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SCHEDULES

SCHEDULE 16

PROPERTY AUTHORISED INVESTMENT FUNDS AND CO-OWNERSHIP AUTHORISED CONTRACTUAL SCHEMES

PART 2

SEEDING RELIEF FOR PROPERTY AUTHORISED INVESTMENT FUNDS AND CO-OWNERSHIP AUTHORISED CONTRACTUAL SCHEMES

2 FA 2003 is amended in accordance with this Part.

3 After section 65 insert—

“65A PAIF seeding relief and COACS seeding relief

(1) Schedule 7A provides for relief from stamp duty land tax.

(2) In that Schedule—

- (a) Part 1 makes provision for relief for property authorised investment funds (PAIF seeding relief), and
- (b) Part 2 makes provision for relief for co-ownership authorised contractual schemes (COACS seeding relief).

(3) Any relief under that Schedule must be claimed in a land transaction return or an amendment of such a return, and must be accompanied by a notice to HMRC referring to the claim.

(4) In the case of a claim for PAIF seeding relief, the notice must confirm that the purchaser is—

- (a) a property AIF as defined in paragraph 2(2) of Schedule 7A, or
- (b) a company treated as a property AIF by virtue of paragraph 2(5) of Schedule 7A (equivalent EEA funds).

(5) In the case of a claim for COACS seeding relief, the notice must confirm that the purchaser is—

- (a) a co-ownership authorised contractual scheme as defined in section 102A(8), or
- (b) an entity treated as a co-ownership authorised contractual scheme by virtue of section 102A(7) (equivalent EEA schemes).

(6) The notice must be in such form, and contain such further information, as HMRC may require.”

4 After Schedule 7 insert—

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“SCHEDULE
7A

Section 65A

PAIF SEEDING RELIEF AND COACS SEEDING RELIEF

PART 1

PROPERTY AUTHORISED INVESTMENT FUNDS

PAIF seeding relief

- 1 (1) A land transaction is exempt from charge if conditions A to D are met.
 Relief under this paragraph is referred to in this Part of this Act as “PAIF seeding relief”.
- (2) Condition A is that the purchaser is a property AIF (see paragraph 2).
- (3) Condition B is that the main subject-matter of the transaction consists of a major interest in land.
- (4) Condition C is that the only consideration for the transaction is the issue of units in the property AIF to a person who is the vendor.
- (5) Condition D is that the effective date of the transaction is a day within the seeding period (see paragraph 3).
- (6) This paragraph is subject to paragraph 4 (restrictions on availability of relief) and paragraphs 5 to 8 (withdrawal of relief).

Meaning of “property AIF”

- 2 (1) This paragraph has effect for the purposes of this Schedule.
- (2) A “property AIF” is an open-ended investment company to which Part 4A of the AIF (Tax) Regulations applies.
- (3) In sub-paragraph (2) “open-ended investment company” is to be read in accordance with regulation 7(1) and (2) of those Regulations (part of an umbrella company is regarded as an open-ended investment company).
- (4) Regulation 7(3)(a) of those Regulations applies for the purposes of this Schedule as it applies for the purposes of those Regulations but as if references to investments and scheme property were a reference to chargeable interests.
- (5) References to a property AIF are treated as including a collective investment scheme which—
 - (a) is a company incorporated under the law of an EEA State other than the United Kingdom, and
 - (b) is authorised under the law of that EEA State in a way which makes it, under that law, the equivalent of a property AIF as defined in sub-paragraph (2).

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- (6) In sub-paragraph (5) “collective investment scheme” has the meaning given by section 235 of FSMA 2000.

Meaning of “seeding period”

- 3 (1) In this Part of this Schedule, subject to sub-paragraph (2), the “seeding period” means—
- (a) the period beginning with the first property seeding date and ending with the date of the first external investment into the property AIF, or
 - (b) if shorter, the period of 18 months beginning with the first property seeding date.

- (2) The property AIF may elect to bring the seeding period to an end sooner than it would otherwise end under sub-paragraph (1).

Where an election is made, the seeding period is the period beginning with the first property seeding date and ending with the date specified in the election.

- (3) An election under sub-paragraph (2) may be made—
- (a) by being included in a notice accompanying a claim for PAIF seeding relief (see section 65A), or
 - (b) by separate notice in writing to HMRC.
- (4) In sub-paragraphs (1) and (2), “the first property seeding date” means the earliest effective date of a transaction in respect of which conditions A to C in paragraph 1 are met.

- (5) In this paragraph—
- “external investment” means a non-land transaction in which the vendor is an external investor;
- “external investor” means a person other than a person who has been a vendor in a transaction—
- (a) the effective date of which is on or before the date of the non-land transaction, and
 - (b) in respect of which conditions A to C in paragraph 1 are met;
- “non-land transaction” means a transaction by which the property AIF acquires assets which do not consist of or include a chargeable interest.

Restrictions on availability of relief

- 4 (1) This paragraph restricts the availability of PAIF seeding relief for a transaction in respect of which conditions A to D in paragraph 1 are met.
- (2) PAIF seeding relief is not available unless, at the effective date of the transaction, the property AIF has arrangements in place requiring a person who is the vendor to notify the authorised corporate director of the property AIF of the following matters—
- (a) the identity of the beneficial owner of the units in the property AIF received in consideration of the transaction, and

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- (b) any disposal of units in the property AIF on or after the effective date of that transaction by that owner (or, where that person is a company, by a group company) which is or could be a relevant disposal (see paragraph 7).

