Budget 2021: Treasury to land £1.5 billion windfall from retail share trading frenzy

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HE retail share trading frenzy during lockdown that saw thousands of first time investors punt on the stock market is leading to a massive boom in tax revenue for the Treasury.

Buried deep in yesterday's Red Book, released after the Budget speech, are forecasts for what the Treasury expects in revenue from various taxes.

Stamp duty taxes on shares were £800 million higher than the £3.4 billion previously forecast – a 25% rise. Next year, they expect the figure to be £600 million higher than thought, a near £1.5 billion boon to the government finances.

Share trading platforms such as Hargreaves Lansdown and AJ Bell saw customer numbers and profits rocket during lockdown.

A new breed of investor, often people who had never bought a share before, opened accounts to spend money saved on stocks. Often racy tech shares, such as Tesla, Apple or Wise.

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Mark Ackred, founder of online broker dabbl, said: “Increased trading activity amongst retail shareholders through lockdown is set to help deliver a £1.5 billion boost to stamp duty receipts over the next two years. This new wave of enthusiasm from investors shows no signs of letting up.”

While some brokers have reported a slow down as lockdown ended, AJ Bell and St James’s Place last week said customer numbers are still rising.

Around 500,000 new investors have signed up to investment platforms in the last year, many of them workers who were furloughed and looking for ways to occupy their time, research shows.

City spread betting house CMC Markets did report a profit warning in September that sent its own shares into freefall.

CMC itself now plans to move into share trading in the UK – they already offer it down under – in an attempt to lure investors from Hargreaves and AJ Bell.

The Financial Conduct Authority has admitted to concern about the new breed of investor, especially if they have been buying bitcoin. It has warned them more than once that they could lose everything they have invested.

The Tory party has long wanted to see more people invest in shares, and not just via their pensions.

The Red Book figures show they expect that share trading boom to slip next year – but not by much.

The figures also show that HMRC can look forward to £900 million more than it expected from UK oil and gas revenues. That is presumably due to soaring energy prices.