

2015 No. 2053

CAPITAL GAINS TAX

CORPORATION TAX

INCOME TAX

**The Unauthorised Unit Trusts (Tax) (Amendment No. 2)
Regulations 2015**

Made - - - - - *16th December 2015*

Laid before the House of Commons *17th December 2015*

Coming into force - - - *7th January 2016*

The Treasury make the following Regulations in exercise of the powers conferred by section 217 of the Finance Act 2013^(a).

Citation and commencement

1. These Regulations may be cited as the Unauthorised Unit Trusts (Tax) (Amendment No. 2) Regulations 2015 and come into force on 7th January 2016.

Amendment of the Unauthorised Unit Trusts (Tax) Regulations 2013

2. The Unauthorised Unit Trusts (Tax) Regulations 2013^(b) are amended as provided for in regulations 3 and 4.

Disapplication of section 272A(1) to (4) of ITTOIA 2005: exempt unauthorised unit trusts

3. In regulation 12 (treatment of income of an exempt unauthorised unit trust) after paragraph (3) insert—

“(3A) Subsections (1) to (4) of section 272A of ITTOIA 2005 (restricting deductions for finance costs related to residential property)^(c) do not apply in relation to calculating the profits of a UK property business, or overseas property business, for the purposes of charging the trustees of an exempt unauthorised unit trust to income tax on those profits.”

^(a) 2013 c.29.

^(b) S.I. 2013/2819, amended by S.I. 2014/585 and S.I. 2015/463.

^(c) 2005 c.5; section 272A was inserted by section 24 of Finance (No. 2) Act 2015 (c.33).

Disapplication of section 272A(1) to (4) of ITTOIA 2005: mixed unauthorised unit trusts

4. In regulation 32 (Part 5 not to apply to mixed unauthorised unit trusts) after paragraph (2) insert—

“(3) Where paragraph (1) applies, section 504 of ITA 2007 shall be read as if it included after subsection (4)—

“(4A) Subsections (1) to (4) of section 272A of ITTOIA 2005 (restricting deductions for finance costs related to residential property) do not apply in relation to calculating the profits of a UK property business, or overseas property business, for the purposes of charging the trustees to income tax on those profits.””

*David Evennett
Mel Stride*

16th December 2015

Two of the Lords Commissioners of Her Majesty’s Treasury

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations amend the Unauthorised Unit Trusts (Tax) Regulations 2013 (the “principal Regulations”).

Regulation 1 provides for citation and commencement.

Finance (No. 2) Act 2015 (c.33) restricted deductions for finance costs related to residential property under new sections 272A and 272B of the Income Tax (Trading and Other Income) Act 2005 (“ITTOIA 2005”). However, a tax reduction was given for individuals by new section 274A ITTOIA 2005, and for trustees with accumulated or discretionary income by new section 274B ITTOIA 2005. Trustees of an exempt unauthorised unit trust (“EUUT”) or a mixed unauthorised unit trust (“MUUT”) did not receive such a tax reduction under those provisions.

Regulation 3 therefore inserts a new paragraph (3A) after regulation 12(3) of the principal Regulations to provide that subsections (1) to (4) of section 272A of ITTOIA 2005 do not apply when calculating the income of trustees of an EUUT.

Regulation 4 inserts a new paragraph (3) after regulation 32(2) of the principal Regulations to provide that when applying section 504 of the Income Tax Act 2007 to an MUUT, subsections (1) to (4) of section 272A of ITTOIA 2005 do not apply when calculating the income of the trustees.

A Tax Information and Impact Note has not been prepared for this instrument as it contains no substantive changes to tax policy.

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