

Explanatory Note

Clause 50 and Schedule: SDLT: property authorised investment funds and co-ownership authorised contractual schemes

Summary

1. This clause and schedule introduce a relief from Stamp Duty Land Tax for the 'seeding' (initial transfer) of properties into Property Authorised Investment Funds (PAIFs) and Co-ownership Authorised Contractual Schemes (CoACSs). The measure also introduces changes to the stamp duty land tax (SDLT) treatment of CoACSs. These amendments come into effect for transactions from the date of Royal Assent to Finance Bill 2016.

Details of the clause and Schedule

Part 1

2. Paragraph 1 of Schedule 1 inserts new section 102A in FA 2003 "Co-ownership authorised contractual schemes" which sets out changes to the treatment of CoACSs for SDLT purposes.
3. Section 102A(1) provides that section 102A(1) applies for the purposes of this part.
4. Section 102A(2) provides that SDLT applies to a CoACS as if:
 - a. it were a company, and
 - b. the rights of the unit holders were shares in the company.
5. Section 102A(3) defines an umbrella CoACS for the purposes of this Part.
6. Section 102A(4) defines a sub-scheme for the purposes of this Part.
7. Section 102A(5) provides for each sub-scheme of an umbrella CoACS to be treated as a separate CoACS for the purposes of this Part
8. Section 102A(6) clarifies the references to chargeable interests and documents of the scheme in relation to a sub-scheme of an umbrella CoACS.
9. Section 102A(7) explains that a non-UK collective investment scheme will be treated as a CoACS for SDLT purposes if it:
 - a. is constituted by a contract under the law of an EEA State other than the UK,
 - b. has a manager incorporated under the law of an EEA State, and

- c. is equivalent to a CoACS under the law of the EEA State,
- provided that, without these provisions, no SDLT would arise to the scheme.
10. Section 102A(8) defines the terms 'co-ownership authorised contractual scheme' and 'co-ownership scheme' for this Part.
 11. Section 102A(9) provides a power to make regulations to exclude specified schemes from this SDLT treatment.
 12. Section 102A(10) sets out that a co-ownership authorised contractual scheme is not treated as a company for the purposes of Schedule 7 (group relief reconstruction relief or acquisition relief).
 13. Section 102A(11) provides that, for certain transactions where a CoACS is treated as the purchaser for SDLT purposes, references to the purchaser and/or taxpayer in section 76, 80, 81, 81A, 85, 90 and 108(2) and Schedule 10 are to be read as references to the operator of the scheme so that the operator will have the same responsibilities under those provisions as the purchaser/taxpayer.

Part 2

14. Part 2 of the schedule amends Finance Act (FA) 2003. Paragraph 2 introduces the changes.
15. Paragraph 3 inserts new section 65A into FA 2003.
16. Section 65A (1) and (2) introduce a new schedule 7A to FA 2003 to provide relief from SDLT for seeding of property authorised investment funds (PAIF seeding relief) and co-ownership authorised contractual schemes (CoACS seeding relief).
17. Section 65A (3) requires that the seeding relief must be claimed in a land transaction return or an amendment of a return, and that the claim must be accompanied by a notice to HMRC.
18. Section 65A (4) and (5) set out the requirement that the purchaser confirm in the notice its status as a PAIF or CoACS or equivalent EEA fund.
19. Section 65A (6) enables HMRC to set out the form of the notice and the information required.
20. Paragraph 4 inserts new schedule 7A "Seeding Relief" into FA 2003.
21. Schedule 7A Paragraph 1 (1) to (5) set out the conditions for PAIF seeding relief. Each of conditions A to D must be met:
 - A. The purchaser must be a property AIF.
 - B. The main subject matter of the seeding transaction must be one or more major interests in land.
 - C. The only consideration for the transaction must be the issue of units in the PAIF to the vendor.
 - D. The effective date of the transaction must be a day within the seeding period as defined in paragraph 3.
22. Schedule 7A Paragraph 1(6) explains that relief will be subject to paragraph 4 (restrictions on

availability of PAIF seeding relief) and paragraphs 5 to 8 (withdrawal of PAIF seeding relief) within new schedule 7A FA 2003.

