HMRC - STSM104030 - Income And Accumulation Units

Paragraph 4 of FA99/SCH19 requires the calculation of any relevant Stamp Duty Reserve Tax (SDRT) to be undertaken for each ‘class’ of unit in a unit trust, and there are provisions to ensure that any consolidations or subdivisions in the units are properly reflected.

For the purposes of Paragraph 4, accumulation units are, however, to be treated as being part of the same class of units as income units relating to the same pool of investments, with a conversion undertaken of all accumulation units to the appropriate number of income units. So a fund with both income and accumulation units should calculate the liability to SDRT for a given charging period for the fund as a whole. Managers of funds with income and accumulation units will probably find it most natural to restate accumulation units in terms of notional income units for this purpose. A record of the conversion calculations will need to be kept for audit purposes.

But funds which have only accumulation units will, of course, have no need to restate them as notional income units.

Switches between income and accumulation units are not to be treated as surrenders under Paragraph 2 FA99/SCH19 but as a type of consolidation or subdivision of units. A charge to SDRT does not arise on a switch between these types of units; accordingly, these switches should not be included in I or S as defined in Paragraph 4(3).

See STSM101020 for the meaning of a unit trust.

See STSM101070 for the meaning of a unit ‘class’.

See STSM104020 for the meaning of the I/S SDRT reduction fraction.

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