

STATUTORY INSTRUMENTS

**2006 No. 964**

**The Authorised Investment Funds (Tax) Regulations 2006**

[<sup>F1</sup>PART 4A

PROPERTY AIFS

CHAPTER 5

THE TREATMENT OF PARTICIPANTS IN PROPERTY AIFS

*[<sup>F1</sup>Deduction of tax from distributions*

**Textual Amendments**

**F1** Pt. 4A inserted (6.4.2008) by [The Authorised Investment Funds \(Tax\) \(Amendment\) Regulations 2008 \(S.I. 2008/705\)](#), regs. 1, 5

**Deduction of tax from property income distributions**

**69Z22.**—(1) On making a property income distribution, an open-ended investment company to which this Part applies must deduct a sum representing income tax at the basic rate in force for the tax year in which the distribution date falls.

(2) A property income distribution shall be treated as having been received by the participant after deduction of income tax at the basic rate for the year of assessment in which the distribution date falls, from a corresponding gross amount.

(3) The sum is accordingly taken into account under sections 59B and 59D of TMA 1970 (see also paragraph 8 of Schedule 18 to the Finance Act 1998) in determining the income tax or corporation tax payable by, or repayable to, the participant.

(4) This regulation is subject to regulation 69Z24 (distribution payments to be made without deduction of tax).

**Deduction of tax from PAIF distributions (interest)**

**69Z23.**—(1) On making a PAIF distribution (interest), an open-ended investment company to which this Part applies must deduct a sum representing income tax at the [<sup>F2</sup>basic rate] in force for the tax year in which the PAIF distribution (interest) is made.

(2) Accordingly, the sum is one to which section 874 of ITA 2007 applies.

<sup>F3</sup>(3) .....

(4) This regulation is subject to regulation 69Z24 (distribution payments to be made without deduction of tax).

#### Textual Amendments

- F2** Words in reg. 69Z23(1) substituted (1.1.2009) by [The Authorised Investment Funds \(Tax\) \(Amendment No. 3\) Regulations 2008 \(S.I. 2008/3159\)](#), regs. 1(1), **25(a)**
- F3** Reg. 69Z23(3) omitted (1.1.2009) by virtue of [The Authorised Investment Funds \(Tax\) \(Amendment No. 3\) Regulations 2008 \(S.I. 2008/3159\)](#), regs. 1(1), **25(b)**

#### Distribution payments to be made without deduction of tax

**69Z24.**—(1) [<sup>F4</sup>Subject to paragraphs (3A) and (3B),] on making a distribution, an open-ended investment company to which this Part applies must not deduct any sum representing income tax if the company reasonably believes that conditions A and B are met.

(2) Condition A is that if the distribution were made by a UK-REIT out of the profits of C (tax-exempt), the distribution would be required to be made without any deduction representing income tax.

(3) Condition B is that if the distribution were a distribution of yearly interest, the distribution would be required to be made without any deduction representing income tax.

[  
<sup>F5</sup>(3A) But neither condition A nor condition B is met, in relation to a unit trust scheme, where—

- (a) the distribution is made to the trustee of the scheme;
- (b) the trustee is chargeable to corporation tax or income tax on the distribution in the United Kingdom; and
- (c) the trustee has made a request in writing to the Property AIF that the Property AIF should deduct tax from the distribution.

(3B) The Property AIF must not specify that the trustee of any unit trust scheme seeking to acquire shares in the Property AIF must have tax deducted from any distribution.]

(4) If at the time it makes a distribution the company reasonably believes that conditions A and B are met, but in fact those conditions are not both met, these Regulations shall apply to the distribution as if it were never one which could be made without deduction of tax.

(5) In paragraph (2) “profits of C (tax-exempt)” shall be construed in accordance with Part 4 of FA 2006.

#### Textual Amendments

- F4** Words in reg. 69Z24(1) inserted (1.1.2009) by [The Authorised Investment Funds \(Tax\) \(Amendment No. 3\) Regulations 2008 \(S.I. 2008/3159\)](#), regs. 1(1), **26(a)**
- F5** Reg. 69Z24(3A)(3B) inserted (1.1.2009) by [The Authorised Investment Funds \(Tax\) \(Amendment No. 3\) Regulations 2008 \(S.I. 2008/3159\)](#), regs. 1(1), **26(b)**

#### [<sup>F6</sup>Manufactured dividends representing property income distributions

**69Z24A.**—(1) This regulation applies to the extent that a manufactured dividend which is paid by a dividend manufacturer is representative of property income distributions to which regulation 69Z15 applies.

