
STATUTORY INSTRUMENTS

2006 No. 964

The Authorised Investment Funds (Tax) Regulations 2006

PART 2

THE TAX TREATMENT OF AUTHORISED INVESTMENT FUNDS

Loan relationships: treatment of interest distributions and deficits

Treatment of interest distributions for purposes of loan relationships

13.—(1) Chapter 2 of Part 4 of FA 1996 (loan relationships) has effect in relation to an authorised investment fund and to an interest distribution paid by that fund as it would have effect if the interest distribution were interest payable on a loan to the authorised investment fund and were, accordingly, interest under a loan relationship to which the authorised investment fund were a party.

(2) For the purposes of these Regulations, an interest distribution is treated as paid if it is credited to the capital part of the scheme property of an authorised investment fund on behalf of a participant in respect of the participant's accumulation units.

(3) This regulation is subject to regulation 14 ^[F1] and regulation 14B (tax treatment of qualified investor schemes)].

Textual Amendments

F1 Words in reg. 13(3) inserted (1.1.2009) by [The Authorised Investment Funds \(Tax\) \(Amendment No. 3\) Regulations 2008 \(S.I. 2008/3159\)](#), regs. 1(1), **8**

Treatment of deficits on loan relationships

14. Section 83(2)(c) of FA 1996 (carrying back of non-trading deficit on loan relationships) shall not have effect in relation to the loan relationships of an authorised investment fund (so that, accordingly, if for any accounting period there is a deficit on the loan relationships of the authorised investment fund, the deficit may not be carried back to be set off against profits for earlier accounting periods).

[^{F2}This is subject to regulation 14B (tax treatment of qualified investor schemes)]

Textual Amendments

F2 Words in reg. 14 inserted (1.1.2009) by [The Authorised Investment Funds \(Tax\) \(Amendment No. 3\) Regulations 2008 \(S.I. 2008/3159\)](#), regs. 1(1), **9**

Status: Point in time view as at 01/01/2009.

Changes to legislation: There are currently no known outstanding effects for the The Authorised Investment Funds (Tax) Regulations 2006, Cross Heading: Loan relationships: treatment of interest distributions and deficits. (See end of Document for details)

[^{F3} Authorised investment funds with limited investment powers – stamp duty reserve tax

14A.—(1) Where, for the relevant period—

- (a) an authorised investment fund is constituted as a unit trust scheme (“the scheme”); and
- (b) conditions A to D in this regulation are met,

paragraph 2 of Schedule 19 to the Finance Act 1999 (“FA 1999”) shall not apply to a surrender to the scheme that would, but for this regulation, be taxable under Part II of that Schedule.

(2) Condition A is that the scheme must be dedicated to investment in the shares of a specified open-ended investment company to which Part 4A applies (“the PAIF”).

(3) Condition B is that—

- (a) the trust deed of the scheme must specify that the scheme may only invest in the PAIF; and
- (b) the prospectus for the scheme must state that the scheme may only invest in the PAIF.

(4) Condition C is when an investment in the scheme is made, the scheme must (within one working day of that investment) invest in the PAIF an amount equal to the investment.

(5) Condition D is that when a withdrawal of investment from the scheme is made, the scheme must (within one working day of that withdrawal) withdraw from the PAIF an amount equal to the withdrawal.

(6) For the purposes of complying with conditions C and D, an investment in the scheme may not be set off against a withdrawal from the scheme.

(7) A scheme will not be dedicated to investment in the PAIF for the purpose of condition B if it has any assets other than shares in the PAIF and money.

(8) In this regulation—

“relevant period” means the relevant two-week period referred to in paragraph 4(2) of Schedule 19 to FA 1999.

“surrender” means a surrender within the meaning of paragraph 2 of Schedule 19 to FA 1999.

“working day” means a day other than—

- (a) a Saturday, Sunday, Christmas Day or Good Friday; or
- (b) a Bank Holiday in the United Kingdom under the Banking and Financial Dealings Act 1971.

“money” includes cash held on deposit but does not include securities of any kind.]

Textual Amendments

F3 Reg. 14A inserted (1.1.2009) by [The Authorised Investment Funds \(Tax\) \(Amendment No. 3\) Regulations 2008 \(S.I. 2008/3159\)](#), regs. 1(1), **10**

Status:

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