
EXPLANATORY NOTE

(This note is not part of the Order)

Article 2 of this Order comes into force on 30th September 2008 and revokes the Value Added Tax (Finance) Order 2008 (S.I. 2008/1892) (“the Finance Order”). The Finance Order varies Group 5 of Schedule 9 to the Value Added Tax Act 1994 (c. 23) (“the Act”) to modify and clarify the scope of the Group in its application to the management of special investment funds. The Finance Order was to have come into force on 1st October 2008.

The remainder of this Order comes into force on 1st October 2008 and varies Group 5 of Schedule 9 to the Act to modify and clarify the scope of the Group in its application to the management of special investment funds.

Article 135(1)(g) of the Principal VAT Directive (Council Directive 2006/112 EC, OJ No L 347, 11.12.06, p1) requires member States to exempt from VAT the management of special investment funds as defined by the member State in question.

Group 5 of Schedule 9 to the Act exempts from VAT certain supplies relating to finance. Article 3 of this Order substitutes new items 9 and 10 and Note (6) and inserts Note (6A) into the Group.

Item 9, as amplified by Notes (6) and (6A), exempts the management of an authorised unit trust scheme within the meaning given in section 237(3) of the Financial Services and Markets Act 2000 (c. 8) (“FSMA”). It also exempts the management of certain collective investment schemes or sub-funds of umbrella schemes which are recognised pursuant to sections 264, 270 or 272 of FSMA or to an order made pursuant to section 409(1)(d) or (f) of that Act. The management of such schemes or sub-funds is excluded from the exemption if they have never been marketed in the United Kingdom or are not for the time being marketed in the United Kingdom and less than 5% of their shares or units are held by, or on behalf of, investors who are in the United Kingdom. Item 9 also exempts the management of an authorised open-ended investment company within the meaning given in section 237(3) of FSMA.

Item 10 exempts the management of a closed-ended collective investment undertaking as defined in Note (6) by reference to an undertaking’s investment objectives and official listing and trading of its shares or equivalent units.

A full and final Impact Assessment has not been produced for this instrument as a negligible impact on the private or voluntary sectors is foreseen.