
STATUTORY INSTRUMENTS

2013 No. 1400

**CAPITAL GAINS TAX
CORPORATION TAX**

**The Collective Investment Schemes (Tax
Transparent Funds, Exchanges, Mergers and
Schemes of Reconstruction) Regulations 2013**

Approved by the House of Commons

<i>Made</i>	- - - -	<i>6th June 2013</i>
<i>Laid before the House of Commons</i>	- - - -	<i>7th June 2013</i>
<i>Coming into force</i>	- -	<i>8th June 2013</i>

The Treasury make the following Regulations in exercise of the powers conferred by section 103C of the Taxation of Chargeable Gains Act 1992(1).

Citation, commencement and effect

1.—(1) These Regulations may be cited as the Collective Investment Schemes (Tax Transparent Funds, Exchanges, Mergers and Schemes of Reconstruction) Regulations 2013 and come into force on 8th June 2013.

(2) These Regulations have effect in relation to disposals on or after that date.

Amendment of the Taxation of Chargeable Gains Act 1992

2. The Taxation of Chargeable Gains Act 1992 is amended as provided in regulations 3 to 13.

Amendments in relation to tax transparent collective investment schemes

3. In Chapter 3 of Part 3, after section 103C insert—

“Co-ownership schemes

103D.—(1) This section applies in relation to an authorised contractual scheme which is a co-ownership scheme and is not a relevant offshore fund.

(1) 1992 c. 12; section 103C was inserted by section 36(3) of the Finance Act 2012 (c. 14).

(2) Subject to what follows, a participant's interests in the property subject to the scheme are to be disregarded for the purposes of this Act.

(3) A unit in the scheme is to be treated as an asset for the purposes of this Act.

(4) Section 99B(2) applies for the purpose of computing the gain accruing on the disposal by a participant of such a unit (but for no other purpose) as if—

- (a) the scheme were a unit trust scheme,
- (b) the unit were a unit in a unit trust scheme (but not an authorised unit trust), and
- (c) the participant were a unit holder.

(5) For the purposes of this Act—

“authorised contractual scheme” has the meaning given by section 237(3) of the Financial Services and Markets Act 2000(3);

“co-ownership scheme” has the meaning given by section 235A of the Financial Services and Markets Act 2000(4).

(6) In subsection (1), “relevant offshore fund” has the same meaning as in section 103A.”

4. After section 211A(5) insert—

“211B Transfers of assets to certain collective investment schemes

(1) Subsection (2) applies if—

- (a) an asset of an insurance company is made subject to a collective investment scheme which is—
 - (i) an authorised contractual scheme which is a co-ownership scheme, or
 - (ii) a relevant offshore fund,
- (b) that is wholly in exchange for the company being issued with units in the scheme, and
- (c) the condition in subsection (3) is met.

(2) For the purposes of corporation tax on chargeable gains, the company is to be treated—

- (a) as having disposed of the asset mentioned in subsection (1)(a) for a consideration of such amount as would secure that on the disposal neither a gain nor a loss would accrue to the company, and
- (b) as having acquired the units mentioned in subsection (1)(b) for a consideration of the same amount.

(3) The condition is that—

- (a) immediately before the asset mentioned in subsection (1)(a) is made subject to the scheme, the asset was an asset held by the company for the purposes of its long-term business within one of the long-term business categories, and
- (b) immediately after the asset is made subject to the scheme, the units mentioned in subsection (1)(b) are assets held by the company for the purposes of its long-term business within the same category.

(4) For the purposes of subsection (3), a “long-term business category” is—

(2) Section 99B was inserted by section 21 of the Finance (No 2) Act 2005 (c. 22) and amended by S.I. 2006/964.

(3) 2000 c. 8; the definition of “authorised contractual scheme” was inserted by S.I. 2013/1388.

(4) The definition of “co-ownership scheme” was inserted by S.I. 2013/1388.

(5) Section 211A was inserted by section 85 of the Finance Act 2002 (c. 23).

