

Authorised Investment Funds

Authorised investment funds (AIFs) are collective investment schemes authorised and regulated by the Financial Services Authority (FSA) under the terms of the Financial Services and Markets Act 2000 (FSMA).

The rules dealing with the constitution and investment powers of AIFs are set out in the 'COLL' handbook published by the FSA. This can be found at the FSA website at www.fsa.gov.uk.

- **Categories of AIF**

All AIFs (whichever legal form they take – see '[AIFs can have two different legal forms](#)', below) fall into one of three categories defined by the FSA.

- UCITS funds

UCITS funds are AIFs that are within the terms of the European directive for undertakings for collective investments in transferable securities (UCITS). In accordance with the FSA 'COLL' handbook the instrument constituting the scheme must state that the scheme is a UCITS scheme. These schemes can be marketed to retail investors within any European Union member state.

- Non-UCITS retail funds

Non - UCITS retail funds (often referred to as NURS funds) are any AIFs which, whilst not being UCITS schemes are not Qualified Investor Schemes. Their investment powers are less restricted than UCITS schemes. They can be marketed to retail investors.

- Qualified Investor Schemes (QIS)

QIS funds are AIFs with wider investment and borrowing powers than either UCITS funds or NURS funds and can be marketed only to 'qualified' investors as defined by the FSA within the COLL handbook.

All AIFs are taxed in the same way. In general the tax rules applying to investors (called 'participants' in the regulations) in each type of AIF are the same but there are exceptions for certain investors in a QIS.

AIFs can have two different legal forms:

- Authorised Unit Trusts (AUTs)

An authorised unit trust is a unit trust scheme that has been authorised by the Financial Services Authority. It must meet certain conditions concerning its management structure and the type of investments it can hold. Only authorised schemes can be sold to the general public (the retail market).

- Open-ended Investment Companies (OEICs).

An open-ended investment company (OEIC) is a collective investment scheme that is structured as a company with variable capital and satisfies the property and investment condition in section 236 FSMA. Once authorised by the FSA, it is incorporated as a company under The Open-Ended Investment Companies Regulations 2001 (SI 2001/1228).

Note that both the FSA handbook and the tax rules use 'units' (in an AIF) to refer to either units in an AUT or shares in an OEIC as the case may be.

The legislation governing the taxation of AIFs and their investors can be found at section 468 Income and Corporation Taxes Act 1988 and in Regulations in Statutory Instrument 2006 No. 964 ("The Authorised Investment Funds (Tax) Regulations 2006").

Detailed guidance on this legislation is in the HMRC Corporation Tax Manual at pages [CTM48000](#) onwards.