23. Schedule 7A Paragraph 2(1) provides that this paragraph has effect for the purposes of this Schedule.
24. Schedule 7A Paragraph 2(2) defines PAIFs.
25. Schedule 7A Paragraphs 2(3) and (4) define umbrella funds and sub-funds in relation to PAIFs.
26. Schedule 7A Paragraph 2(5) provides that sub-funds are treated as a separate PAIF for the purposes of Schedule 7A.
27. Schedule 7A Paragraph 2(6) explains that in relation to a sub-fund, references to chargeable interests are references to the chargeable interests which form part of the separate pool relating to that sub-fund.
28. Schedule 7A Paragraph 2(7) explains that PAIFs include EEA equivalents of a PAIF for the purposes of seeding relief and defines such equivalents.
29. Schedule 7A Paragraph 3(1) and (2) define the seeding period within which transactions must take place in order to be eligible for relief. It begins with the first property seeding date (as defined at paragraph 3(2)) and ends either 18 months later or, if earlier, at the date of the first external investment into the PAIF as defined at paragraph 3(3).
30. Schedule 7A Paragraph 3(3) defines "external investment" for the definition of seeding period. An external investment is a transfer of non-property assets to the PAIF (e.g. cash or REITs) by a person who has not previously seeded the PAIF with property, an "external investor".
31. Schedule 7A Paragraph 4 sets out restrictions on the availability of seeding relief (where Conditions A to D have already been met).
32. Schedule 7A Paragraph 4(2) explains that relief is not available unless the PAIF has arrangements in place at the date of the seeding transaction requiring a seed investor to notify the PAIF of:
 - a. the beneficial owner of any units received in consideration for seeded property "seeded units", and
 - b. any disposal by the beneficial owner of any PAIF units after the seeding transaction and within 3 years of the end of the seeding period, except where the disposal is to the PAIF.
33. Schedule 7A Paragraph 4(3) explains that relief is not available if arrangements are in place at the effective date of the transaction for the disposal of units which would give rise to subsequent clawback of seeding relief under paragraph 7.
34. Schedule 7A Paragraph 4(4) explains that relief is not available if a seeding transaction is not for bona fide commercial reasons, or form part of arrangements to avoid tax.
35. Schedule 7A Paragraph 5(1) explains that the seeding relief given will be withdrawn if a fund ceases to be a PAIF either during the seeding period or within 3 years of the end of the seeding period (the 'control period'), or under arrangements made during those periods.

36. Schedule 7A Paragraph 5(2) explains that tax will only be withdrawn under Paragraph 5(1) if some or all of the chargeable interest in respect of which the relief was given is still held by the purchaser, or the purchaser still holds an interest derived from that chargeable interest.
37. Schedule 7A Paragraph 5(3) sets out that the amount of SDLT chargeable on the withdrawal of relief under Paragraph 5(1) is the SDLT which would have been chargeable in the absence of seeding relief, or an appropriate proportion of it.
38. Schedule 7A Paragraph 5(4) explains the meaning of 'appropriate proportion' in the context of paragraph 5(1), and (3).
39. Schedule 7A Paragraph 6(1) explains that the seeding relief given will be withdrawn if at the end of the seeding period a fund fails to meet the portfolio test.
40. Schedule 7A Paragraph 6(2) sets out that the amount of SDLT chargeable on the withdrawal of relief under Paragraph 6(1) is the SDLT which would have been chargeable in the absence of seeding relief.
41. Schedule 7A Paragraph 6(3) sets out that if the fund meets the portfolio test at the end of the seeding period but fails to meet the test within the 3-year control period (or later, under arrangements entered into during those periods), then the seeding relief will be partially or wholly withdrawn. This paragraph defines "the relevant time" for the rest of paragraph 6 as the time when relief is withdrawn and tax is chargeable as a result.
42. Schedule 7A Paragraph 6(4) explains that relief will only be withdrawn under Paragraph 6(1) if at the relevant time some or all of the property in respect of which the relief was given or an interest derived from it is still held by the purchasing fund.
43. Schedule 7A Paragraph 6(5) sets out that the amount of SDLT chargeable on withdrawal of the relief under Paragraph 6(1) is the SDLT which would have been chargeable in the absence of seeding relief, or an appropriate proportion of it.
44. Schedule 7A Paragraph 6(6) explains the meaning of "appropriate proportion" for the purposes of sub-paragraphs (3) and (5).
45. Schedule 7A Paragraph 6(7) defines the "portfolio test" as a requirement to meet either (a) "the non-residential portfolio test" or (b) "the residential portfolio test".
46. Schedule 7A Paragraph 6(8) sets out that to meet the non-residential portfolio test:
 - a. the PAIF must hold at least 10 seeded properties,
 - b. the total chargeable consideration for the seeded properties must be at least £100 million, and
 - c. no more than 10% of that chargeable consideration must relate to residential property.
47. Schedule 7A Paragraph 6(9) sets out that to meet the residential portfolio test:
 - a. the chargeable consideration for the seeded properties must be at least £100 million, and
 - b. the PAIF must hold at least 100 seeded properties which are residential properties.
48. Schedule 7A Paragraph 6(10) defines "seeded interest" and "total chargeable consideration" for the purposes of paragraph 6(8) and (9).

