Amendment 8 to Clause 42: Carried interest: election to pay tax as scheme profits arise

Summary

1. This amendment clarifies how the elective accruals basis for carried interest applies to arrangements where the timing of profit distributions to investors impacts upon the amount of carried interest due.

Details of the amendment

2. This amendment inserts new subsections (5A) and (5B) into new section 103KFA of the Taxation of Chargeable Gains Act (TCGA) 1992 that is introduced by clause 42.

3. Subsection (5A) provides that when calculating the amount of carried interest that would arise to the individual in the hypothetical situation contained in subsection (5), the calculation should reflect the impact of the actual timing of profit distributions to investors in arrangements where the timing affects the amount of carried interest that arises to the individual.

4. Subsection (5B) provides that subsection (5A) is limited to calculating the amount of carried interest to be treated as arising to the individual, and that for the purposes of subsection (5), the scheme profits are still to be treated as arising once in the relevant tax year.

Background note

5. This amendment amends clause 42 to ensure that the elective accruals basis for carried interest operates as intended, by providing that the calculation methodology used to give effect to the measure's objective reflects the way that carried interest is calculated in commercial arrangements.