- (a) if the company is a UK life insurance company, a long-term business category set out in section 116(2) of the Finance Act 2012(6) (subject to section 116(3)), or
 - (b) if the company is an overseas life insurance company, a UK long-term business category set out in section 117(2) of that Act (subject to section 117(3)).
- (5) In subsection (1), “relevant offshore fund” has the same meaning as in section 103A (application of Act to certain offshore funds)(7).
- (6) In this section, in relation to a relevant offshore fund, “units” means rights in the fund which are treated as shares under section 103A.”
5. In section 212(1) (annual deemed disposal of holdings of unit trusts etc)(8)—
- (a) in paragraph (b) omit the words “within the meaning of section 355 of TIOPA 2010”,
 - (b) before paragraph (c) insert—
 - “(ba) units in an authorised contractual scheme which is a co-ownership scheme, or”.
6. In section 213 (spreading of gains and losses under section 212)(9), before subsection (4A) insert—
- “(4ZB) Subject to subsection (5) below, where a company—
- (a) acquired units in a collective investment scheme where section 211B(2) applied in relation to that acquisition, and
 - (b) other than by virtue of section 212, disposes of some or all of those units during the period of three years after the end of the accounting period of the company in which the acquisition took place,
- the fraction of any net amount that is treated as accruing at the end of the accounting period of the company in which the disposal occurs is to be adjusted so as to secure that the whole of the chargeable gain or allowable loss attributable to the units disposed of which has been taken into account in determining the net amount has been accounted for; and fractions of the net amount treated as accruing at the end of subsequent accounting periods are to be adjusted accordingly.
- (4ZC) For the purposes of subsection (4ZB) (notwithstanding the provisions of Chapter 1 of Part 4 (shares, securities, options etc))—
- (a) units in a collective investment scheme acquired as mentioned in subsection (4ZB)(a) are treated as being disposed of before other units in the scheme or, where there are different classes of unit in the scheme, units of the same class held by the company, and
 - (b) where units are acquired as mentioned in subsection (4ZB)(a) at different times, units acquired at a later time are treated as disposed of before units acquired at an earlier time or, where there are different classes of unit in the scheme, units of the same class acquired at an earlier time.

(6) 2012 c. 14.

(7) Section 103A was inserted by paragraph 8 of Schedule 22 to the Finance Act 2009 (c. 10) and amended by S.I. 2011/1211.

(8) Section 212(1) was relevantly amended by paragraph 165 of Schedule 8 to the Taxation (International and Other Provisions) Act 2010 (c. 8), paragraph 85 of Schedule 16 to the Finance Act 2012 and S.I. 2001/3629.

(9) Section 213 was amended by section 91(4) of, and Part 3(8) of Schedule 23 to, the Finance Act 1993 (c. 34), paragraph 4 of Schedule 9 to the Finance Act 1995 (c. 4), section 137(3) of the Finance Act 1998 (c. 36), section 153(1)(b) and (4) of, paragraph 16 of Schedule 33 and Part 3(12) of Schedule 43 to, the Finance Act 2003 (c. 14), paragraph 9(3) of Schedule 7 to the Finance Act 2004 (c. 12), paragraph 20(6) of Schedule 9 to the Finance (No 2) Act 2005 (c. 22), section 70(1) and (5) of the Finance Act 2006 (c. 25), paragraphs 60 and 64 of Schedule 7, paragraphs 3(4) and 17(1) of Schedule 9 and Part 2(7) of Schedule 27 to the Finance Act 2007 (c. 11) and S.I. 2001/3629, 2008/381 and 2009/56.

(4ZD) In subsections (4ZB) and (4ZC), in relation to a relevant offshore fund, “units” means rights in the fund which are treated as shares under section 103A (application of Act to certain offshore funds).

(4ZE) In subsection (4ZD), “relevant offshore fund” has the same meaning as in section 103A.”

7. In section 288 (interpretation)—

- (a) in subsection (1), at the appropriate place insert—

““participant”, in relation to a collective investment scheme, has the meaning given by section 103C(10);”,

- (b) in subsection (3A)(a)(10), after “211,” insert “211B,” and

- (c) in the table in subsection (8), insert the following at the appropriate place—

“Authorised contractual scheme	s 103D(5)”
“Co-ownership scheme	s 103D(5)”

Amendments in relation to exchanges, mergers and schemes of reconstruction

8. In section 99A (authorised unit trusts: treatment of umbrella schemes)(11)—

- (a) in subsection (1), for “an authorised unit trust” substitute “a relevant collective investment scheme”,

- (b) for subsection (2) substitute—

“(2) For the purposes of this Act (except subsection (1) and section 103C)—

- (a) each of the parts of an umbrella scheme shall itself be regarded as a collective investment scheme of the same form as the umbrella scheme as a whole, and

- (b) the umbrella scheme as a whole shall not be regarded as a collective investment scheme of that form or as any other form of collective investment scheme,

and the participants in the umbrella scheme are to be treated accordingly.

