



# Finance Act 2016

## 2016 CHAPTER 24

### PART 1

#### INCOME TAX

##### *Disguised fees and carried interest*

### **38 Income-based carried interest: persons coming to the UK**

- (1) In section 809EZA of ITA 2007 (disguised investment management fees: charge to income tax), after subsection (2) insert—

“(2A) Subsection (2B) applies instead of subsections (1) and (2) where—

- (a) one or more disguised fees arise to an individual in a tax year (“the relevant tax year”) from one or more investment schemes (whether or not by virtue of the same arrangements),
- (b) the disguised fees consist of carried interest which is income-based carried interest,
- (c) the individual is UK resident in the relevant tax year,
- (d) before the relevant tax year, the individual was not UK resident for a period of at least five consecutive tax years (“the period of non-residence”), and
- (e) either—
  - (i) the relevant tax year is the first tax year immediately after the end of the period of non-residence, or
  - (ii) the relevant tax year is the second, third, or fourth tax year after the end of that period and the individual has been UK resident in all the intervening tax years.

(2B) To the extent that the income-based carried interest arises by virtue of pre-arrival services, the individual is liable for income tax for the relevant tax year in respect of it as if—

- (a) in relation to pre-arrival services performed in the United Kingdom—

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*Changes to legislation:* There are outstanding changes not yet made by the legislation.gov.uk editorial team to Finance Act 2016. Any changes that have already been made by the team appear in the content and are referenced with annotations. (See end of Document for details) [View outstanding changes](#)

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- (i) the individual were carrying on a trade for the relevant year consisting of the performance of those services,
    - (ii) the income-based carried interest, so far as arising by virtue of those services, were profits of that trade, and
    - (iii) the individual were the person receiving or entitled to those profits, and
  - (b) in relation to pre-arrival services performed outside the United Kingdom—
    - (i) the individual were carrying on a trade for the relevant tax year consisting of the performance of those services,
    - (ii) the income-based carried interest, so far as arising by virtue of those services, were profits of that trade, and
    - (iii) the individual were the person receiving or entitled to those profits.
- (2C) In subsection (2B) “pre-arrival services” means investment management services performed before the end of the period of non-residence.”
- (2) The amendment made by this section has effect in relation to sums of carried interest arising on or after 6 April 2016 (whenever the arrangements under which the sums arise were made).

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**Changes and effects yet to be applied to the whole Act associated Parts and Chapters:**

Whole provisions yet to be inserted into this Act (including any effects on those provisions):

- Sch. 19 para. 12(5)(b) inserted by [2017 c. 32 Sch. 14 para. 49\(2\)\(c\)](#)
- Sch. 19 para. 12(5)(a) word inserted by [2017 c. 32 Sch. 14 para. 49\(2\)\(b\)](#)
- Sch. 19 para. 51(8)(b) words inserted by [2017 c. 32 Sch. 14 para. 48\(2\)](#)
- Sch. 19 para. 53(1) words inserted by [2017 c. 32 Sch. 14 para. 48\(4\)\(a\)](#)
- Sch. 19 para. 53(1) words inserted by [2017 c. 32 Sch. 14 para. 48\(4\)\(b\)](#)
- Sch. 19 para. 12(5)(a) words renumbered as Sch. 19 para. 12(5)(a) by [2017 c. 32 Sch. 14 para. 49\(2\)\(a\)](#)
- Sch. 19 para. 58(1) words substituted by [2017 c. 32 Sch. 14 para. 48\(5\)](#)
- Sch. 20 para. 1(4)(e) inserted by [2021 c. 26 Sch. 27 para. 47\(2\)](#)
- Sch. 20 para. 3(3)(d) and word inserted by [2021 c. 26 Sch. 27 para. 47\(3\)\(b\)](#)
- Sch. 20 para. 5(5) inserted by [2021 c. 26 Sch. 27 para. 47\(5\)](#)
- Sch. 22 para. 2(4B) inserted by [2021 c. 26 Sch. 27 para. 48\(2\)\(c\)](#)
- Sch. 22 para. 3(4A) inserted by [2021 c. 26 Sch. 27 para. 48\(3\)](#)