49. Schedule 7A Paragraph 6(11) provides that property is defined as "residential" for the purposes of paragraph 6(8) and (9) without applying Section 116(7) Finance Act 2003. That section would normally treat a transaction in six or more dwellings as a non-residential transaction.
50. Schedule 7A Paragraph 7(1) sets out that seeding relief will be withdrawn and SDLT charged if a seed investor who has claimed seeding relief on a transaction makes a relevant disposal of units either within the seeding period or within the 3-year control period (or later, under arrangements entered into during those periods).
51. Schedule 7A Paragraph 7(2) defines a "relevant disposal" as a disposal where SU exceeds TU.
52. Schedule 7A Paragraph 7(3) defines SU and TU. SU is one of two values.
53. If the total number of PAIF units held immediately before disposal is equal to or greater than the number of seeded units received up until the date of disposal then SU is the number of seeded units received up until the date of disposal (). Otherwise, if the total number of PAIF units held immediately before disposal is lower than the number of seeded units received up until the date of disposal then SU is the number of PAIF units held immediately before disposal.
54. TU is the total number of units in a PAIF held by the vendor immediately after the disposal.
55. Schedule 7A Paragraph 7(4) sets out the formula for calculating the amount of SDLT which will be due in respect of a relevant disposal under paragraph 7(1). This is calculated as:

$$\frac{U}{SNU} \times SDLT$$

where:

- U is the difference between SU and TU.
 - SNU is the total number of seeded units received by the vendor up until the date of the disposal.
 - SDLT is the SDLT which would have been chargeable at the effective date of the relevant transaction in the absence of seeding relief, ignoring any earlier withdrawal of relief.
56. Schedule 7A Paragraph 7(5) defines "the number of seeded units received by V" (for the purposes of the calculation at Paragraph 7(4)) as the number of PAIF units received in respect of a transaction for which seeding relief has been given, regardless of any subsequent withdrawal of relief.
57. Schedule 7A Paragraphs 8(1) and (2) provide that seeding relief is withdrawn and SDLT charged where the relief was given in respect of a dwelling which a "non-qualifying individual" is permitted to occupy. Paragraph 8(1) defines such a dwelling as "the disqualifying dwelling".
58. Schedule 7A Paragraph 8(3) explains that relief will only be withdrawn under Paragraph 8 if the "disqualifying dwelling" or an interest derived from it is still held by the PAIF.
59. Schedule 7A Paragraph 8(4) explains that relief may be withdrawn where a non-qualifying

individual is permitted to occupy a disqualifying dwelling after the end of the 3-year control period where the purchaser fails to meet the genuine diversity of ownership condition set out in regulation 9A of the Authorised Investment Funds (Tax) Regulations 2006 (S.I.2006/964).

60. Schedule 7A Paragraph 8(5) sets out the amount of SDLT chargeable where relief is withdrawn under Paragraph 8. The amount chargeable is the SDLT which would have been chargeable in the absence of seeding relief in respect of the disqualifying dwelling, or an appropriate proportion of it.
61. Schedule 7A Paragraph 8(6) defines the "appropriate proportion" for the purposes of subparagraphs (2) and (5).
62. Schedule 7A Paragraph 9(1) to (7) defines "non qualifying individual" and explains the terms used in the context of this definition. An individual is a non-qualifying individual if they are a major participant in or connected with the PAIF or are connected to such an individual.
63. Schedule 7A Paragraph 10(1) to (5) set out the conditions for CoACS seeding relief. Each of conditions A to D must be met:
 - A. The purchaser is a co-ownership authorised contractual scheme.
 - B. The main subject matter of the seeding transaction is one or more major interests in land.
 - C. The only consideration for the transaction is the issue of units in the co-ownership authorised contractual scheme to the vendor.
 - D. The effective date of the transaction must be a day within the seeding period as defined in paragraph 11.
64. Schedule 7A Paragraph 10(6) explains that relief will be subject to paragraph 12 (restrictions on availability of CoACS seeding relief) and paragraphs 13 to 18 (withdrawal of CoACS relief) within new schedule 7A FA 2003.
65. Schedule 7A Paragraph 11 (1) and (2) define the seeding period within which transactions must take place in order to be eligible for relief. It begins with the first property seeding date (as defined at paragraph 11(2)) and ends either 18 months later or, if earlier, at the date of the first external investment into the CoACS as defined at paragraph 11(3).
66. Schedule 7A Paragraph 11(3) defines "external investment" for the definition of seeding period. An external investment is a transfer of non-property assets to the CoACS (e.g. cash or REITs) by a person who has not previously seeded the CoACS with property.
67. Schedule 7A Paragraph 12 sets out restrictions on the availability of seeding relief (where Conditions A to D have already been met).
68. Schedule 7A Paragraph 12(2) explains that relief is not available unless the arrangements constituting the CoACS at the date of the seeding transaction require a seed investor to notify the operator of the scheme of:
 - a. the beneficial owner of any units received in consideration for seeded property, "seeded units", and
 - b. any disposal by the beneficial owner of any CoACS units after the seeding transaction and