(2A) Subsection (2)—

- (a) does not prevent gains or losses accruing to an umbrella scheme which is a unit trust scheme (other than an authorised unit trust) being regarded as gains or losses accruing to the umbrella scheme as a whole, and

- (b) does not apply for the purposes of section 100(2).”,

- (c) omit subsection (3),

- (d) in subsection (4)—

- (i) for “subsections (2) or (3)” substitute “subsection (2)”,

- (ii) in paragraph (b) for “an authorised unit trust” substitute “a unit trust scheme”,

- (e) at the end insert—

“(5) For the purposes of subsection (1), “arrangements” includes arrangements provided in a company’s instrument of incorporation.

(10) Section 288(3A) was inserted by paragraph 63 of the Finance Act 2008 (c. 9).

(11) Section 99A was inserted by section 118(3) of the Finance Act 2004 and amended by Part 3 of Schedule 42 of that Act and section 36(2) of the Finance Act 2012 (c. 14).

(6) In this section, “relevant collective investment scheme” means a collective investment scheme which is—

- (a) an authorised contractual scheme which is a co-ownership scheme,
- (b) a unit trust scheme, or
- (c) an offshore fund.”, and

(f) accordingly the heading becomes “Treatment of umbrella schemes”.

9. Omit section 102 (collective investment schemes with property divided into separate parts).

10. In section 103A (application of Act to certain offshore funds)(12), in subsection (3), for the words from “section 103B” to the end substitute “section 103B, “participant”, in relation to an offshore fund which is not a collective investment scheme, has the meaning given in section 362(1) of TIOPA 2010(13).”.

11. In Part 3, after Chapter 3 insert—

“CHAPTER 4

COLLECTIVE INVESTMENT SCHEMES: EXCHANGES, MERGERS AND SCHEMES OF RECONSTRUCTION

103E Application of Chapter

(1) In this Chapter (except this section) references to a collective investment scheme are to a collective investment scheme falling within any of the following paragraphs—

- (a) an authorised contractual scheme which is a co-ownership scheme,
- (b) a unit trust scheme, or
- (c) an offshore fund.

(2) Sections 126 to 138A (reorganisation of share capital, conversion of securities etc) do not apply for the purposes of the treatment of participants in collective investment schemes falling within subsection (1)(a) to (c) except as applied by this Chapter.

(3) But sections 135 to 138A (company reconstructions) may apply for those purposes where either company A or company B is not a collective investment scheme falling within subsection (1)(a) to (c).

(4) In subsection (3), “company A” and “company B” have the meaning given by section 135 or 136 as the case may be.

(5) In this Chapter, “units” includes shares in a company.

103F Exchanges of units for units in the same scheme

(1) This section applies in the following cases.

Case 1

Where—

- (a) a participant in a collective investment scheme exchanges units in the scheme for other units in the scheme (“new units”) of substantially the same value, and
- (b) the property subject to the scheme and the rights of participants to share in the capital and income in relation to that property are the same immediately before

(12) Section 103A was inserted by paragraph 8 of Schedule 22 to the Finance Act 2009 (c. 10) and amended by S.I. 2011/1211.

(13) TIOPA is defined in section 288(1) of the Taxation of Chargeable Gains Act 1992 as the Taxation (International and Other Provisions) Act 2010 (c. 8).

and immediately after the event (ignoring any changes as a result of a variation in management charges).

Case 2

Where there is a reorganisation of the units in a collective investment scheme in which all the participants holding units in the scheme or, where there are different classes of unit in the scheme, all the participants holding units in the same class, exchange all their units for other units (“new units”) in the scheme.

(2) Where this section applies—

- (a) sections 127 to 131 (share reorganisations etc) apply with the necessary adaptations as if the collective investment scheme were a company and the event mentioned in subsection (1) were a reorganisation of its share capital, and
- (b) any distribution in relation to any new units is to be treated for the purposes of capital gains tax, corporation tax or income tax on the basis set out in section 127 (as adapted).

(3) In subsection (1), “management charges” mean the costs charged to the property subject to the scheme in respect of remunerating the parties operating the scheme, administering the scheme or investing or safeguarding the property subject to the scheme.