In paragraph (b) “group company” means a company which is a member of the same group of companies as the person mentioned in paragraph (a) for the purposes mentioned in paragraph 1(2) of Schedule 7 (group relief).

- (3) PAIF seeding relief is not available if at the effective date of the transaction there are arrangements in existence by virtue of which, at that or some later time, a person who is the vendor makes or could make a disposal of units in the property AIF which is or could be a relevant disposal (see paragraph 7).
- (4) PAIF seeding relief is not available if the transaction—
 - (a) is not effected for bona fide commercial reasons, or
 - (b) forms part of arrangements of which the main purpose, or one of the main purposes, is the avoidance of liability to tax.

“Tax” here means stamp duty, income tax, corporation tax, capital gains tax or tax under this Part.

Withdrawal of relief: ceasing to be property AIF

- 5 (1) Where PAIF seeding relief has been allowed in respect of a transaction (“the relevant transaction”), and the purchaser ceases to be a property AIF—
 - (a) at any time after the effective date of that transaction but within the seeding period,
 - (b) at any time in the control period (see paragraph 21), or
 - (c) in pursuance of, or in connection with, arrangements made before the end of the control period,
 then, subject to sub-paragraph (2), the relief, or an appropriate proportion of it, is withdrawn, and tax is chargeable in accordance with this paragraph.
- (2) Relief is withdrawn only if, at the time when the purchaser ceases to be a property AIF, the purchaser holds—
 - (a) the chargeable interest that was acquired by the purchaser under the relevant transaction, or
 - (b) a chargeable interest that is derived from that interest.
- (3) The amount chargeable is the amount that would have been chargeable in respect of the relevant transaction but for PAIF seeding relief or, as the case may be, an appropriate proportion of the tax that would have been so chargeable.
- (4) In sub-paragraphs (1) and (3) an “appropriate proportion” means an appropriate proportion having regard to the subject-matter of the relevant transaction and what is held by the purchaser at the time it ceases to be a property AIF.

Withdrawal of relief: portfolio test not met

- 6 (1) Where PAIF seeding relief has been allowed in respect of a transaction, and the portfolio test is not met immediately before the end of the seeding

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period, the relief is withdrawn and tax is chargeable in accordance with sub-paragraph (2).

See sub-paragraph (7) for the meaning of “portfolio test”.

- (2) The amount chargeable is the amount that would have been chargeable in respect of the transaction but for PAIF seeding relief.
- (3) Where PAIF seeding relief has been allowed in respect of a transaction (“the relevant transaction”), and the portfolio test is met immediately before the end of the seeding period, but is not met—
 - (a) at a time in the control period, or
 - (b) at a time after the end of the control period, where the failure is pursuant to or in connection with arrangements made before the end of that period,
 then, subject to sub-paragraph (4), the relief, or an appropriate proportion of it, is withdrawn, and tax is chargeable in accordance with sub-paragraph (5).
- (4) The requirement to meet the portfolio test at a time mentioned in sub-paragraph (3)(a) or (b) applies only to times when the property AIF holds—
 - (a) the chargeable interest that was acquired by the property AIF under the relevant transaction, or
 - (b) a chargeable interest that is derived from that interest.
- (5) The amount chargeable is the amount that would have been chargeable in respect of the relevant transaction but for PAIF seeding relief or, as the case may be, an appropriate proportion of the tax that would have been so chargeable.
- (6) In sub-paragraphs (3) and (5) an “appropriate proportion” means an appropriate proportion having regard to the subject-matter of the relevant transaction and what is held by the property AIF at the time when the portfolio test is not met.
- (7) The portfolio test is a requirement that the property AIF meets—
 - (a) the non-residential portfolio test (see sub-paragraph (8)), or
 - (b) the residential portfolio test (see sub-paragraph (9)).
- (8) The “non-residential portfolio test” is met at any time if—
 - (a) the property AIF holds at least 10 seeded interests at that time,
 - (b) so much of the total chargeable consideration as is attributable to all the seeded interests held by the property AIF at that time (“the seeded portfolio”) is at least £100 million, and
 - (c) so much of the total chargeable consideration as is attributable to so many of those seeded interests as are interests in or over residential property (if any) does not exceed 10% of the seeded portfolio.
- (9) The “residential portfolio test” is met at any time if—
 - (a) so much of the total chargeable consideration as is attributable to all the seeded interests held by the property AIF at that time is at least £100 million, and
 - (b) at least 100 of the seeded interests held by the property AIF at that time are interests in or over residential property.

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(10) In sub-paragraphs (8) and (9)—

“seeded interest” means a chargeable interest acquired by the property AIF in a transaction for which PAIF seeding relief is allowed (whether or not relief is subsequently withdrawn to any extent) (a “seeding transaction”), and

“total chargeable consideration” means the total of the chargeable consideration for all seeding transactions.

(11) For the purposes of this paragraph, section 116(7) does not apply (modification of what counts as residential property).

