

**Bill 5: Relationships treated as loan relationships etc: OEICs, unit trusts and offshore funds**

***Introduction***

1. This paper presents draft clauses that provide the rules for calculating debits and credits under Part 6 of Bill 5 if a company holds an interest in an open-ended investment company (OEIC), unit trust scheme or offshore fund where, broadly, 60% of the assets held by those entities are, or represent, loan relationships.

2. A version of these draft clauses were included when the draft Bill was published for consultation in February 2008 (Chapter 3 of Part 7), but the application of Chapter 3 to OEICs was not included at that time because of proposals to amend the relevant source legislation. They are presented now for consultation following the making of the Authorised Investment Funds (Tax) (Amendment No.2) Regulations 2008 (SI 2008/1463) which made those amendments.

3. The paper contains:

- the draft clauses, with origins;
- draft explanatory notes; and
- two draft notes outlining changes in the law.

***Questions for the committee***

4. We would be grateful for any comments you may have on these draft clauses and also on the two proposed changes.

***Closing date for comments***

5. We would welcome any comments by 19 September 2008. If possible, they should be sent to:

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Written comments should be sent to:

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6. Please note that the names of respondents may be published unless they ask for their comments to be treated in confidence.