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STATUTORY INSTRUMENTS

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**2006 No. 964**

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

**[<sup>F1</sup>PART 4B**

**TAX ELECTED FUNDS**

**CHAPTER 2**

**ENTRY INTO AND MEMBERSHIP OF THE TAX ELECTED FUNDS REGIME**

*[<sup>F1</sup>The TEF conditions*

**Textual Amendments**

**F1** Pt. 4B inserted (1.9.2009) by [The Authorised Investment Funds \(Tax\) \(Amendment\) Regulations 2009 \(S.I. 2009/2036\)](#), regs. 1, 24

**The property condition**

**69Z46.** The property condition is that the authorised investment fund does not have a UK property business or an overseas property business.

**The loan creditor condition**

**69Z47.**—(1) The loan creditor condition is that the authorised investment fund must meet conditions A to C throughout the accounting period in the case of any loan relationship to which the fund is party as a debtor.

(2) Condition A is that, in the case of a debtor relationship of the fund, the person standing in the position of a creditor as respects the debt in question is not entitled to an amount by way of interest which depends to any extent on—

- (a) the results of all or part of the authorised investment fund's business, or
- (b) the value of any of the fund's assets.

(3) For the purposes of condition A, a loan shall not be treated as dependent on the results of the fund's business by reason only that the terms of the loan provide—

- (a) for the interest to be reduced in the event of results improving, or
- (b) for the interest to be increased in the event of results deteriorating.

(4) Condition B is that, in the case of a debtor relationship of the fund, the person standing in the position of a creditor as respects the debt in question is not entitled to an amount by way of interest which exceeds a reasonable commercial return on the consideration lent.

(5) Condition C is that, in the case of a debtor relationship of the fund, the person standing in the position of a creditor as respects the debt in question is entitled on repayment to an amount which—

- (a) does not exceed the consideration lent, or
  - (b) is reasonably comparable with the amount generally repayable (in respect of an equal amount of consideration) under the terms of issue of securities listed on a recognised stock exchange.
- (6) In this regulation “loan relationship” and “debtor relationship” shall be construed in accordance with Part 5 of CTA 2009 (loan relationships).

**The scheme documentation condition**

**69Z48.** The scheme documentation condition is that the instrument constituting the authorised investment fund and its prospectus must include provisions which require the fund to meet the property condition and the loan creditor condition on entry and throughout the accounting period.]

**Changes to legislation:**

There are currently no known outstanding effects for the The Authorised Investment Funds (Tax) Regulations 2006, Cross Heading: The TEF conditions.