Withdrawal of relief: units disposed of

7 (1) This paragraph applies where—

- (a) a person (“V”) makes a relevant disposal of one or more units in a property AIF—
 - (i) at any time in the seeding period,
 - (ii) at any time in the control period, or
 - (iii) in pursuance of, or in connection with, arrangements made before the end of the control period, and
- (b) there is, in relation to that disposal, a relevant seeding transaction (see sub-paragraph (6)).

(2) In respect of a transaction which is, in relation to the relevant disposal, a relevant seeding transaction—

- (a) PAIF seeding relief is withdrawn to the extent set out in this paragraph, and
- (b) tax is chargeable in accordance with this paragraph.

(3) V's disposal of units in a property AIF is a “relevant disposal” for the purposes of this paragraph if, in relation to the disposal, A exceeds B.

(4) In this paragraph—

“A” means—

- (a) where the value of V's investment in the property AIF immediately before the disposal is equal to or greater than the total of the chargeable consideration for all relevant seeding transactions, the total of the chargeable consideration for all relevant seeding transactions, or
- (b) where the value of V's investment in the property AIF immediately before the disposal is less than the total of the chargeable consideration for all relevant seeding transactions, the value of V's investment in the property AIF immediately before the disposal, and

“B” means the value of V's investment in the property AIF immediately after the disposal.

(5) The amount chargeable in respect of a relevant seeding transaction (“RST”) is—

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$$\frac{C}{CCRST} \times SDLT$$

where—

“C” means the difference between A and B;

“CCRST” means the total of the chargeable consideration for all relevant seeding transactions;

“SDLT” means the amount of tax that would have been chargeable in respect of RST but for PAIF seeding relief, ignoring any amount of tax that has been charged under this paragraph in respect of RST in relation to an earlier disposal of units by V.

(6) In this paragraph—

“group company” means (where V is a company) a company which is a member of the same group of companies as V for the purposes mentioned in paragraph 1(2) of Schedule 7 (group relief);

“relevant seeding transaction”, in relation to a disposal of units by V in a property AIF, means a seeding transaction—

- (a) the effective date of which is, or is before, the date of the disposal,
- (b) in which that property AIF is the purchaser, and
- (c) in which a vendor is—
 - (i) V, or
 - (ii) (where V is a company) a company which is a group company at the time of the disposal;

“seeding transaction” means a transaction in respect of which PAIF seeding relief is allowed (whether or not relief is subsequently withdrawn to any extent);

“the value of V’s investment in the property AIF” at a particular time means the market value of all units in the property AIF held at that time by—

- (a) V, and
- (b) (where V is a company) a company which—
 - (i) is a group company at that time, and
 - (ii) before that time, has been a vendor in one or more seeding transactions in which the property AIF was the purchaser.

(7) For the purposes of this paragraph, the “market value” on a particular date of units in the property AIF is an amount equal to the buying price (that is, the lower price) published by the authorised corporate director on that date (or, if no such price is published on that date, on the latest date before).

Withdrawal of relief: dwelling occupied by non-qualifying individual

- 8 (1) This paragraph applies to a transaction (“the relevant transaction”) if—
- (a) PAIF seeding relief has been allowed in respect of the transaction,

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- (b) the main subject-matter of the transaction consists of a chargeable interest in or over land which is or includes a dwelling, and
- (c) a non-qualifying individual (see paragraph 9) is permitted to occupy the dwelling at any time on or after the effective date of the transaction.

The dwelling which a non-qualifying individual is permitted to occupy is referred to as “the disqualifying dwelling”.

- (2) The relief, or an appropriate proportion of it, is withdrawn, and tax is chargeable in accordance with this paragraph.

This is subject to sub-paragraphs (3) and (4).

- (3) Relief is withdrawn only if, at the time a non-qualifying individual is permitted to occupy the disqualifying dwelling, the property AIF holds a chargeable interest in or over that dwelling—
 - (a) that was acquired by the property AIF under the relevant transaction, or
 - (b) that is derived from an interest so acquired.

- (4) Where a non-qualifying individual is first permitted to occupy the disqualifying dwelling at a time after the end of the control period, relief is withdrawn only if, at that time, the purchaser in the relevant transaction fails to meet the genuine diversity of ownership condition set out in regulation 9A of the AIF (Tax) Regulations.

For the purposes of this sub-paragraph, regulation 9A(2)(a) of those Regulations is to be read as if the words “throughout the accounting period” were omitted.

- (5) The amount chargeable is the amount that would have been chargeable in respect of the relevant transaction but for PAIF seeding relief or, as the case may be, an appropriate proportion of the tax that would have been so chargeable.
 - (6) In sub-paragraphs (2) and (5), an “appropriate proportion” means an appropriate proportion having regard to the extent to which the subject-matter of the relevant transaction was an interest in or over land other than the disqualifying dwelling.
- 9 (1) In paragraph 8 “non-qualifying individual”, in relation to a land transaction and a property AIF, means any of the following—
- (a) an individual who is a major participant in the property AIF;
 - (b) an individual who is connected with a major participant in the property AIF;
 - (c) an individual who is connected with the property AIF;
 - (d) a relevant settlor;
 - (e) the spouse or civil partner of an individual falling within paragraph (b), (c) or (d);
 - (f) a relative of an individual falling within paragraph (b), (c) or (d), or the spouse or civil partner of a relative of an individual falling within paragraph (b), (c) or (d);

