

UK Stamp Duty Reserve Tax

Description Document

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EUROPEAN STOCK EXCHANGES

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1. Executive summary

As place of settlement for UK registered securities listed across Euronext Trading venues, Euronext Securities Milan provides EUR settlement of on and off-exchange transactions between our Participants, as well as custody of these securities.

UK registered equities typically attract stamp duty obligations. However, settlement transactions between Euronext Securities Milan Participant accounts will not be subject to SDRT obligations.

Transfers of chargeable UK equities from other Clearance Service accounts (accounts operated at 1.5% regime), will also be exempt from any stamp duty obligations.

The stamp duty obligation will arise where the Participant receives chargeable equities from a 0.5% EUI/CREST account. This document describes the stamp duty requirements on these transactions and Euronext Securities Milan service to facilitate the fulfilment of our Participants' obligations towards the UK Tax Authority (HMRC).

2. Standards

Stamp duty reserve tax (SDRT) is typically due and applied on electronic receipts of UK registered shares including receipts of shares derived from dividend reinvestment plans where the broker transfers the shares through CREST and their rights, independently of where they are traded.

The standard regime rate is 0.5% and applies to all equity transactions settled between 0.5% accounts in the CREST system. The higher 1.5% rate applies to the entry of chargeable shares into a Clearing Service Account (as it is the case of Euronext Securities Milan) or into accounts of depositary receipts providers.

The obligation to pay the SDRT typically lies with the transferee or buyer.

3. SDRT applicability in ES-MIL 1.5% regime

Euronext Securities Milan accesses the UK market as a Clearance Service.

For our Participants, this 1.5% SDRT regime means that the following transactions will be exempt from SDRT

- *All on and off-exchange* transactions in chargeable UK shares, where Euronext Securities Milan acts as PSETT (all settlements between accounts of Euronext Securities Milan Participants), are exempt from stamp duty payment and reporting;
- External transfers (of chargeable UK shares) from and to other Clearance Service accounts (other 1.5% Clearance Service accounts) are also exempt of stamp duty (note these will however require the provision of certain stamp duty fields in the instruction, as explained below);
- Transfers of newly issued shares from a EUI /CREST system account into Euronext Securities Milan, receipts which equally remain exempt from SDRT.

Please note that dividends and rights distribution are also exempt from SDRT.

The regime also means that 1.5% SDRT *ad valorem* will apply on external receipts of chargeable UK securities from a standard 0.5% CREST account into Euronext Securities Milan. The below service description illustrates how the SDRT obligations are fulfilled in this particular case, where a tax liability generated.

| Type of transaction | Applicability for Participants | SDRT fields required? |
|--|--------------------------------|-----------------------|
| External receipt transfers from another 1.5% EUI/CREST account | Exempt | Yes |
| Transactions between Euronext Securities Milan participants | Exempt | No |
| Newly issued shares | Exempt | No |
| External receipt transfers from other EUI/CREST 0.5% accounts | Yes, 1.5% ad valorem | Yes |

4. SDRT processing - External receipts of chargeable UK registered equities

Euronext Securities Milan Participants are expected to adequately flag any external transfer instruction of chargeable UK equities as to allow for

- ✓ identification of a chargeable transaction
- ✓ determine applicability of the stamp duty obligation
- ✓ calculation of the stamp duty payment obligation
- ✓ collection and subsequent payment to HMRC
- ✓ reporting of the transaction to HMRC

4.1 Instruction flags and format

SDRT flagging is required for all external transfer receipts (which must be free of payment), where -as transferee, - the Participant will be responsible for the SDRT obligations.

Euronext Securities Participants are expected to include the SDRT relevant fields as part of the settlement instruction. Failure to adequately populate the stamp duty fields will result in the instruction being rejected.

Request for exemptions through the flagging of the instruction will need to be adequately certified with the applicable supporting documentation, as per HMRC prescription.

For detail on the SSIs, please refer to the T2S gateway under Issuer CSD:UNITED KINGDOM (MT23: 85667).

4.2.1. Mandatory UK stamp duty fields

| Transaction type | | |
|--|--|---|
| Receipt from a 0.5% CREST account | MT540 :19A::DEAL//GBP15d :22F::STAM/CRST/GBRX | 1.5% SDRT ad valorem to be paid by the receiving party (Euronext Securities Milan Participant) |
| Delivery to a 0.5% CREST account | MT542 – SDRT indicators not required :19A: not used :22F: not used | 0-5% SDRT to be paid by the receiving CREST counterparty |
| Internal Euronext Securities Milan trades | No formatting requirements whether PSETT is Euronext Securities Milan | Exempt from SDRT |
| Delivery to/from a Clearance Service account or a Depository receipt system account | MT540/MT542 :19A: not used :22F::STAM/CRST/GBTX | Exempt from SDRT |
| Exemption claimed on receipt of new issued shares | MT540 :19A: not used :22F::STAM/CRST/GBWX | Exempt from SDRT |

For these chargeable free receipts, it is important to note that Euronext Securities Milan will not support settlement instructions where the delivering counterparty in EUI/CREST is accountable for the payment of the stamp duty.

