



Investment Manager Exemption and Collective Investment Schemes: expanding the “white list”

Who is likely to be affected?

UK resident businesses managing offshore funds, UK resident collective investment schemes and their investors, investment trust companies and their investors, and UK resident investors in offshore reporting funds.

General description of the measure

The measure will expand the lists (commonly known as white lists) of “investment transactions” for two purposes: firstly to identify activities that may qualify for the Investment Manager Exemption and secondly to specify that, subject to the existing conditions in the relevant regulations, certain transactions (“investment transactions”) are not, treated as trading transactions for UK tax purposes.

Policy objective

The Investment Manager Exemption provides an assurance to managers and investors that the profits arising from specified transactions undertaken by a manager in the UK on behalf of overseas clients will not be subject to UK tax. For the purposes of the Investment Manager Exemption the benefit is limited to the listed investment transactions.

In collective investment schemes and investment trust companies the list of investment transactions gives assurance to fund managers of funds meeting the existing conditions and to their investors that returns from the “investment transactions” within the list will not be treated as trading income.

The objective of this measure is to expand the list to cover transactions relating to a wider variety of carbon emissions trading products and to include transactions relating to rights under a life insurance policy.

The opportunity is also being taken to consolidate all the lists relating to different types of collective investment scheme or investment trust company (covering authorised investment funds, offshore funds, investment trust companies and exempt unauthorised unit trusts) into one list. The changes will also update the drafting of both the Investment Manager Exemption and the new consolidated list to link to definitions in primary legislation so that any revision of these definitions will carry over automatically into the list of investment transactions without the need for further legislation.

Background to the measure

This measure was announced in Budget 2013. A consultation was published on 22 July 2013 and closed on 16 September 2013.

5 responses were received from Industry representatives, an accountancy firm and a firm of solicitors, all supportive of the measure. Comments were confined to minor suggestions relevant to drafting.

Draft regulations incorporating the consultation and also the consolidation have been published for comment on 20 December 2013.

Detailed proposal

Operative date

The main provisions of this measure will have effect in relation to transactions taking place on or after the day the regulations come in to force.

Current law

The list of investment transactions for the Investment Managers Exemption can be found in the Investment Manager (Specified Transactions) Regulations 2009 published on the HMRC website.

The list of investment transactions for the purposes of authorised investment funds can be found at regulations 14F to 14N of the Authorised Investment Funds (Tax) Regulations 2006 (SI 2006/964).

The list of investment transactions for the purposes of calculating reportable income in a reporting fund can be found at regulations 81 to 89 of the Offshore Funds (Tax) Regulations 2009 (SI 2009/3001).

The list of investment transactions for the purposes of investment trust companies can be found at regulations 33 to 41 of the Investment Trust (Approved Company) (Tax) Regulations 2011 (SI 2011/2999).

The list of investment transactions for the purposes of exempt unauthorised unit trusts is the same as that used for investment trust companies (see regulation 24 of the Unauthorised Unit Trusts (Tax) Regulations 2013 (SI 2013/2819)).

Proposed revisions

A Statutory Instrument: "The Investment Transactions (Tax) Regulations 2014" will provide a new consolidated list of investment transactions for the purposes of authorised investment funds, exempt unauthorised unit trusts, investment trust companies and for calculating reportable income from an offshore reporting fund. This will replace the existing lists in each set of tax regulations.

For the purposes of the Investment Managers Exemption a new set of Regulations "The Investment Manager (Investment Transaction) Regulations 2014" will replace the existing Regulations and refer to the new consolidated list of investment transactions in the Investment Transactions (Tax) Regulations 2014.

Summary of impacts

Exchequer impact (£m)	2013-14	2014-15	2015-16	2016-17	2017-18
	negligible	negligible	negligible	negligible	negligible
	This measure is expected to have a negligible impact on the Exchequer				
Economic impact	The measure is not expected to have any significant economic impacts.				
Impact on individuals and households	It is not expected that there will be any significant impact on individuals and households generally.				
Equalities impacts	There is no evidence to suggest that the measure will have any adverse equalities impacts for any particular groups.				
Impact on businesses and Civil Society Organisations	The measure is expected to have negligible savings in reducing compliance burdens for managers of funds affected by the proposals.				
Impact on HMRC or other public sector delivery organisations	It is not expected that implementing this change will incur any significant costs for HM Revenue & Customs (HMRC).				
Other impacts	<p><u>Small firms impact test</u>: small firms will be affected to the extent that they form part of the population of affected fund managers.</p> <p>Other impacts have been considered and none have been identified.</p>				

Monitoring and evaluation

HMRC and HM Treasury will keep the policy under review and continue to liaise with industry from time to time to discuss the implementation of the proposed amendments, as part of ongoing engagement.

Further advice

If you have any questions about this change, please contact Graeme Webster on 03000 585820 (e-mail: graeme.webster@gmail.com) for matters relating to the Investment Manager Exemption, or John Buckeridge on 03000 585 701 (email: john.buckeridge@hmrc.gsi.gov.uk) for matters relating to authorised investment funds, offshore reporting funds, investment trust companies or exempt unauthorised unit trusts.

Declaration

Sajid Javid MP, Financial Secretary to the Treasury has read this Tax Information and Impact Note and is satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impacts of the measure.