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- (g) a relative of the spouse or civil partner of an individual falling within paragraph (b), (c) or (d);
 - (h) the spouse or civil partner of an individual falling within paragraph (g).
- (2) An individual who participates in a property AIF is a “major participant” in it if the individual—
- (a) is entitled to a share of at least 50% either of all the profits or income arising from the property AIF or of any profits or income arising from it that may be distributed to participants, or
 - (b) would in the event of the winding up of the property AIF be entitled to 50% or more of the assets of the property AIF that would then be available for distribution among the participants.
- (3) The reference in sub-paragraph (2)(a) to profits or income arising from the property AIF is to profits or income arising from the acquisition, holding, management or disposal of the property subject to the property AIF.
- (4) In this paragraph—
- “relative” means brother, sister, ancestor or lineal descendant;
 - “relevant settlor”, in relation to a land transaction, means an individual who is a settlor in relation to a relevant settlement (as defined in sub-paragraph (5));
 - “settlement” has the same meaning as in Chapter 5 of Part 5 of ITTOIA 2005 (see section 620 of that Act).
- (5) Where a person, in the capacity of trustee of a settlement, is connected with a person who is the purchaser under a land transaction, that settlement is a “relevant settlement” in relation to the transaction.
- (6) In sub-paragraph (5) “trustee” is to be read in accordance with section 1123(3) of CTA 2010 (“connected” persons: supplementary).
- (7) Section 1122 of CTA 2010 (connected persons) has effect for the purposes of this paragraph, but for those purposes, subsections (7) and (8) of that section (application of rules about connected persons to partnerships) are to be disregarded.

PART 2

CO-OWNERSHIP AUTHORISED CONTRACTUAL SCHEMES

COACS seeding relief

- 10 (1) A land transaction is exempt from charge if conditions A to D are met.
- Relief under this paragraph is referred to in this Part of this Act as “COACS seeding relief”.
- (2) Condition A is that the purchaser is a co-ownership authorised contractual scheme (see section 102A).
- (3) Condition B is that the main subject-matter of the transaction consists of a major interest in land.

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- (4) Condition C is that the only consideration for the transaction is the issue of units in the co-ownership authorised contractual scheme to a person who is the vendor.
- (5) Condition D is that the effective date of the transaction is a day within the seeding period (see paragraph 11).
- (6) This paragraph is subject to paragraph 12 (restrictions on availability of relief) and paragraphs 13, 14, 16, 17 and 18 (withdrawal of relief).

Meaning of “seeding period”

- 11 (1) In this Part of this Schedule, subject to sub-paragraph (2), the “seeding period” means—
- (a) the period beginning with the first property seeding date and ending with the date of the first external investment into the co-ownership authorised contractual scheme, or
 - (b) if shorter, the period of 18 months beginning with the first property seeding date.
- (2) The co-ownership authorised contractual scheme may elect to bring the seeding period to an end sooner than it would otherwise end under sub-paragraph (1).

Where an election is made, the seeding period is the period beginning with the first property seeding date and ending with the date specified in the election.

- (3) An election under sub-paragraph (2) may be made—
- (a) by being included in a notice accompanying a claim for COACS seeding relief (see section 65A), or
 - (b) by separate notice in writing to HMRC.
- (4) In sub-paragraphs (1) and (2), “the first property seeding date” means the earliest effective date of a transaction in respect of which conditions A to C in paragraph 10 are met.
- (5) In this paragraph—
- “external investment” means a non-land transaction in which the vendor is an external investor;
 - “external investor” means a person other than a person who has been a vendor in a transaction—
 - (a) the effective date of which is on or before the date of the non-land transaction, and
 - (b) in respect of which conditions A to C in paragraph 10 are met;
 - “non-land transaction” means a transaction by which the scheme acquires assets which do not consist of or include a chargeable interest.

Restrictions on availability of relief

- 12 (1) This paragraph restricts the availability of COACS seeding relief for a transaction in respect of which conditions A to D in paragraph 10 are met.

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- (2) COACS seeding relief is not available unless, at the effective date of the transaction, the arrangements constituting the co-ownership authorised contractual scheme require a person who is the vendor to notify the operator of the scheme of the following matters—

- (a) the identity of the beneficial owner of the units in the scheme received in consideration of the transaction, and
- (b) any disposal of units in the scheme on or after the effective date of that transaction by that owner (or, where that person is a company, by a group company) which is or could be a relevant disposal (see paragraph 17).

In paragraph (b) “group company” means a company which is a member of the same group of companies as the person mentioned in paragraph (a) for the purposes mentioned in paragraph 1(2) of Schedule 7 (group relief).

- (3) COACS seeding relief is not available if at the effective date of the transaction there are arrangements in existence by virtue of which, at that or some later time, a person who is the vendor makes or could make a disposal of units in the co-ownership authorised contractual scheme which is or could be a relevant disposal (see paragraph 17).

- (4) COACS seeding relief is not available if the transaction—

- (a) is not effected for bona fide commercial reasons, or
- (b) forms part of arrangements of which the main purpose, or one of the main purposes, is the avoidance of liability to tax.

“Tax” here means stamp duty, income tax, corporation tax, capital gains tax or tax under this Part.