within 3 years of the end of the seeding period, except where the disposal is to the scheme.

69. Schedule 7A Paragraph 12(3) explains that relief is not available if arrangements are in place at the effective date of the transaction for the disposal of units which would give rise to subsequent withdrawal of seeding relief under paragraph 17.
70. Schedule 7A Paragraph 12(4) explains that relief is not available if a seeding transaction is not for bona fide commercial reasons, or forms part of arrangements to avoid tax.
71. Schedule 7A Paragraph 13(1) explains that the seeding relief given will be clawed back if a fund ceases to be a CoACS either during the seeding period or within 3 years of the end of the seeding period ("the control period"), or under arrangements made during those periods.
72. Schedule 7A Paragraph 13 (2) explains that relief will only be withdrawn under Paragraph 13(1) if some or all of the chargeable interest in respect of which the relief was given is still held by the purchaser, or the purchaser still holds an interest derived from that chargeable interest.
73. Schedule 7A Paragraph 13(3) sets out that the amount of SDLT chargeable on withdrawal of relief under Paragraph 5(1) is the SDLT which would have been chargeable in the absence of seeding relief, or an appropriate proportion of it.
74. Schedule 7A Paragraph 13 (4) explains the meaning of "appropriate proportion" in the context of paragraph 13(1) and (3).
75. Schedule 7A Paragraph 14(1) sets out that where an investor who has claimed seeding relief on a transaction and the genuine diversity of ownership condition is not met either immediately before the end of the seeding period or within the 3 year control period (or later under arrangements entered into during those periods) then the seeding relief will be withdrawn.
76. Schedule 7A Paragraph 14(2) explains that relief will only be withdrawn under Paragraph 14(1) if the CoACS holds chargeable interests that were acquired by it as part of the transaction for which seeding relief was claimed or derived from such an interest.
77. Schedule 7A Paragraph 14(3) sets out that the amount of SDLT chargeable on withdrawal of relief under Paragraph 14(1) is the SDLT which would have been chargeable in the absence of seeding relief, or an appropriate proportion of it.
78. Schedule 7A Paragraph 14(4) explains the meaning of "appropriate proportion" in the context of paragraph 14(1) and (3).
79. Schedule 7A Paragraph 15 (1) to (7) set out the conditions for genuine diversity of ownership for CoACS, relating to:
 - the information contained in documents produced by the scheme which are made available to investors and HMRC,
 - limits or deterrents imposed on investors or participation in the scheme,
 - the marketing of the units in the scheme,

and explains terms used in the genuine diversity of ownership condition.

