HM Revenue
& Customs

Income Tax: unauthorised unit trusts

Who is likely to be affected?

Unauthorised unit trusts and their investors.

General description of the measure

The measure ensures that income arising to an exempt unauthorised unit trust (EUUT) is only chargeable to income tax in one year.

Policy objective

The measure is made to remove any double charge to Income Tax for a EUUT that is closed down and for a EUUT with non-standard accounting periods.

Background to the measure

The government made The Unauthorised Unit Trusts (Tax) Regulations 2013 in October 2013. The Regulations provided simplification of the regime and removed opportunities for avoidance. A review has shown that the Regulations had an unintended impact. Informal consultation to consider draft Regulations ran from 11 February to 18 February 2015.

Detailed proposal

Operative date

The Regulations are to be made under the powers provided by section 217 of the Finance Act 2013 and are effective 21 days after being laid before the House of Commons.

Current law

The Unauthorised Unit Trusts (Taxation) Regulations 2013 (S.I.2013//2819) (as amended) apply to unauthorised unit trusts and their investors. Regulation 11 sets out that the income of an exempt unauthorised unit trust for a tax year is the income arising in a basis period for the tax year.

Proposed revisions

These Regulations make amendments to ensure that the basis period for a tax year of an exempt unauthorised unit trust begins immediately after the end of the basis period for the previous tax year by

- introducing a revised general rule for basis periods
- amending the rules that apply to determine the basis periods for the first and second tax years of an exempt unauthorised unit trust

This ensures that all income arising to an exempt unauthorised unit trust is chargeable to income tax and that no income is included in more than one basis period.

Summary of impacts

Exchequer impact (£m)	2015 to 2016	2016 to 2017	2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021
	negligible	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 a significant macroeconomic impact.					
Impact on individuals, households and families	The measure is not expected to impact on family formation, stability or breakdown. There is no impact upon Individuals and households because this affects only exempt unauthorised unit trusts.					
Equalities impacts	No apparent impact on protected characteristics.					
Impact on business including civil society organisations	This measure is expected to have a negligible impact on businesses. The very small segment of the Investment Management sector affected would need to familiarise themselves with the changes but will benefit from the improved clarity and small reductions in compliance costs. This measure will have no impact on civil society organisations.					
Operational impact (£m) HM Revenue and Customs (HMRC) or other)	It is not anticipated that implementing this change will incur any additional costs / savings for HMRC.					
Other impacts	Other impacts have been considered and none have been identified.					

Monitoring and evaluation

The measure will be kept under review through communication with groups affected by the measure. HMRC has an established programme of liaison with the industry, which will capture issues around implementation and ongoing compliance and administrative costs.

Further advice

If you have any questions about this change, please contact Roger Leslie on Telephone: 03000 585528, email: roger.leslie@hmrc.gsi.gov.uk or Lisa Walker on Telephone: 03000 516080, email: lisa.walker@hmrc.gsi.gov.uk.

Declaration

David Gauke 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.