HMRC - STSM101070 - Classes Of Units And Open-Ended Investment Company (OEIC) Shares

A collective investment scheme such as a unit trust or an Open-Ended Investment Company (OEIC) may offer investors different classes or types of units / OEIC shares. Some funds operate separate funds for each class of unit or OEIC share issued, whereas others operate a single fund with different classes of units / OEIC shares. The two most common classes are income and accumulation.

Income Units/OEIC shares

An income class unit or OEIC share gives the holder a right to receive regular income from a fund which represents the dividends paid to the fund from companies in which the fund holds securities. Such dividends can be passed onto the unit/OEIC share holder according to their unit/share entitlement.

The income distribution from the fund is paid in cash, although many unit/OEIC share holders prefer to have an arrangement with the fund manager whereby the income distribution is automatically reinvested back into the fund and the holder receives additional new units/OEIC shares to the pro rata value of the dividend.

Accumulation Units/OEIC shares

Similar to an income unit, an accumulation class unit/OEIC share gives the holder a right to a share in any income which represents the dividends paid to the paid from companies in which the fund holds securities. But, unlike an income class unit, an accumulation unit/OEIC share holder does not receive an actual distribution of income in cash. Instead, the income is retained or accumulated and reinvested automatically by the fund. The holder does not receive any additional units/OEIC shares but the value of their existing units/OEIC shares is increased.

STSM104030 provides guidance on how income and accumulation class units /OEIC shares are treated for SDRT charging purposes under FA99/SCH19.

See STSM101010 for the meaning of a Collective Investment Scheme.

See STSM101020 and STSM101030 for the meaning of a Unit Trust.

See STSM101050 for the meaning of an Open-Ended Investment Company.

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