulatory environment keeps pace with technological developments and ensures the UK's digital economy continues to thrive.

In short, we are calling on HM Treasury that the conditions to be a *"recognised growth market"* no longer include a requirement to be a *"recognised stock exchange"*.

In 2014, HMG introduced the Growth Market Exemption to ensure no stamp duty reserve tax legislation is chargeable on a transfer of a share and securities that are traded on a "recognised growth market". Initially, it proved to be successful by helping to boost investment in UK SMEs and thereby promoting growth in the UK economy.

When the Growth Market Exemption was first introduced, it was specifically designed to cover securities admitted to trading on AIM, HGS and AQSE Growth. However, since its inception, the market has matured and evolved, with a further ten markets now formally recognised as "recognised growth markets" by HMRC.

Under the current terms of the legislation giving effect to the Growth Market Exemption, in order to become a "recognised growth market", a market must satisfy certain financial criteria based on either market capitalisation or revenue growth.

As it stands, current legislation is inadequate as it relates to new regulated markets which, whilst meeting all the necessary financial conditions to be a "recognised growth market", are not "recognised stock exchanges" (by virtue of not being part of "recognised investment exchanges"). This is having a discriminatory and anti-competitive effect on such markets, whilst at the same time undermining the stated purpose of the Growth Market Exemption and harming the UK economy.

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As it stands, the same security traded on two different SME growth markets gets two different stamp duty treatments due to one being part of a recognised stock exchange. This is despite both SME growth markets being subject to the same requirements.

I understand that, under the previous administration, positive discussions were had with the former Economic Secretary to the Treasury, John Glen MP, who indicated that this issue could be solved simply by laying the necessary statutory instrument which would rectify this issue.

An amendment to the Growth Market Exemption by way of Statutory Instrument, so that the conditions to be a "recognised growth market" no longer include a requirement to be a "recognised stock exchange", will enable the stated objectives of the Growth Market Exemption to be achieved in new regulated markets. It will enable a more competitive landscape across regulated exchanges, fostering an innovative growth market in the UK.

As the UK pushes ahead with its ambition to be a world leader in digital and finanical services, it is vital it remains agile in its approach to policy making – adopting new regulated markets, stimulating investment into SMEs as envisaged by the Growth Market Exemption, and enabling competition across regulated exchanges goes a long way in helping to achieve this.

We hope you will look kindly upon our ask and look forward to hearing from you in due course.

Giles Watling MP

Co-signed by:

Philip Davies MP

John Baron MP

Andrew Rosindell

Andrew Rosindell MP

The Rt Hon Alun Cairns MP

Matt

The Rt Hon Matt Hancock MP

Stephen Timms

The Rt Hon Sir Stephen Timms MP

Baroness Uddin

Ben Everitt MP