Withdrawal of relief: ceasing to be co-ownership authorised contractual scheme

- 13 (1) Where COACS seeding relief has been allowed in respect of a transaction (“the relevant transaction”), and the purchaser ceases to be a co-ownership authorised contractual scheme—

- (a) at any time after the effective date of that transaction but within the seeding period,
- (b) at any time in the control period (see paragraph 21), or
- (c) in pursuance of, or in connection with, arrangements made before the end of the control period,

then, subject to sub-paragraph (2), the relief, or an appropriate proportion of it, is withdrawn, and tax is chargeable in accordance with this paragraph.

- (2) Relief is withdrawn only if, at the time when the purchaser ceases to be a co-ownership authorised contractual scheme, the purchaser holds—

- (a) the chargeable interest that was acquired by the purchaser under the relevant transaction, or
- (b) a chargeable interest that is derived from that interest.

- (3) The amount chargeable is the amount that would have been chargeable in respect of the relevant transaction but for COACS seeding relief or, as the case may be, an appropriate proportion of the tax that would have been so chargeable.

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- (4) In sub-paragraphs (1) and (3) an “appropriate proportion” means an appropriate proportion having regard to the subject-matter of the relevant transaction and what is held by the purchaser at the time it ceases to be a co-ownership authorised contractual scheme.

Withdrawal of relief: genuine diversity of ownership condition not met

- 14 (1) Where COACS seeding relief has been allowed in respect of a transaction (“the relevant transaction”), and the genuine diversity of ownership condition (see paragraph 15) is not met—
- (a) immediately before the end of the seeding period,
 - (b) at a time in the control period, or
 - (c) at a time after the end of the control period, where the failure is pursuant to or in connection with arrangements made before the end of that period,
- then, subject to sub-paragraph (2), the relief, or an appropriate proportion of it, is withdrawn, and tax is chargeable in accordance with this paragraph.
- (2) The requirement to meet the genuine diversity of ownership condition at a time mentioned in sub-paragraph (1) applies only to times when the co-ownership authorised contractual scheme holds—
- (a) the chargeable interest that was acquired by the scheme under the relevant transaction, or
 - (b) a chargeable interest that is derived from that interest.
- (3) The amount chargeable is the amount that would have been chargeable in respect of the relevant transaction but for COACS seeding relief or, as the case may be, an appropriate proportion of the tax that would have been so chargeable.
- (4) In sub-paragraphs (1) and (3) an “appropriate proportion” means an appropriate proportion having regard to the subject-matter of the relevant transaction and what is held by the scheme at the time when the genuine diversity of ownership condition is not met.
- (5) For the purposes of this paragraph, the operator of a co-ownership authorised contractual scheme may apply to HMRC in writing for clearance that the scheme meets the genuine diversity of ownership condition, and where an application is made, HMRC must notify the scheme of its decision within 28 days of the receipt of all the information that is needed to make the decision.
- (6) Any such clearance has effect only for so long as the information on which HMRC relies in granting clearance is materially unchanged and the scheme is operated in accordance with it (including, in particular, continuing to operate in accordance with condition C of the genuine diversity of ownership condition).

Genuine diversity of ownership condition

- 15 (1) This paragraph has effect for the purposes of paragraphs 14 and 18(4).
- (2) A co-ownership authorised contractual scheme meets the genuine diversity of ownership condition at any time when it meets conditions A to C.

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- (3) Condition A is that the scheme documents, which are available to investors and to HMRC, contain—
 - (a) a statement specifying the intended categories of investor,
 - (b) an undertaking that units in the scheme will be widely available, and
 - (c) an undertaking that units in the scheme will be marketed and made available in accordance with the requirements of sub-paragraph (6) (a).
- (4) Condition B is that—
 - (a) the specification of the intended categories of investor does not have a limiting or deterrent effect, and
 - (b) any other terms or conditions governing participation in the scheme do not have a limiting or deterrent effect.
- (5) In sub-paragraph (4) “limiting or deterrent effect” means an effect which—
 - (a) limits investors to a limited number of specific persons or specific groups of connected persons, or
 - (b) deters a reasonable investor falling within one of (what are specified as) the intended categories of investor from investing in the scheme.
- (6) Condition C is that—
 - (a) units in the scheme are marketed and made available—
 - (i) sufficiently widely to reach the intended categories of investors, and
 - (ii) in a manner appropriate to attract those categories of investors, and
 - (b) a person who falls within one of the intended categories of investors can, upon request to the operator of the scheme, obtain information about the scheme and acquire units in it.
- (7) A scheme is not regarded as failing to meet condition C at any time by reason of the scheme's having, at that time, no capacity to receive additional investments, unless—
 - (a) the capacity of the scheme to receive investments in it is fixed by the scheme documents (or otherwise), and
 - (b) a pre-determined number of specific persons or specific groups of connected persons make investments in the scheme which collectively exhaust all, or substantially all, of that capacity.
- (8) A co-ownership authorised contractual scheme also meets the genuine diversity of ownership condition at any time when—
 - (a) there is a feeder fund in relation to the scheme (see paragraph 20), and
 - (b) conditions A to C are met in relation to the scheme after taking into account—
 - (i) the scheme documents relating to the feeder fund, and
 - (ii) the intended investors in the feeder fund.
- (9) Section 1122 of CTA 2010 (connected persons) has effect for the purposes of this paragraph.