103G Exchange of units for those in another collective investment scheme

(1) This section applies in the following cases where units in a collective investment scheme (“collective investment scheme B”) are issued to a person in exchange for units in another collective investment scheme (“collective investment scheme A”).

(2) The cases are—

Case 1

Where units in collective investment scheme B are issued in exchange for units as the result of a general offer—

- (a) made to participants in collective investment scheme A or any class of them, and
- (b) made in the first instance on a condition such that if it were satisfied the property subject to collective investment scheme B would include units in collective investment scheme A giving rights to more than 50% of the capital, and more than 50% of the income, of collective investment scheme A.

Case 2

Where—

- (a) under an arrangement, participants in collective investment scheme A exchange units in that scheme for units of substantially the same value in collective investment scheme B, and
- (b) in consequence of the exchanges under the arrangement, 85% or more of the property subject to collective investment scheme B is constituted by units in collective investment scheme A.

(3) Where this section applies, sections 127 to 131 (share reorganisations etc) apply with the necessary adaptations as if collective investment scheme A and collective investment scheme B were the same company and the exchange were a reorganisation of its share capital.

(4) This section has effect subject to section 103K(1) (exchange must be for bona fide commercial reasons and not part of tax avoidance scheme).

103H Scheme of reconstruction involving issue of units

- (1) This section applies where—
 - (a) for the purposes of, or in connection with, a scheme of reconstruction an arrangement is entered into by all the participants holding units in an original collective investment scheme (“scheme A”), or where there are different classes of units in the scheme, all the participants holding any class of those units, and
 - (b) under the arrangement—
 - (i) units in a successor collective investment scheme or feeder fund (“scheme B”) are issued to those participants in respect of and in proportion to (or as nearly as may be in proportion to) their relevant holdings in scheme A, and
 - (ii) the units in scheme A comprised in relevant holdings are retained by those participants or are cancelled or otherwise extinguished.
- (2) Where this section applies—
 - (a) those participants are treated as exchanging their relevant holdings in scheme A for the units held by them in consequence of the arrangement, and
 - (b) sections 127 to 131 (share reorganisations etc) apply with the necessary adaptations as if scheme A and scheme B were the same company and the exchange were a reorganisation of its share capital.

For this purpose units in scheme A comprised in relevant holdings that are retained are treated as if they had been cancelled and replaced by a new issue.

- (3) Where a reorganisation within case 2 of section 103F(1) of the units in scheme A is carried out for the purposes of the scheme of reconstruction, the provisions of subsections (1) and (2) apply in relation to the position after the reorganisation.
- (4) In this section, references to “relevant holdings” of units are—
 - (a) where there is only one class of units in scheme A, to holdings of units in the scheme, and
 - (b) where there are different classes of units in scheme A, to holdings of a class of units that is involved in the scheme of reconstruction (within the meaning of paragraph 3 of Schedule 5AZA).
- (5) This section has effect subject to section 103K(1) (scheme of reconstruction must be for bona fide commercial reasons and not part of tax avoidance scheme).

103I Scheme of reconstruction involving conversion scheme

- (1) This section applies where—
 - (a) a scheme of reconstruction is entered into and given effect to, and
 - (b) for the purposes of, or in connection with, the scheme of reconstruction, units in a collective investment scheme (“the conversion scheme”) are issued to participants in another collective investment scheme (“scheme C”) in exchange for and in proportion to (or as nearly as may be in proportion to) their conversion holdings in accordance with regulation 12(1)(b) of the Undertakings for Collective Investment in Transferable Securities Regulations 2011 ([S.I. 2011/1613](#)).
- (2) Where this section applies sections 127 to 131 apply with the necessary adaptations as if scheme C and the conversion scheme were the same company and the exchange were a reorganisation of its share capital.
- (3) In this section “conversion holdings” means the units in scheme C to be converted in accordance with regulation 12(1)(b) of the Undertakings for Collective Investment

in Transferable Securities Regulations 2011 into units in the conversion scheme for the purposes of, or in connection with, the scheme of reconstruction.

(4) This section has effect subject to section 103K(1) (scheme of reconstruction must be for bona fide commercial reasons and not part of tax avoidance scheme).

103J Supplementary provisions

103J In sections 103H and 103I—

- (a) “feeder fund” has the meaning given by paragraph 3(2) of Schedule 5AZA to this Act;
- (b) “scheme of reconstruction” has the meaning given by paragraph 1 of Schedule 5AZA;
- (c) “original collective investment scheme” and “successor collective investment scheme” must be construed in accordance with paragraph 2(2) of Schedule 5AZA; and
- (d) references to units being retained include their being retained with altered rights or in an altered form, whether as the result of reduction, consolidation, division or otherwise .

