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STATUTORY INSTRUMENTS

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**2006 No. 964**

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

**PART 4**

**THE TREATMENT OF PARTICIPANTS  
IN AUTHORISED INVESTMENT FUNDS**

**CHAPTER 3**

**PARTICIPANTS CHARGEABLE TO CORPORATION TAX**

*Dividend distributions*

**[<sup>F1</sup>Meaning of financial trader**

**52E.**—(1) In regulations 52B, 52C and 52D “financial trader” means a person who is carrying on a business which is—

- (a) a banking business,
- (b) an insurance business, or
- (c) a business consisting wholly or in part of dealing in trading assets such that any profit on such assets would form part of the trading profits of that business.

This paragraph is subject to paragraphs (2) and (3).

(2) “An insurance business” in paragraph (1)(b) does not include life assurance business carried on by an insurance company and in the event that such a company carries on both life assurance business and any other insurance business that company will not be a financial trader in respect of the life assurance business.

(3) If—

- (a) a financial trader, “A”, directly or indirectly transfers trading assets to a diversely owned AIF under or as part of an arrangement which has an unallowable purpose, and
- (b) a connected person, “B”—
  - (i) holds shares or units in that diversely owned AIF at the time of the transfer; or
  - (ii) directly or indirectly acquires shares or units in that diversely owned AIF at a later time,

B is treated as being a financial trader in relation to those shares or units.

(4) In paragraphs (1) and (3) “trading assets” means—

- (a) stocks or shares;
- (b) a relevant contract within regulation 14G;
- (c) a loan relationship within regulation 14L;
- (d) units in a collective investment scheme within regulation 14M;

- (e) securities within regulation 14F;
  - (f) foreign currency; or
  - (g) a carbon emission trading product within regulation 14N,
- a profit on the sale of which would form part of the trading profits of the financial trader.
- (5) An arrangement includes any scheme, understanding or transaction of any kind, whether or not legally enforceable and whether involving a single transaction or two or more transactions.
- (6) An arrangement has an unallowable purpose if the main purpose or one of the main purposes for either A or B being party to the arrangement is to obtain a tax advantage or an income tax advantage for any person.
- (7) In paragraph (6)—
- “tax advantage” has the meaning given by section of 840ZA of ICTA; and
  - “income tax advantage” has the meaning given by section 683 of ITA 2007.]

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**Textual Amendments**

- F1** Regs. 52B-52E inserted (1.9.2009) by The Authorised Investment Funds (Tax) (Amendment) Regulations 2009 (S.I. 2009/2036), regs. 1, 14

**Changes to legislation:**

There are currently no known outstanding effects for the The Authorised Investment Funds (Tax) Regulations 2006, Section 52E.