

**EXPLANATORY MEMORANDUM TO**  
**THE UNAUTHORISED UNIT TRUSTS (TAX) (AMENDMENT) REGULATIONS**  
**2015**

**2015 No. 463**

1. This explanatory memorandum has been prepared by Her Majesty's Revenue and Customs, on behalf of HM Treasury, and is laid before the House of Commons by Command of Her Majesty.
2. **Purpose of the instrument**
  - 2.1 These Regulations make amendments to The Unauthorised Unit Trusts (Tax) Regulations 2013 (S.I. 2013/2819) ('the UUT Tax regulations).
3. **Matters of special interest to the Statutory Committee on Statutory Instruments.**
  - 3.1 None
4. **Legislative Context**
  - 4.1 These Regulations make amendments to the UUT Tax regulations in relation to basis periods.
5. **Territorial Extent and Application**
  - 5.1 This instrument applies to all of the United Kingdom.
6. **European Convention on Human Rights**
  - 6.1 As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.
7. **Policy background**
  - 7.1 The UUT Tax regulations were made on 31 October 2013 and introduced substantial changes to the treatment of unauthorised unit trusts (UUTs) and their investors, simplifying the rules and removing opportunities for avoidance. The UUT Tax regulations provide for the meaning of 'exempt unauthorised unit trust' (EUUT) and that the taxation of income of EUUTs is by reference to basis periods. These Regulations make amendments to the UUT Tax regulations in relation to basis periods.
  - 7.2 The amendments provide that the basis period of an EUUT for a tax year begins immediately after the end of the basis period for the previous tax year. A revised general rule is introduced together with amendments to the basis periods for the first and second tax years of an EUUT. This will address concerns that income may be taxed twice on the cessation of an EUUT. The

amendments will also ensure that no amount of income falls out of charge to tax.

## Consolidation

7.3 HMRC does not plan to consolidate the regulations.

## 8. Consultation outcome

8.1 HMRC have informally consulted stakeholders regarding the amendments including tax advisers and a representative body to ensure the amendments achieve their aim.

## 9. Guidance

9.1 Draft guidance on the tax treatment of UUTs and their investors will be updated and consolidated into a new HMRC Investment Funds manual expected to be published in 2015.

## 10. Impact

10.1 The impact on business, charities or voluntary bodies is set out in the Tax Information and Impact Note.

10.2 The impact on the public sector is set out in the Tax Information and Impact Note.

10.3 A Tax Information and Impact Note covering this instrument will be published on GOV.UK at page <https://www.gov.uk/government/collections/tax-information-and-impact-notes-tiins> .

## 11. Regulating small business

11.1 The legislation applies to small business.

11.2 The proposed amendments are beneficial and excluding companies with fewer than 20 employees would not achieve the policy objective.

11.3 HMRC will however provide assistance to small firms through the usual contact channels for customers requiring assistance, and by publishing guidance.

## 12. Monitoring & review

12.1 HMRC and HM Treasury will continue to liaise with stakeholders from time to time to discuss the implementation of the proposed new rules as part of continuing engagement with industry.

### **13. Contact**

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