Explanatory Note

Clause 41: Disguised investment management fees

Summary

1. These amendments make technical changes to ensure that Clause 41 operates as intended.

Details of the amendments

2. Amendment 87 inserts new subsection (1A) into clause 41. This amends section 809EZG(1)(b) of ITA 2007. The amendment ensures that tax borne by another person in relation to a sum which is also charged to tax as investment management fees can be credited against the tax charged on those fees. Without this amendment only tax borne by the person actually charged to tax on the management fees would have been creditable.

3. Amendment 88 provides the commencement for this amendment. It takes effect from 8 July 2015, the same date as clause 41 itself.

Background note

4. This legislation concerns the taxation of rewards paid to fund managers. The Government introduced legislation in Finance Act 2015 to ensure that disguised investment management fees are properly charged to tax as income.

5. The Government subsequently introduced legislation in the Summer Finance Bill 2015 to ensure that where 'carried interest' is charged to tax under the capital gains tax code, the full economic gain is brought into charge to tax. That legislation took effect from 8th July 2015.