(2) The amount of the manufactured dividend falling within paragraph (1) is referred to in this regulation as “the manufactured PID amount”.

(3) The recipient of the manufactured PID amount is treated as having received a distribution to which regulation 69Z18 applies.

(4) In relation to the dividend manufacturer—

- (a) if the dividend manufacturer is a company and the manufactured dividend is paid in the course of a trade carried on in the United Kingdom, the manufactured PID amount shall be treated as an expense of the trade;
- (b) if the manufactured dividend is paid in connection with investment business, the manufactured PID amount shall be treated for the purposes of section 75 of ICTA as expenses of management; and
- (c) in the case of a company carrying on life assurance business, so much of the manufactured PID amount as would be referable by virtue of section 432A of ICTA to basic life assurance and general annuity business if it were received by the company shall be treated for the purposes of section 76 of ICTA as if it were an expense payable falling to be brought into account at step 3 of section 76(7).

(5) Regulations 69Z22, 69Z24 and 69Z29 to 69Z35 apply to the dividend manufacturer as if—

- (a) the dividend manufacturer were an open-ended investment company to which this Part applies; and
- (b) the manufactured PID amount were a distribution to which those regulations apply.]

#### Textual Amendments

**F6** Regs. 69Z24A-69Z24D inserted (1.1.2009) by [The Authorised Investment Funds \(Tax\) \(Amendment No. 3\) Regulations 2008 \(S.I. 2008/3159\)](#), regs. 1(1), 27

#### [<sup>F6</sup>Manufactured dividends representing PAIF distributions (interest)]

**69Z24B.**—(1) This regulation applies to the extent that a manufactured dividend which is paid by a dividend manufacturer is representative of a PAIF distribution (interest) to which regulation 69Z16 applies.

(2) The amount of the manufactured dividend to which this regulation applies is referred to in this regulation as the “manufactured PAIF interest amount”.

(3) If the recipient of the manufactured dividend is a company within the charge to corporation tax it is treated as having received, in relation to the manufactured PAIF interest amount, an amount to which section 97 of FA 1996 applies.

(4) If the recipient of the manufactured dividend is within the charge to income tax it is treated as having received, in relation to the manufactured PAIF interest amount, an amount to which regulation 69Z19 applies.

(5) If the dividend manufacturer is a company within the charge to corporation tax, section 97 of FA 1996 is treated as applying to the manufactured PAIF interest amount.

(6) Regulations 69Z23, 69Z24 and 69Z29 to 69Z35 apply to the dividend manufacturer in relation to the manufactured PAIF interest amount as if the dividend manufacturer were an open-ended investment company to which this Part applies.]

#### Textual Amendments

**F6** Regs. 69Z24A-69Z24D inserted (1.1.2009) by [The Authorised Investment Funds \(Tax\) \(Amendment No. 3\) Regulations 2008 \(S.I. 2008/3159\)](#), regs. 1(1), 27

**[<sup>F6</sup>Manufactured dividends – PAIF distributions (dividends)]**

**69Z24C.**—(1) This regulation applies to the extent that a manufactured dividend which is paid by a dividend manufacturer is representative of a PAIF distribution (dividends) to which regulation 69Z17 applies.

(2) The recipient of the manufactured dividend is treated as having received, to that extent, an amount to which regulation 69Z20 applies.

(3) If the dividend manufacturer is a company, paragraph 2(2)(b) of Schedule 23A to ICTA has effect in relation to the amount of the manufactured dividend to which paragraph (1) applies.]

**Textual Amendments**

**F6** Regs. 69Z24A-69Z24D inserted (1.1.2009) by [The Authorised Investment Funds \(Tax\) \(Amendment No. 3\) Regulations 2008 \(S.I. 2008/3159\)](#), regs. 1(1), 27

**[<sup>F6</sup>Interpretation**

**69Z24D.** In regulations 69Z24A to 69Z24C, “manufactured dividend” and “dividend manufacturer” have the meanings given by Schedule 23A to ICTA .]]

**Textual Amendments**

**F6** Regs. 69Z24A-69Z24D inserted (1.1.2009) by [The Authorised Investment Funds \(Tax\) \(Amendment No. 3\) Regulations 2008 \(S.I. 2008/3159\)](#), regs. 1(1), 27

**Changes to legislation:**

There are currently no known outstanding effects for the The Authorised Investment Funds (Tax) Regulations 2006, Cross Heading: Deduction of tax from distributions.