

## **Agreements as to Payments of Stamp Duty on Instruments (Composition Agreements)**

### **1. Introduction**

1.1 FA 1990 s 113 enables the Revenue Commissioners to enter into an agreement for composition of stamp duty with any person carrying on a business which involves instruments liable to stamp duty. The section extends the range of persons with whom the Commissioners can enter into such "composition agreements" and supersedes four earlier sections relating specifically to agreements with insurance companies (FA 1950 s 19), banks (FA 1958 s 57), bodies corporate (FA 1964 s 24) and the Stock Exchange (FA 1979 s 55).

### **2. Description**

2.1 The essential feature of a composition agreement is that instruments which are liable to stamp duty and which are covered by an agreement need no longer be individually stamped. The agreement provides that duty which would otherwise have been paid on each individual instrument will be paid by way of composition ie a bulk payment will be made at the end of an accounting period equal to the total stamp duty which would have been paid, but for the operation of the agreement, on all instruments executed in that period. Agreements are entered into at the discretion of the Office of the Revenue Commissioners. They are of most benefit in circumstances where an institution issues a large number of standard instruments which are liable to stamp duty.

2.2 The term accounting period as referred to at 2.1 above is the period during which stamp duty is held by the other party to the agreement in respect of instruments executed during that time. The period at present varies between two weeks and three months. The length of the period depends upon the number of instruments likely to be executed, the amount of duty arising on such instruments and any special features of the business which gives rise to the instruments.

2.3 Instruments issued under an agreement must contain a statement that the appropriate duty has been or will be paid to the Revenue Commissioners in accordance with the provisions of the section. Alternatively the instruments must carry a printed medallion stamp (as do cheques at present) which states that stamp duty has been paid. The certificate or medallion stamp is sufficient to satisfy the provisions of the Stamp Act 1891 s 14 (Production of Instruments in Evidence).

### **3. Payment of Duty**

3.1 The amount of duty to be paid to the Office of the Revenue Commissioners in respect of an accounting period will be equal to that aggregate of the amounts of duty which, but for the operation of the agreement, would have been chargeable on all of the instruments issued during that period. Payment of the duty must be made within a short interval of the end of the accounting period as provided for in the agreement. The length of the interval will depend on any special features relevant to the business creating the instruments and may therefore vary from one type of business to another. It is a matter to be agreed upon with the other party before an agreement is concluded.

3.2 Payment of duty under composition agreements must also be accompanied by accounts and any other relevant documentation showing how the payment was calculated. The actual information which the Office of the Revenue Commissioners will require is also a matter to be agreed prior to the conclusion of an agreement.

3.3 Failure to deliver a payment and/or accounts may result in a penalty of up to £100 per day for each day on which such failure continues. Provision is also made for interest charges on late payments at the rate of 1.25% per month or part of a month from the date when the default beings.

### **4. Supervision**

4.1 The Office of the Revenue Commissioners will enter into a composition agreement only when satisfied that the other party to an agreement can establish a reliable and effective method for accounting for the duty payable.

4.2 After entering into an agreement the Revenue Commissioners will, from time to time as part of their care and management obligations, conduct regular audits of the accounting procedures used by parties to composition agreements to ensure compliance with the terms of the agreement. These audits have two aims. Firstly they ensure that agreed procedures are operating and are adequate to fulfil the obligations imposed by the agreement. Secondly audits are aimed at detecting any fraud.

**5. Further Information**

5.1 Any further information regarding composition agreements may be obtained by writing to: The Office of the Revenue Commissioners, Capital Taxes Branch (Stamp Duty), 2nd Floor, Stamping Building, Dublin Castle, Dublin 2 or by telephoning 01-6792777 Extns: 2251, 2252, 2254. Fax No: 01-6793261.