103K Restriction on application of sections 103G, 103H and 103I

(1) Subject to subsection (2) below, and section 138, section 103G, 103H or 103I shall not apply to any issue of units in a collective investment scheme in exchange for or in respect of units in another scheme unless the exchange or scheme of reconstruction in question is effected for bona fide commercial reasons and does not form part of a scheme or arrangements of which the main purpose, or one of the main purposes, is avoidance of liability to capital gains tax, corporation tax or income tax.

(2) Subsection (1) above shall not affect the operation of section 103G, 103H or 103I in any case where the participant to whom the units are issued does not hold more than 5 per cent of, or of any class of, the units in the second scheme mentioned in subsection (1) above.

(3) For the purposes of subsection (2) above units held by participants connected with the participant there mentioned shall be treated as held by that participant.

(4) If any tax assessed on a participant (“the chargeable participant”) by virtue of subsection (1) above is not paid within 6 months from the date determined under subsection (5) below, any other participant who—

- (a) holds all or any part of the units that were issued to the chargeable participant, and
- (b) has acquired them without there having been, since their acquisition by the chargeable participant, any disposal of them not falling within section 58(1) or 171,

may, at any time within 2 years from that date, be assessed and charged (in the name of the chargeable participant) to all or, as the case may be, a corresponding part of the unpaid tax; and a participant paying any amount of tax under this subsection shall be entitled to recover from the chargeable participant a sum equal to that amount together with any interest paid by him under section 87A of the Management Act on that amount.

(5) The date referred to in subsection (4) above is whichever is the later of—

- (a) the date when the tax becomes due and payable by the chargeable participant; and
- (b) the date when the assessment was made on the chargeable participant.

(6) Section 138 (procedure for clearance in advance) applies to this section as it applies to section 137 (with any necessary modifications).”

12. In section 288 (interpretation), in subsection (1), at the appropriate place insert—

““offshore fund” has the meaning given in section 355 of TIOPA 2010 (but where two or more offshore funds make up a collective investment scheme they are to be treated as a single offshore fund subject to section 99A of this Act);”.

13. After Schedule 5A(14) insert—

“SCHEDULE 5AZA

Meaning of “scheme of reconstruction””

“Introductory

1. In sections 103H and 103I, “scheme of reconstruction” means a scheme within paragraph 2 which meets the conditions in paragraphs 3 and 4.

Form of scheme

2.—(1) A scheme (“the relevant scheme”) is within this paragraph if under the relevant scheme some or all of the property subject to one or more collective investment schemes becomes subject to one or more other collective investment schemes.

(2) In this Schedule “original collective investment scheme” means a collective investment scheme property subject to which becomes subject to another collective investment scheme; and “successor collective investment scheme” is to be read accordingly.

First condition: issue of units

3.—(1) The first condition is that the relevant scheme involves the issue of units in a successor collective investment scheme or schemes or a feeder fund—

- (a) where there is one original collective investment scheme, to holders of units in that scheme or, if there are different classes of units in that scheme, to holders of one or more classes of units in that scheme (the classes “involved in the scheme of reconstruction”), or
- (b) where there is more than one original collective investment scheme, to holders of units in any of those schemes or, if there are different classes of units in one or more of those schemes, to holders of units in any of those schemes or of one or more classes of units in any of those schemes (the classes “involved in the scheme of reconstruction”),

and does not involve the issue of units in any successor collective investment scheme or feeder fund to anyone else.

(2) In this Schedule, “feeder fund” means a collective investment scheme, 85% or more of the property subject to which is constituted by units in a successor collective investment scheme or schemes.

Second condition: equal entitlement to new units

4.—(1) The second condition is that under the relevant scheme the entitlement of any participant to acquire units in a successor collective investment scheme or schemes or a

feeder fund by virtue of holding relevant units, or relevant units of any class, is the same as that of any other participant holding such units or units of that class.

- (2) For this purpose “relevant units” means units comprised—
- (a) where there is one original collective investment scheme, in the units of that scheme or, as the case may be, in the units of that scheme of a class involved in the scheme of reconstruction;
 - (b) where there is more than one original collective investment scheme, in the units of any of those schemes or, as the case may be, in the units of any of those schemes of a class involved in the scheme of reconstruction.

