



**HM Revenue
& Customs**

**Tax Incentivised Savings
Association (TISA)
Seminar – 29th March 2011**

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What am I going to cover

- VAT Exemptions
- Discretionary Investment Management
- Wrapper products
- Wrap Platforms
- Retail Distribution Review
- EU Review of VAT & Financial Services
- Questions

EU Directive's Finance VAT exemptions

- Article 135
- 1. Member States shall exempt the following transactions:
 - (a) **insurance** and **reinsurance** transactions, **including related services** performed by insurance brokers and insurance agents;
 - (b) the **granting** and the **negotiation of credit** and the **management of credit** by the person granting it;
 - (c) the **negotiation** of or **any dealings in credit guarantees** or any other **security for money** and the **management of credit guarantees** by the person who is granting the credit;
 - (d) transactions, including **negotiation**, concerning **deposit and current accounts, payments, transfers, debts, cheques and other negotiable instruments**, but excluding debt collection;
 - (e) **transactions**, including **negotiation, concerning currency, bank notes and coins used as legal tender**, with the exception of collectors' items, that is to say, gold, silver or other metal coins or bank notes which are not normally used as legal tender or coins of numismatic interest;
 - (f) transactions, including negotiation but not management or safekeeping, **in shares, interests in companies or associations, debentures and other securities**, but excluding documents establishing title to goods, and the rights or securities referred to in Article 15(2);
 - (g) the management of **special investment funds** as defined by Member States;

VAT Exemptions

- **(a) Insurance**
- **(b) Credit (includes management of credit but only by the person granting it)**
- **(c) Trading in debt instruments (same as (b))**
- **(d) Banking (Excludes debt collection)**
- **(e) Currency, bank notes and coins (Excludes collectors coins/not legal tender)**
- **(f) Securities (Excludes management or safe keeping of securities)**
- **(g) Management of Special Investment Funds (AUTS, OEICS, ITCs Retail Funds)**

Discretionary Investment Management

- Who is supplying what to whom?
- The investor mandates the investment manager to invest his/her money using the manager's knowledge, expertise, contacts and experience.
- The investor may define the level of risk to which the investment may be exposed
- The investor may define investment types which are not to be used for ethical reasons.
- The investments are made at the manager's discretion

Discretionary Investment Management

- The manager charges management fees
- May earn commission from asset managers for placing investment with them
- Is there an exemption covering this remuneration?
- Commission vs. fees
- Intermediation vs. management

Wrapper Products and VAT

- ISAs
- ISAs as bank accounts
- Stock and shares ISAs
- CTFs as bank accounts
- Other CTFs
- SIPPs
- Other wrapper products

Wrap Platforms and VAT

- Wrap platforms are defined by the FSA in purely administrative terms – website for viewing and administering assets held by an investor
- Who is supplying what to whom?
- What they actually doing? Transactions in securities!

Retail Distribution Review

- FSA protects the investor
- It is seeking clarity and transparency in charging for retail services
- The interaction between regulatory & VAT law
- What is the problem?
- The ABI Guidance

The Way Forward

- EU Review of VAT & Financial Services