Changes to legislation: Finance Act 2016, PART 2 is up to date with all changes known to be in force on or before 24 July 2023. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

Withdrawal of relief: portfolio test not met

- 16 (1) Where COACS seeding relief has been allowed in respect of a transaction, and the portfolio test is not met immediately before the end of the seeding period, the relief is withdrawn and tax is chargeable in accordance with sub-paragraph (2).

See sub-paragraph (7) for the meaning of “portfolio test”.

- (2) The amount chargeable is the amount that would have been chargeable in respect of the transaction but for COACS seeding relief.
- (3) Where COACS seeding relief has been allowed in respect of a transaction (“the relevant transaction”), and the portfolio test is met immediately before the end of the seeding period, but is not met—
- (a) at a time in the control period, or
 - (b) at a time after the end of the control period, where the failure is pursuant to or in connection with arrangements made before the end of that period,
- then, subject to sub-paragraph (4), the relief, or an appropriate proportion of it, is withdrawn, and tax is chargeable in accordance with sub-paragraph (5).
- (4) The requirement to meet the portfolio test at a time mentioned in sub-paragraph (3)(a) or (b) applies only to times when the co-ownership authorised contractual scheme holds—
- (a) the chargeable interest that was acquired by the scheme under the relevant transaction, or
 - (b) a chargeable interest that is derived from that interest.
- (5) The amount chargeable is the amount that would have been chargeable in respect of the relevant transaction but for COACS seeding relief or, as the case may be, an appropriate proportion of the tax that would have been so chargeable.
- (6) In sub-paragraphs (3) and (5) an “appropriate proportion” means an appropriate proportion having regard to the subject-matter of the relevant transaction and what is held by the scheme at the time when the portfolio test is not met.
- (7) The portfolio test is a requirement that the scheme meets—
- (a) the non-residential portfolio test (see sub-paragraph (8)), or
 - (b) the residential portfolio test (see sub-paragraph (9)).
- (8) The “non-residential portfolio test” is met at any time if—
- (a) the scheme holds at least 10 seeded interests at that time,
 - (b) so much of the total chargeable consideration as is attributable to all the seeded interests held by the scheme at that time (“the seeded portfolio”) is at least £100 million, and
 - (c) so much of the total chargeable consideration as is attributable to so many of those seeded interests as are interests in or over residential property (if any) does not exceed 10% of the seeded portfolio.
- (9) The “residential portfolio test” is met at any time if—

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- (a) so much of the total chargeable consideration as is attributable to all the seeded interests held by the scheme at that time is at least £100 million, and
 - (b) at least 100 of the seeded interests held by the scheme at that time are interests in or over residential property.
- (10) In sub-paragraphs (8) and (9)—
- “seeded interest” means a chargeable interest acquired by the scheme in a transaction for which COACS seeding relief is allowed (whether or not relief is subsequently withdrawn to any extent) (a “seeding transaction”), and
- “total chargeable consideration” means the total of the chargeable consideration for all seeding transactions.
- (11) For the purposes of this paragraph, section 116(7) does not apply (modification of what counts as residential property).

Withdrawal of relief: units disposed of

- 17 (1) This paragraph applies where—
- (a) a person (“V”) makes a relevant disposal of one or more units in a co-ownership authorised contractual scheme—
 - (i) at any time in the seeding period,
 - (ii) at any time in the control period, or
 - (iii) in pursuance of, or in connection with, arrangements made before the end of the control period, and
 - (b) there is, in relation to that disposal, a relevant seeding transaction (see sub-paragraph (6)).
- (2) In respect of a transaction which is, in relation to the relevant disposal, a relevant seeding transaction—
- (a) COACS seeding relief is withdrawn to the extent set out in this paragraph, and
 - (b) tax is chargeable in accordance with this paragraph.
- (3) V's disposal of units in a scheme is a “relevant disposal” for the purposes of this paragraph if, in relation to the disposal, A exceeds B.
- (4) In this paragraph—
- “A” means—
- (a) where the value of V's investment in the scheme immediately before the disposal is equal to or greater than the total of the chargeable consideration for all relevant seeding transactions, the total of the chargeable consideration for all relevant seeding transactions, or
 - (b) where the value of V's investment in the scheme immediately before the disposal is less than the total of the chargeable consideration for all relevant seeding transactions, the value of V's investment in the scheme immediately before the disposal, and
- “B” means the value of V's investment in the scheme immediately after the disposal.

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- (5) The amount chargeable in respect of a relevant seeding transaction (“RST”) is—

$$\frac{C}{CCRST} \times SDLT$$

where—

“C” means the difference between A and B;

“CCRST” means the total of the chargeable consideration for all relevant seeding transactions;

“SDLT” means the amount of tax that would have been chargeable in respect of RST but for COACS seeding relief, ignoring any amount of tax that has been charged under this paragraph in respect of RST in relation to an earlier disposal of units by V.