Preliminary reorganisation of units to be disregarded

5. Where a reorganisation of the units in an original collective investment scheme or schemes within case 2 of section 103F(1) is carried out for the purposes of the relevant scheme, the provisions of the first and second conditions apply in relation to the position after the reorganisation.

Subsequent issue of units to be disregarded

6. An issue of units in any successor collective investment scheme or schemes or feeder fund after the latest date on which any units in any successor collective investment scheme or schemes or feeder fund are issued in consideration of property becoming subject to any successor collective investment scheme or schemes under the relevant scheme shall be disregarded for the purposes of the first and second conditions.”

Amendment to the Authorised Investment Funds (Tax) Regulations 2006

14. In the Authorised Investment Funds (Tax) Regulations 2006(15)—
- (a) in regulation 100 (general modification: authorised unit trust), in paragraph (3) omit sub-paragraph (b),
 - (b) in regulation 102 (general modification: unit in authorised unit trust), in paragraph (2) omit sub-paragraph (b),
 - (c) in regulation 104 (general modification: holder of unit in authorised unit trust), in paragraph (2) omit sub-paragraph (b),
 - (d) omit regulation 106 (insertion of section 99AA of TCGA 1992),
 - (e) in regulation 109 (modifications of section 288 of TCGA 1992), in paragraph (2) omit sub-paragraph (a) and the “and” at the end of that sub-paragraph.

Amendment to the Offshore Funds (Tax) Regulation 2009

15. In the Offshore Funds (Tax) Regulations 2009(16)—
- (a) for regulations 35 (application of section 135 of TCGA 1992) and 36 (application of section 136 of TCGA 1992) substitute—

(15) S.I. 2006/964.

(16) S.I. 2009/3001.

“Exchanges and schemes of reconstruction

36A.—(1) The following sections of TCGA 1992 do not apply to the extent that an interest in a non-reporting fund is exchanged or treated as exchanged for an asset which is not an interest in a non-reporting fund.

(2) The sections are—

- (a) section 103G (exchange of units for those in another collective investment scheme),
- (b) section 103H (scheme of reconstruction involving issue of units),
- (c) section 135 (exchange of securities for those in another company), and
- (d) section 136 (scheme of reconstruction involving issue of securities).

(3) In a case where one of those sections would apply apart from paragraph (1), the exchange or deemed exchange shall for the purposes of this Part constitute a disposal of interests in the non-reporting fund for a consideration equal to their market value at the time of the exchange or deemed exchange.”,

(b) in regulation 39 (the basic gain and its computation), in paragraph (3) for sub-paragraphs (b) and (c) substitute—

“(aa) regulation 36A (exchanges and schemes of reconstruction);”,

(c) in regulation 47 (application of section 128 of TCGA 1992), in paragraph (1) for sub-paragraphs (a) and (b) substitute—

“(aa) regulation 36A (exchanges and schemes of reconstruction), or”.

6th June 2013

David Evennett
Desmond Swayne
Two of the Lords Commissioners of Her
Majesty’s Treasury

Status: This is the original version (as it was originally made). This item of legislation is currently only available in its original format.

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations make provision in relation to the capital gains tax treatment of investors (“participants”) in collective investment schemes. The provisions made fall into 3 categories- provisions in relation to tax transparent funds (regulations 3 to 7 and 15), provisions in relation to exchanges, mergers and schemes of reconstruction of collective investment schemes (regulations 8 to 13), and consequential amendments to secondary legislation (regulation 14).

Regulation 1 provides for citation, commencement and effect.

Regulation 2 introduces the amendments to the Taxation of Chargeable Gains Act 1992 (“TCGA”).

Regulation 3 inserts section 103D into TCGA. This makes provision in relation to a new type of collective investment scheme, an authorised contractual scheme which is a co-ownership scheme. A participant’s interests in the property subject to the scheme are disregarded for the purposes of TCGA and instead the participant’s holding of units issued under the scheme is treated as an asset for the purposes of capital gains tax.

Regulations 4 to 6 make provision in relation to holdings in collective investment schemes by insurance companies.

Regulation 4 inserts section 211B into TCGA to provide relief for insurance companies which transfer assets into a co-ownership scheme or certain offshore funds which are directly comparable to co-ownership funds in exchange for units in the scheme. No chargeable gain or allowable loss will arise on the transfer provided that the assets transferred and the units issued in exchange are held within the same category of business within the company’s long-term insurance fund.

