

### **Exemption for Fund Management Services**

This year's Budget announced changes to the VAT exemption for fund management services from 1 October 2008. Customs announced in a recent business brief that after further representations and consultations with stakeholders they sought to clarify the scope of certain of the changes and to introduce a de minimis provision. These amendments concern fund management services in respect of "recognised overseas schemes" which are collective investment schemes outside the UK but which are recognised by the FSA in order for them to be marketed within the UK.

The first change concerns funds which are constituted as umbrellas containing a number of distinct sub funds. In such cases only management services provided in respect of each sub-fund marketed to UK investors are exempt. This follows the policy originally described in the draft guidance now updated and this is made clear in the amended legislation.

The second change introduces the de minimis provision whereby the management of a recognised overseas scheme (or each sub fund) which is not for the time being marketed in the UK, and has never been marketed in the UK, or has less than 5% of its shares or units held by, or on behalf of, UK investors falls outside the VAT exemption.