- (6) In this paragraph—

“group company” means (where V is a company) a company which is a member of the same group of companies as V for the purposes mentioned in paragraph 1(2) of Schedule 7 (group relief);

“relevant seeding transaction”, in relation to a disposal of units by V in a co-ownership authorised contractual scheme, means a seeding transaction—

- (a) the effective date of which is, or is before, the date of the disposal,
- (b) in which that scheme is the purchaser, and
- (c) in which a vendor is—
 - (i) V, or
 - (ii) (where V is a company) a company which is a group company at the time of the disposal;

“seeding transaction” means a transaction in respect of which COACS seeding relief is allowed (whether or not relief is subsequently withdrawn to any extent);

“the value of V’s investment in the scheme” at a particular time means the market value of all units in the co-ownership authorised contractual scheme held at that time by—

- (a) V, and
- (b) (where V is a company) a company which—
 - (i) is a group company at that time, and
 - (ii) before that time, has been a vendor in one or more seeding transactions in which the scheme was the purchaser.

- (7) For the purposes of this paragraph, the “market value” on a particular date of units in the scheme is an amount equal to the buying price (that is, the lower price) published by the operator on that date (or, if no such price is published on that date, on the latest date before).

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Withdrawal of relief: dwelling occupied by non-qualifying individual

- 18 (1) This paragraph applies to a transaction (“the relevant transaction”) if—
- (a) COACS seeding relief has been allowed in respect of the transaction,
 - (b) the main subject-matter of the transaction consists of a chargeable interest in or over land which is or includes a dwelling, and
 - (c) a non-qualifying individual (see paragraph 19) is permitted to occupy the dwelling at any time on or after the effective date of the transaction.

The dwelling which a non-qualifying individual is permitted to occupy is referred to as “the disqualifying dwelling”.

- (2) The relief, or an appropriate proportion of it, is withdrawn, and tax is chargeable in accordance with this paragraph.

This is subject to sub-paragraphs (3) and (4).

- (3) Relief is withdrawn only if, at the time a non-qualifying individual is permitted to occupy the disqualifying dwelling, the co-ownership authorised contractual scheme holds a chargeable interest in or over that dwelling—

- (a) that was acquired by the scheme under the relevant transaction, or
- (b) that is derived from an interest so acquired.

- (4) Where a non-qualifying individual is first permitted to occupy the disqualifying dwelling at a time after the end of the control period, relief is withdrawn only if, at that time, the scheme fails to meet the genuine diversity of ownership condition (see paragraph 15).

- (5) The amount chargeable is the amount that would have been chargeable in respect of the relevant transaction but for COACS seeding relief or, as the case may be, an appropriate proportion of the tax that would have been so chargeable.

- (6) In sub-paragraphs (2) and (5), an “appropriate proportion” means an appropriate proportion having regard to the extent to which the subject-matter of the relevant transaction was an interest in or over land other than the disqualifying dwelling.

- 19 (1) In paragraph 18 “non-qualifying individual”, in relation to a land transaction and a co-ownership authorised contractual scheme, means any of the following—

- (a) an individual who is a major participant in the scheme;
- (b) an individual who is connected with a major participant in the scheme;
- (c) an individual who is connected with the operator of the scheme (see section 102A) or the depositary of the scheme;
- (d) a relevant settlor;
- (e) the spouse or civil partner of an individual falling within paragraph (b), (c) or (d);
- (f) a relative of an individual falling within paragraph (b), (c) or (d), or the spouse or civil partner of a relative of an individual falling within paragraph (b), (c) or (d);

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- (g) a relative of the spouse or civil partner of an individual falling within paragraph (b), (c) or (d);
 - (h) the spouse or civil partner of an individual falling within paragraph (g).
- (2) An individual who participates in a scheme is a “major participant” in it if the individual—
- (a) is entitled to a share of at least 50% either of all the profits or income arising from the scheme or of any profits or income arising from it that may be distributed to participants, or
 - (b) would in the event of the winding up of the scheme be entitled to 50% or more of the assets of the scheme that would then be available for distribution among the participants.
- (3) The reference in sub-paragraph (2)(a) to profits or income arising from the scheme is to profits or income arising from the acquisition, holding, management or disposal of the property subject to the scheme.
- (4) In this paragraph—
- “depository”, in relation to a co-ownership authorised contractual scheme, means the person to whom the property subject to the scheme is entrusted for safekeeping;
 - “relative” means brother, sister, ancestor or lineal descendant;
 - “relevant settlor”, in relation to a land transaction, means an individual who is a settlor in relation to a relevant settlement (as defined in sub-paragraph (5));
 - “settlement” has the same meaning as in Chapter 5 of Part 5 of ITTOIA 2005 (see section 620 of that Act).
- (5) Where a person, in the capacity of trustee of a settlement, is connected with a person who is the purchaser under a land transaction, that settlement is a “relevant settlement” in relation to the transaction.
- (6) In sub-paragraph (5) “trustee” is to be read in accordance with section 1123(3) of CTA 2010 (“connected” persons: supplementary).
- (7) Section 1122 of CTA 2010 (connected persons) has effect for the purposes of this paragraph, but for those purposes, subsections (7) and (8) of that section (application of rules about connected persons to partnerships) are to be disregarded.

