HMRC - STSM082110 - Common Investment Arrangements (CIA)

In a group of companies, each company may run its own exempt approved pension scheme. They may choose to pool the assets held in each individual fund and form a Common Investment Arrangement (CIA) for financial efficiency.

The agreement for the CIA lists the participants and specifies the terms under which the assets are managed and the benefits calculated. The CIA does not supersede the provisions of the individual scheme. The administrator of the CIA is essentially an agent for the trustees of the individual schemes.

Legal ownership of the assets in each individual pension scheme is transferred to the CIA. Beneficial ownership remains with the individual scheme’s trustees to preserve the scheme’s entitlement to investment income relief.

As consideration for the change in legal ownership, the trustees of the individual pension are issued or credited with units in the CIA. No stamp duty applies to this transfer of assets. When a participating pension scheme leaves the CIA, the transfer of legal ownership again does not attract a stamp duty charge, as there is no change in beneficial ownership.

CIAs made by trustees of exempt approved schemes are specifically excluded from the definition of unit trust schemes FA1999/SCH19/PARA16. The units issued by the CIA are not stock and so do not attract ad valorem stamp duty.

When a member of a participating pension scheme retires or withdraws from the scheme, assets in the pension scheme need to be realised. When the assets are held in a CIA, the units held by the pension scheme are cancelled and a redemption in specie takes place back to the corresponding pension scheme. Such a transfer of assets between the CIA and individual pension scheme or any appropriate letter of direction is not chargeable to stamp duty.

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