HMRC - STSM101080 - Umbrella Collective Investment Schemes

The terms of a collective investment scheme such as a unit trust or an Open-Ended Investment Company (OEIC) may provide arrangements for separate ‘pooling’ of investor contributions and of the profits and income derived from investments held by the fund. These arrangements may include the creation of two or more ‘sub-funds’ within the single fund entity, with each ‘sub-fund’ having a different market investment strategy. Such schemes are commonly called ‘umbrella’ funds.

For example, the ABC unit trust operates an umbrella scheme with three sub-funds. The prospectus and terms of the trust provide for the following:

ABC Income Fund - All cash contributions received from investors will be invested by the fund in purchasing a range of United Kingdom company stocks and shares;

ABC Global Fund - All cash contributions received from investors will be invested by the fund in purchasing a range of non-United Kingdom company stocks and shares;

ABC European Fund - All cash contributions received from investors will be invested by the fund in purchasing a range of European company stocks and shares (which of course may include United Kingdom company stocks and shares).

For stamp duty and stamp duty reserve tax (SDRT) charging purposes, each sub-fund of an umbrella scheme is regarded as a unit trust scheme in its own right (FA99/SCH19/PARA18). Each sub-fund of an OEIC is similarly regarded for stamp duty and SDRT purposes as a separate fund entity by virtue of SI 1997/1156 and SI 1999/3261 as it applies to FA99/SCH19/PARA18.

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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