PART 3

INTERPRETATION

“Feeder fund” and “units”

- 20 In this Schedule—
- a “feeder fund” of a property AIF means a unit trust scheme—
 - (a) one of the main objects of which is investment in the property AIF, and
 - (b) which is managed by the same person as the property AIF;

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a “feeder fund” of a co-ownership authorised contractual scheme means an open-ended investment company, an offshore fund or a unit trust scheme—

- (a) one of the main objects of which is investment in the co-ownership authorised contractual scheme, and
- (b) which is managed by the same person as the scheme;

“units in the property AIF” means—

- (a) units in the property AIF (and, where the property AIF is a part of an umbrella company as mentioned in regulation 7(1) and (2) of the AIF (Tax) Regulations, this means units in the separate pool to which that part of the umbrella company relates), and
- (b) units in a feeder fund of the property AIF;

“units in the co-ownership authorised contractual scheme” means—

- (a) units in the co-ownership authorised contractual scheme (and, where the co-ownership authorised contractual scheme is a sub-scheme of an umbrella COACS (see section 102A(3) and (4)), this means units in the separate pool to which that sub-scheme relates), and
- (b) units in a feeder fund of the scheme;

“units” means the rights or interests (however described) of the participants in the property AIF or the co-ownership authorised contractual scheme.

Interpretation of other terms

21 In this Schedule—

the “AIF (Tax) Regulations” means the Authorised Investment Funds (Tax) Regulations 2006 (S.I. 2006/964);

“arrangements” includes any scheme, agreement or understanding, whether or not legally enforceable;

“attributable” means attributable on a just and reasonable basis;

“authorised corporate director”, in relation to a property AIF, has the same meaning as in regulation 8 of the AIF (Tax) Regulations;

“COACS seeding relief” means relief under paragraph 10;

“control period” means the period of 3 years beginning with the day following the last day of the seeding period;

“co-ownership authorised contractual scheme” is to be construed in accordance with section 102A (see in particular subsections (2), (5), (7) and (8) of that section);

“CTA 2010” means the Corporation Tax Act 2010;

“FSMA 2000” means the Financial Services and Markets Act 2000;

the “genuine diversity of ownership condition”, in relation to a co-ownership authorised contractual scheme, has the meaning given by paragraph 15;

“ITTOIA 2005” means the Income Tax (Trading and Other Income) Act 2005;

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“non-qualifying individual” has the meaning given by paragraph 9 (in relation to a property AIF) and paragraph 19 (in relation to a co-ownership authorised contractual scheme);

“offshore fund” has the meaning given by section 355 of the Taxation (International and Other Provisions) Act 2010;

“open-ended investment company” has the meaning given by section 236 of FSMA 2000;

“operator”, in relation to a co-ownership authorised contractual scheme, has the same meaning as in section 102A;

“PAIF seeding relief” means relief under paragraph 1;

“participant” is to be read in accordance with section 235 of FSMA 2000;

“portfolio test” has the meaning given by paragraph 6(7) (in relation to a property AIF) and paragraph 16(7) (in relation to a co-ownership authorised contractual scheme);

“property AIF” is to be construed in accordance with paragraph 2 (see in particular sub-paragraphs (2), (3) and (5) of that paragraph);

“relevant disposal” has the meaning given by paragraph 7(3) (in relation to a property AIF) and paragraph 17(3) (in relation to a co-ownership authorised contractual scheme);

“seeding period” has the meaning given by paragraph 3 (in relation to a property AIF) and paragraph 11 (in relation to a co-ownership authorised contractual scheme);

“unit trust scheme” has the meaning given by section 237(1) of FSMA 2000.”

Changes to legislation:

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Changes and effects yet to be applied to the whole Act associated Parts and Chapters:

Whole provisions yet to be inserted into this Act (including any effects on those provisions):

- Sch. 19 para. 12(5)(b) inserted by [2017 c. 32 Sch. 14 para. 49\(2\)\(c\)](#)
- Sch. 19 para. 12(5)(a) word inserted by [2017 c. 32 Sch. 14 para. 49\(2\)\(b\)](#)
- Sch. 19 para. 51(8)(b) words inserted by [2017 c. 32 Sch. 14 para. 48\(2\)](#)
- Sch. 19 para. 53(1) words inserted by [2017 c. 32 Sch. 14 para. 48\(4\)\(a\)](#)
- Sch. 19 para. 53(1) words inserted by [2017 c. 32 Sch. 14 para. 48\(4\)\(b\)](#)
- Sch. 19 para. 12(5)(a) words renumbered as Sch. 19 para. 12(5)(a) by [2017 c. 32 Sch. 14 para. 49\(2\)\(a\)](#)
- Sch. 19 para. 58(1) words substituted by [2017 c. 32 Sch. 14 para. 48\(5\)](#)
- Sch. 20 para. 1(4)(e) inserted by [2021 c. 26 Sch. 27 para. 47\(2\)](#)
- Sch. 20 para. 3(3)(d) and word inserted by [2021 c. 26 Sch. 27 para. 47\(3\)\(b\)](#)
- Sch. 20 para. 5(5) inserted by [2021 c. 26 Sch. 27 para. 47\(5\)](#)
- Sch. 22 para. 2(4B) inserted by [2021 c. 26 Sch. 27 para. 48\(2\)\(c\)](#)
- Sch. 22 para. 3(4A) inserted by [2021 c. 26 Sch. 27 para. 48\(3\)](#)