80. Schedule 7A Paragraph 15(8) provides that a CoACS meets the genuine diversity of ownership conditions if there is a feeder fund in relation to the CoACs that meets those conditions.
81. Schedule 7A Paragraph 15(9) defines "connected persons" for the purposes of the Paragraph.
82. Schedule 7A Paragraph 16(1) explains that the seeding relief given will be withdrawn if at the end of the seeding period a fund fails to meet the portfolio test.
83. Schedule 7A Paragraph 16(2) sets out that the amount of SDLT chargeable on withdrawal of relief under Paragraph 16(1) is the SDLT which would have been chargeable in the absence of seeding relief.
84. Schedule 7A Paragraph 16(3) sets out that if the fund meets the portfolio test at the end of the seeding period but fails to meet the test within the 3-year control period (or later, under arrangements entered into during those periods), then the seeding relief will be withdrawn. This paragraph defines the "relevant time" as the time when relief is withdrawn and tax is chargeable as a result.
85. Schedule 7A Paragraph 16(4) explains that tax will only be chargeable under Paragraph 16(1) if some or all of the property in respect of which the relief was given is still held by the purchasing fund, or the fund still holds an interest derived from the property.
86. Schedule 7A Paragraph 16(5) sets out that the amount of SDLT chargeable on withdrawal of relief under Paragraph 16(1) is the SDLT which would have been chargeable in the absence of seeding relief, or an appropriate proportion of it.
87. Schedule 7A Paragraph 16(6) explains the meaning of "appropriate proportion" in the context of paragraph 16(3), and (5).
88. Schedule 7A Paragraph 16(7) explains that the portfolio test is a requirement that the scheme meets either the non-residential and residential portfolio tests at Paragraph 16(8) and 16(9).
89. Schedule 7A Paragraph 16(8) sets out that to meet the non-residential portfolio test:
 - a. the CoACS must hold at least 10 seeded properties,
 - b. the total chargeable consideration for the seeded properties must be at least £100 million, and
 - c. no more than 10% of that chargeable consideration must relate to residential property.
90. Schedule 7A Paragraph 16(9) sets out that to meet the residential portfolio test:
 - a. the chargeable consideration for the seeded properties must be at least £100 million, and
 - b. the CoACS must hold at least 100 seeded properties which are residential properties.
91. Schedule 7A Paragraph 16(10) defines "seeded interest" and "chargeable consideration" for the purposes of paragraph 16(8) and (9).
92. Schedule 7A Paragraph 16(11) provides property is defined as 'residential' for the purposes of paragraph 6(8) and (9) without applying Section 116(7) Finance Act 2003. That section would normally treat a transactions in six or more dwellings as a non-residential transaction.

93. Schedule 7A Paragraph 17(1) sets out that there will be a withdrawal of seeding relief if a seed investor who has claimed seeding relief on a transaction makes a relevant disposal of units either within the seeding period or within the 3-year control period (or later, under arrangements entered into during those periods).
94. Schedule 7A Paragraph 17 (2) defines a 'relevant disposal' as a disposal where SU exceeds TU.
95. Schedule 7A Paragraph 17(3) defines SU and TU. SU is one of two values:
- If the total number of CoACS units held immediately before disposal is equal to or greater than the number of seeded units received up until the date of disposal then SU is the number of seeded units received up until the date of disposal.
 - Otherwise, if the total number of CoACS units held immediately before disposal is lower than the number of seeded units received up until the date of disposal then SU is the number of CoACS units held immediately before disposal.

TU is the total number of units in a CoACS held by the vendor immediately after the disposal.

96. Schedule 7A Paragraph 17(4) sets out the formula for calculating the SDLT chargeable on withdrawal of relief in respect of a relevant disposal under paragraph 17(1).
97. This is calculated as:

$$\frac{U}{SNU} \times SDLT$$

where:

- U is the difference between SU and TU.
 - SNU is the total number of seeded units received by the vendor up until the date of the disposal.
 - SDLT is the SDLT which would have been chargeable at the effective date of the relevant transaction in the absence of seeding relief, ignoring any earlier withdrawal of relief.
98. Schedule 7A Paragraph 17(5) defines the "number of seeded units received by V" (for the purposes of the calculation at Paragraph 7(4)) as the number of CoACS units received in respect of a transaction for which seeding relief has been given, regardless of any subsequent withdrawal of relief.
99. Schedule 7A Paragraphs 18(1) and (2) provide that seeding relief is withdrawn where it was given in respect of a dwelling which a "non-qualifying individual" is subsequently permitted to occupy. Paragraph 18(1) defines such a dwelling as the disqualifying dwelling.
100. Schedule 7A Paragraph 18(3) explains that tax will be withdrawn under Paragraph 18 if the "disqualifying dwelling" or an interest derived from it is still held by the CoACS.
101. Schedule 7A Paragraph 18(4) explains that relief may be withdrawn where a non-qualifying individual is permitted to occupy a disqualifying dwelling after the end of the 3-year control

period, where the purchaser fails to meet the genuine diversity of ownership condition.

