
EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations amend the Authorised Investment Fund (Tax) Regulations 2006 (S.I. 2006/964, “the principal Regulations”) to make provision for certain transactions undertaken in relation to property authorised investment funds (“property AIFs”).

Regulation 3 inserts a new paragraph (4) into regulation 69C of the principal Regulations to define “dedicated feeder fund”.

Regulation 4 inserts regulations 69Z24E to 69Z24I into Part 4A of the principal Regulations. These regulations make provision as to the tax treatment of participants in property AIFs where reconstructions, conversions and exchanges take place, to ensure that no charge to capital gains tax or corporation tax arises.

New regulation 69Z24E provides that if a fund which is not a property AIF converts, or intends to convert, to being a property AIF, sections 127 to 131 of TCGA apply in relation to the disposal and acquisition of units in the fund as part of the process of it becoming a property AIF.

New regulation 69Z24F provides that if units in a dedicated feeder fund are exchanged for shares in a property AIF, or vice versa, sections 127 to 131 of TCGA apply in relation to the disposal and acquisition of the units or shares.

New regulation 69Z24G provides a further requirement that must be met in order for new regulations 69Z24E and 69Z24F to apply.

New regulation 69Z24H provides that section 137 of TCGA applies to a transaction specified by regulation 69Z24E or 69Z24F, where the circumstances mentioned in section 137 are present.

Regulation 5 amends Part 2 of the Schedule to the principal Regulations (index of defined expressions).

A Tax Information and Impact Note covering this instrument will be published on the HMRC website at <http://www.hmrc.gov.uk/thelibrary/tiins.htm>.