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## **NEW TAX RULES FOR INVESTMENT TRUST COMPANIES INVESTING IN INTEREST BEARING ASSETS**

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### **Who is likely to be affected?**

1. Investment trust companies (ITCs) and their shareholders.

### **General description of the measure**

2. This measure will introduce a new elective tax framework that will allow ITCs to invest in interest bearing assets in a tax efficient way. The rules move the point of taxation from the ITC to the shareholder, with the result that shareholders face broadly the same tax treatment as they would have, had they owned the interest bearing asset directly.

### **Operative date**

3. The measure will have effect for any interest distributions made on or after 1 September 2009.

### **Current law and proposed revisions**

4. Under current tax rules ITCs are liable to corporation tax (CT) on any interest income that they receive.
5. That will remain the case, but the new optional tax rules will allow an ITC that invests in interest bearing assets to receive a tax deduction for any interest distributions made, effectively removing any CT liability that would otherwise arise on distributed interest type income. The new rules will be introduced by secondary legislation.
6. Where an ITC makes an interest distribution this income will be treated in the hands of the shareholder as if it was a payment of yearly interest.

### **Further advice**

7. If you have any questions about this change, please contact Angela Nagarajah on 020 7147 2787 (email: [angela.nagarajah@hmrc.gsi.gov.uk](mailto:angela.nagarajah@hmrc.gsi.gov.uk)). Information about Budget measures is available on the HM Revenue & Customs website at [www.hmrc.gov.uk](http://www.hmrc.gov.uk)