102. Schedule 7A Paragraph 18(5) sets out that the amount of SDLT chargeable on withdrawal of relief under Paragraph 18 is the SDLT which would have been chargeable in the absence of seeding relief in respect of the disqualifying dwelling, or an appropriate proportion of it.
103. Schedule 7A Paragraph 18(6) explains the meaning of "appropriate proportion" in the context of paragraph 18(2) and (5).
104. Schedule 7A Paragraph 19(1) to (7) defines "non qualifying individual" and explains the terms used in the context of this definition. An individual is a non-qualifying individual if they are a major participant in the scheme, connected with the operator or depositary of the scheme, or are connected to such an individual
105. Part 3 of Schedule 7A contains explanation of the interpretation of terms used in Schedule 7A.
106. Schedule 7A Paragraph 20 contains definitions of a "feeder fund" of a PAIF and a CoACS and units in the PAIF and CoACSs.
107. Schedule 7A Paragraph 21 contains explanations of other terms used in Schedule 7A.

Part 3

108. Part 3 makes consequential amendments to FA 2003. Paragraph 5 introduces the amendments.
109. Paragraph 6 inserts a reference to Schedule 7A into subsection 75C(4).
110. Paragraph 7 inserts references to Schedule 7A into amends section 81 FA 2003 to provide when a further return is required where relief is withdrawn for a PAIF or CoACS.
111. Paragraph 8 inserts references to Schedule 7A into section 86 FA 2003 to provide for payment of tax on a withdrawal of PAIFs seeding relief or CoACS seeding relief.
112. Paragraph 9 inserts references to Schedule 7A into section 87 FA 2003 to provide for interest payable in a withdrawal of PAIFs seeding relief or CoACS seeding relief.
113. Paragraph 10 amends section 121 FA 2003 to insert a definition of "operator" in relation to CoACS.
114. Paragraph 11 amends section 122 FA 2003 to insert certain defined expressions used in this Schedule.
115. Paragraph 12 amends paragraph 2(6) of Schedule 4B FA 2003 to insert a reference to Schedule 7A.
116. Paragraph 13 amends paragraph 2(4)(b) of amends schedule 6B FA 2003 to insert a reference to Schedule 7A.

Part 4

117. Part 4 makes commencement and transitional provisions.
118. Sub-paragraph 14(1) provides that the amendments made by Parts 2 and 3 of this Schedule have effect in relation to any land transaction with an effective date on or after the date on

which this Act is passed.

- 119. Sub-paragraph 14(2) provides that the amendments do not have effect for transactions effected under a contract entered into and substantially performed before the date on which this Act is passed or transactions effected under a contract entered into before the date on which this Act is passed and not excluded by sub-paragraph (3).
- 120. Sub-paragraph 14(3) outlines the circumstances in which a transaction effected under a contract entered into before the date on which the Act is passed is excluded.
- 121. Sub-paragraph 14(4) explains that in Paragraph 14, the terms "purchaser" and "substantially performed" have the same meaning as in sections 43(4) and 44(5) respectively of FA 2003.

Background note

- 122. SDLT was introduced in Part 4 of Finance Act (FA) 2003 for transactions in land from 1 December 2003. The tax applies to land transactions which are defined as any acquisition of a chargeable interest. A chargeable interest is any interest in land in the UK. The transfer of property into a PAIF, including 'seeding' it with a start-up property portfolio, is currently subject to SDLT as the PAIF acquires an interest in land.
- 123. Properties held in existing PAIFs or certain types of collective investment schemes (CISs) can be transferred into a new PAIF without a charge to SDLT. However any properties transferred into a PAIF that are not held in such a scheme or fund will be subject to SDLT.
- 124. CoACSs are collective investment schemes which are "transparent" for SDLT purposes; unit holders are the beneficial owners of the scheme assets. When units in a CoACS are acquired or transferred, this gives rise to a change in ownership of the underlying units and consequently a charge to SDLT on all unit holders.
- 125. The government is keen to ensure that the UK has a framework for fair and appropriate taxation for property funds, and recognises that the way SDLT applies to these funds is perceived by the industry as a barrier to their effective use. These changes will improve UK competitiveness in this area and encourage more funds to be managed and domiciled in the UK.
- 126. The legislation introduced by this measure aims to remove barriers to the use of CoACSs by treating these funds as companies for SDLT purposes so that SDLT does not apply to transfers of CoACS units. The legislation also introduces a new seeding relief for PAIFs and CoACSs to enable the initial transfer of a "seed" property portfolio into these funds without a charge to SDLT.
- 127. The legislation includes anti-avoidance measures to limit the application of the relief to authorised funds with a broad base of investors and a sizeable portfolio of seeded properties. This aims to minimise SDLT avoidance via the "enveloping" of properties within such funds.
- 128. If you have any questions about this change, or comments on the legislation, please contact Catherine Dampier on 03000 585945 (email: catherine.dampier@hmrc.gov.uk)