
STATUTORY INSTRUMENTS

2011 No. 1211

The Offshore Funds (Tax) (Amendment) Regulations 2011

PART 2

Equalisation Arrangements

CHAPTER 1

Introduction and amendments to principal Regulations

Insertion of new regulations 92A, 92B and 92C (funds which do not operate equalisation arrangements)

11. After regulation 92 insert—

“Funds which do not operate equalisation arrangements: income adjustments on the basis of reported income

92A.—(1) This regulation applies if a reporting fund does not operate equalisation arrangements and—

- (a) the fund has given a statement under regulation 53(1)(k) that it intends to make income adjustments in a reporting period on the basis of reported income, or
- (b) regulation 92B(5) applies.

(2) The reported income per unit of the fund for a reporting period is the sum of the reported income per unit for all the computation periods in the reporting period.

(3) The reported income per unit for a computation period is calculated by dividing the reported income of the fund for the computation period by the average number of units in the fund in issue during the computation period.

(4) For the purposes of paragraph (3) the reported income of the fund for a computation period means the reportable income of the fund for that period computed in accordance with Chapters 5 and 6 of this Part.

(5) In the computation referred to in paragraph (4) Chapters 5 and 6 of this Part apply as if references to a period of account of the fund were references to a computation period.

(6) For the purposes of paragraph (3) and regulation 92B(3) the average number of units in issue during a computation period is the sum of the units in the fund in issue during the period after each unit has been multiplied by the fraction of the period for which it is held.

Funds which do not operate equalisation arrangements: income adjustments on the basis of accounting income

92B.—(1) This regulation applies if a reporting fund does not operate equalisation arrangements and the fund has given a statement under regulation 53(1)(k) that it intends to make income adjustments in a reporting period on the basis of accounting income.

(2) The reported income per unit of the fund for a reporting period is calculated as follows—

$$AIU \times \frac{RI}{AI}$$

where—

AIU is the sum of the accounting income per unit for all the computation periods in the reporting period,

RI is the reported income of the fund for the reporting period, and

AI is the sum of accounting income for all the computation periods in the reporting period.

This is subject to paragraphs (4) and (5).

(3) The accounting income per unit for a computation period is calculated by dividing accounting income for the computation period by the average number of units in the fund in issue during the computation period.

(4) Where RI is zero the reported income per unit of the fund for a reporting period is zero.

(5) Where the difference in the amount of reported income per unit calculated using this method and the amount of reported income per unit calculated on the basis of reported income is or is likely to be more than 10% of the latter of those amounts—

- (a) the fund must make income adjustments in that and future reporting periods on the basis of reported income, and
- (b) the manager must give notice to HMRC⁽¹⁾ of the change in the method of income adjustment with the information provided to HMRC in relation to that period under regulation 106 (reporting requirements).

(6) In this Part “accounting income” means an amount proportionally related to the reportable income of the fund determined from the interim or management accounts of the fund, but this amount must not be less than zero.

Funds which do not operate equalisation arrangements: computation period

92C. In this Part a “computation period” means a period determined by a fund in accordance with the following rules.

Rule 1

A new computation period must start—

- (a) at the beginning of a reporting period, and
- (b) immediately after the end of a previous computation period.

Rule 2

A computation period must end—

- (a) at the end of a reporting period, and
- (b) on any date on which income is allocated to participants for distribution or accumulation.

Rule 3

(1) “HMRC” is defined in regulation 12 of the principal Regulations.

Subject to rules 1 and 2, if a reporting period consists of more than one computation period those periods must be of approximately equal length.”.