Regulation 5 amends section 212(1) of TCGA (annual deemed disposal of holding of unit trusts etc) to add an interest in a co-ownership fund to the types of collective investment scheme in relation to which an insurance company is treated as disposing and reacquiring its interest at the end of each accounting period.

Regulation 6 amends section 213 of TCGA (spreading of gains and losses under section 212) to provide that where section 211B has applied in relation to the acquisition of units, if those units are disposed of within three years after the end of the accounting period in which the acquisition took place, any allowable loss or chargeable gain deferred by section 211B and not already treated as accruing under section 213 will be brought into account at the end of the period in which the disposal occurs. Units in relation to which section 211B has applied are treated as being disposed of before other units in the same scheme.

Regulation 7 amends section 288 of TCGA (interpretation) to insert a definition of “participant”, include new section 211B in the list of no gain/no loss provisions and insert cross-references to other definitions.

Regulation 8 amends section 99A of TCGA (authorised unit trusts: treatment of umbrella schemes) to extend the treatment provided in relation to umbrella funds to other types of collective investment scheme.

Regulation 9 omits section 102 of TCGA (collective investment schemes with property divided into separate parts) as this provision is now otiose.

Regulation 10 makes consequential amendments to section 103A of TCGA (application of Act to certain offshore funds).

Regulation 11 inserts Chapter 4 (collective investment schemes: exchanges, mergers and schemes of reconstruction) in Part 3 of TCGA. This comprises sections 103E to 103K which make provision for exchanges, mergers and schemes of reconstruction in relation to collective investment schemes.

Section 103E lists the types of collective investment scheme to which the new Chapter 4 applies and excludes the operation of Chapter 2 of Part 4 of TCGA in relation to such schemes except as applied by Chapter 4 or where one of the parties to an exchange or a scheme is not a collective investment scheme to which Chapter 4 applies.

In a case where one of the new sections applies, the share reorganisation provisions in sections 127 to 131 of TCGA will apply with necessary adaptations as if the scheme were a company and the event in question were a reorganisation of its share capital, so no disposal of the original holding is treated as occurring and the new holding is treated as the same as the original.

Section 103F makes provision about exchanges of units for other units in the same collective investment scheme in two cases: first where there is no change in the underlying property and second where all the units in the collective investment scheme, or all the units of a certain class, are exchanged.

Section 103G applies where a collective investment scheme acquires the interests in another collective investment scheme and the acquiring scheme issues units to the unit holders in the target scheme.

Section 103H applies where a collective investment scheme is involved in a scheme of reconstruction and for the purposes of or in connection with the scheme of reconstruction units are issued in the successor collective investment scheme to the unit holders in the original scheme.

Section 103I makes provision for the issue of units in another collective investment scheme in accordance with regulation 12 of the Undertakings for Collective Investment in Transferable Securities Regulations 2011 (S.I. 2011/1613) for the purposes of or in connection with a scheme of reconstruction.

Section 103J contains supplementary provisions.

Section 103K is an anti-avoidance provision. This provides that sections 103G, 103H and 103I do not apply unless the exchange or scheme of reconstruction in question is effected for bona fide commercial reasons and does not form part of a scheme or arrangements of which the main purpose, or one of the main purposes, is avoidance of liability to capital gains tax, corporation tax or income tax.

Regulation 12 inserts a definition of “offshore fund” in section 288 of TCGA.

Regulation 13 inserts Schedule 5AZA in TCGA which gives the meaning of “scheme of reconstruction” for the purposes of sections 103H and 103I. Paragraph 2 sets out the type of scheme within the Schedule and provides definitions of “original collective investment scheme” and “successor collective investment scheme”. Paragraphs 3 and 4 set out the conditions a scheme must meet in relation to issue of units and entitlement to units under the scheme. Paragraphs 5 and 6 provide that in applying these conditions a preliminary reorganisation of units in the original collective investment scheme and a subsequent issue of units in the successor collective investment scheme are disregarded.

Regulation 14 makes consequential amendments to the Authorised Investment Funds (Tax) Regulations 2006 (S.I. 2006/964).

Regulation 15 makes consequential amendments to the Offshore Funds (Tax) Regulations 2009 (S.I. 2009/3001).

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

Status: This is the original version (as it was originally made). This item of legislation is currently only available in its original format.