4.2.2. Input of the stampable consideration amount

Clients are expected to provide the stampable consideration amount as part of the free receipt instructions to provide the basis for EUI/CREST calculation of the in-principle SDRT amount due. This is to ensure the Participant determines the price at which the transaction must be taxed at. The stampable consideration amount must be provided in GBP in the relevant message field.

Euronext Securities Milan will not accept for processing any external transfer receipt from standard 0.5% EUI/CREST accounts where the consideration is not included.

4.2.3. Calculation of SDRT

EUI/CREST system calculates the SDRT to be collected is performed by EUI/CREST, 1.5% on the stampable cash consideration amount provided by the Participant in the receipt instruction.

Participants need to calculate the tax due ($1.5\% \times \text{share price} \times \text{no. of shares}$) in order to fund Euronext Securities Milan GBP account ahead of settlement. Please note the provision of the stampable amount in the MT540 is required and its absence will prevent the release of the instruction.

4.2 Processing of the receipt instruction at Euronext Securities Milan

Euronext Securities Milan will identify the chargeable external receipt instructions and validate their format and fields.

4.2.4. Funding of the SDRT

Participants receiving chargeable UK registered shares from a standard 0.5% SDRT EUI/CREST account, need to fund the GBP stamp duty amount ahead of the settlement of the receipt.

Participants need to calculate the stamp duty tax due. The tax is due is calculated as 1.5% of the stampable cash consideration.

Participants must provide the stampable cash consideration in the securities settlement receipt instruction, and its absence will prevent the release of the instruction to market.

Participants are expected to pay the stamp duty tax amount due ahead of the securities instruction settlement date, into the following Euronext Securities Milan GBP account: (which must have been provided in the settlement receipt instruction), and must be paid into the Euronext Securities Milan GBP account :-

Citibank London: CITIGB2LCB2

Account number: 12724154

Participants ~~are expected~~need to include the settlement transaction reference in the payment instruction, to allow the linkage of the SDRT payment to the securities receipt instruction.

To this effect, Participants are expected to include field `<RmtInf>` in the payment message Pacs.009, as per quick market guide details. Please note that failure to comply with these instructions, will entail the application an administrative fee, as listed in the fee schedule.-

Once the confirmation of receipt of funds is received, Euronext Securities Milan releases the chargeable free receipt to the market for settlement.

Important: in order to avoid any delays in the processing, Participants are advised to arrange for the stamp duty payment as soon as possible.

4.3 Collection and payment of the stamp duty to HMRC

EUI/CREST System collects the duty from Euronext Securities Milan on Settlement Date and deposits the amounts in a SDRT collections account.

Upon collection of the in principle amounts EUI/CREST pools all SDRT collections in an account and pays HMRC regularly, but not immediately.

Where the amount collected by CREST is greater than the amount funded by the Participant (tax underfunded), ES-MIL Client Service will contact the Participant to level the GBP difference within 3BD. ES-MIL will debit the Participant in EUR and pass on any charges incurred as a result as an administrative fee (please refer to fee schedule).

Where the Participant has overfunded the stamp duty obligation, ES MIL will refund the GBP excess in 3BD to the same account that instructed the prefund. Where the excess funding amount for the day is below GBP 100, the refund will be effected on a monthly basis.

4.4 Reporting to HMRC

Whilst there are no reporting requirements for internal Euronext Securities Milan trades (inside the 1.5% regime), transfers in and out Euronext Securities Milan Clearance Service account are reported by EUI/CREST to HMRC.

EUI reports on behalf of its members all both chargeable and exempted CREST transactions, as well as the collected SDRT. EUI also provides HMRC with exceptions reporting, informing where SDRT may have been underpaid.

4.5 Retention and disclosure of documentary evidence

HMRC expects the maintenance of documentary evidence of details of all transactions and, where applicable, proof of relief from SDRT, for at least six years from the settlement date of the transaction and will need to be disclosed upon request from HMRC.

By holding UK securities in an account with Euronext Securities Milan, customers will be deemed to have authorised the disclosure to HMRC upon request of all details of transactions relating to UK securities.

5. Glossary

| Terms | Definitions |
|-------|-------------|
|-------|-------------|

| | |
|------------------|--|
| SDRT | UK Stamp Duty Reserve Tax |
| CSA | Clearance Service Account |
| CSP | Clearance Service Provider (owner of a CSA) |
| HMRC | HM Revenue & Customs, the UK Tax Authority |
| DRS | Depository Receipts System |
| PSETT | Acronym for Place of Settlement |
| EUI/CREST | Euroclear UK& Ireland (EUI/CREST) is the UK domestic CSD |