

Budget 2008

Proposed changes to VAT legislation for fund managers

The Chancellor of the Exchequer announced yesterday that VAT exemptions for investment managers and providers of fund administration services will be extended to all collective investment funds available for direct investment by the general public

HMRC's proposals are set out in BN74.

The funds defined for exemption will be amended as follows:

- Trust-based schemes will be deleted;
- Closed-ended investment entities, which invest in securities and whose shares are included in the UK Listing Authority main Official List.
- Relevant foreign entities

This will be effective from 1 October 2008.

This move has generally been welcomed by the fund management industry but it may have a negative impact on UK based, off-shore fund management businesses caught by the change. Historically the income for many of these businesses have been classed as 'exempt with credit' allowing them to reclaim VAT on expenses.

Full legislation is expected next month when we aim to assess the impact for our clients, including those who may be providing sub-advisory or administration services for relevant funds.

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