

Management of Special Investment Funds

This document should be read in conjunction with Paragraphs 6(2), (3) and (4) of
Schedule 1 to the VAT Consolidation Act 2010

Document last updated January 2025

Introduction

This guidance sets out the application of the VAT exemption for the management of special investment funds.

There are two criteria for the application of this exemption. First, the services must constitute 'management'. Second, that management must be in respect of specified funds.

1. What is Management?

Management consists of one or more of the 3 functions listed in Annex 2 of the UCITS Directive:

- (i) investment management,
- (ii) administration and
- (iii) marketing.

The following criteria are used to determine if services outsourced to a third party constitute the 'management' of a special investment fund for the purposes of the exemption:

- The concept of 'management' of a special investment fund covers not only investment management, involving the selection and disposal of assets under management, but also administrative and accounting services – such as computing the amount of income and the price of units or shares, the valuation of assets, accounting, the preparation of statements for the distribution of income, the provision of information and documentation for periodic accounts and for tax, statistical and VAT returns, and the preparation of income forecasts.
- The services must, viewed broadly, form a distinct whole, and be specific to, and essential for the management of special investment funds. In this regard, services which are not specific to the activity of a special investment fund but inherent in any type of investment do not fall within the scope of that concept of "management" of a special investment fund.
- The services must be intrinsically connected to the activity characteristic of an investment management company, i.e. the services concerned must be eminently characteristic of the activities of a special investment fund.
- The mere fact that a service is performed entirely by electronic means does not in itself preclude the application of the exemption to that service. However, mere support or technical supplies, such as the making available of IT systems, provision of software, general legal and accountancy services, etc. are not covered by the scope of the exemption.

➤ It is not essential that the outsourced services lead to a change in the legal or financial situation, rather the services should constitute an outsourcing, in substantive terms, of the activity of management.

2. What are Specified Funds?

With effect from 1 March 2023 the list of specified funds are as follows:

- (a) a collective investment undertaking as defined in section 172A of the Taxes Consolidation Act 1997;
- (aa) an investment limited partnership within the meaning of section 739J of the Taxes Consolidation Act 1997;
- (b) a special investment scheme within the meaning of section 737 of the Taxes Consolidation Act 1997;
- (c) an undertaking that is administered by the holder of an authorisation granted under the European Communities (Life Assurance) Regulations 1984 (S.I. No. 57 of 1984), or by a person who is deemed, by Article 6 of those Regulations, to be such a holder, the criteria in relation to which are the criteria specified in relation to an arrangement to which section 9(2) of the Unit Trusts Act 1990 applies;
- (d) a unit trust scheme established solely for the purpose of superannuation fund schemes or charities;
- (e) an undertaking that is a qualifying company for the purposes of section 110 of the Taxes Consolidation Act 1997, other than a qualifying company which holds qualifying assets (within the meaning of the said section 110) that consist of plant and machinery;
- (ea) an undertaking that enters into specified financial transactions within the meaning of Part 8A of the Taxes Consolidation Act 1997 where that undertaking corresponds to an undertaking specified elsewhere in this subparagraph;
- (eb) a defined contribution scheme (within the meaning of the Pensions Act 1990), other than a one-member arrangement (within the meaning of that Act);
- (ec) an undertaking for collective investment in transferable securities (within the meaning of Article 1 of Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009) which has been authorised by the competent authority (as defined in point (h) of Article 2(1) of that Directive) of another Member State;
- (ed) an EU AIF (as defined in point (k) of Article 4(1) of Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011) managed by an AIFM (as defined in point (b) of Article 4(1) of that Directive) which has been authorised by or registered with the competent authority (as defined in point (f) of Article 4(1) of that Directive) of a Member State;
- (f) any other undertaking that is determined by the Minister to be a collective investment undertaking for the purposes of this subparagraph.