



Today's investment marketplace is increasingly complex, with many more fund choices now available to investors. An area which frequently causes confusion for UK investors is the tax treatment of their investment funds. **Here is a guide that outlines the tax position for UK individual investors where they hold their shares in their own names**, as opposed to them being held in a nominee account (normally through a fund platform or broker).

This guide is relevant for investments in an OEIC or a SICAV where the investor is resident in the UK.

This information is valid as at 6 April 2016.

INCOME TAX

Equity Funds

For an equity fund, there is no difference in the income tax position between an OEIC or a SICAV.

	OEIC/SICAV
ISA or SIPP	None
<i>Direct Holdings</i>	
Basic Rate Tax Payers	7.5%
Higher Rate Tax Payers	32.5%
Tax Payers who earn over £150,000	38.1%

From 6 April 2016, the UK government has introduced a Dividend Allowance, where UK individuals will no longer have to pay tax on the first £5,000 of dividend income received. Any dividends received in excess of £5,000 will be paid at the dividend tax rates above, dependant on the UK individual's tax rate band.

If the "UK Reportable Income" of a SICAV exceeds the dividends received, the excess reportable income is also treated as dividend income and taxed at the above dividend tax rates.

Bond Funds

For a bond fund, there is no difference in the UK income tax rates for an OEIC or a SICAV.

	OEIC	SICAV
ISA or SIPP	None	None
<i>Direct Holdings</i>		
Basic Rate Tax Payers	20%	20%
	(Deducted at source)	
Higher Rate Tax Payers	40%	40%
	(20% deducted at source)	
Tax Payers who earn over £150,000	45%	45%
	(20% deducted at source)	

For OEIC

- Interest distributions are generally made net of the lower rate of income tax (20%).
- Non-taxpayers can recover the 20% tax deducted.
- From 6 April 2016, the UK government introduced a tax free Personal Savings Allowance, where UK individual basic rate taxpayers will receive their first £1,000 of interest income (including interest distributions) tax free. For higher rate taxpayers, the allowance will be £500 and for additional rate taxpayers there will be no allowance.

For SICAV

- If the "UK Reportable Income" of a SICAV exceeds the dividends received, this excess reportable income is also subject to UK income tax rates as above.

CAPITAL GAINS TAX

Equity and Bonds Funds

There is no difference in the capital gains tax position between an OEIC or a SICAV with Reporting Fund Status. Gains above £11,100* will be liable to Capital Gains Tax. Gains arising in a SICAV without Reporting Fund Status are subject to UK income tax rules.

	OEIC	SICAV (with Reporting Fund Status)	SICAV (without Reporting Fund Status)
ISA or SIPP	None	None	None
Direct Holdings (Gains below the £11,100 annual exempt amount)			
Basic Rate Tax Payers	None	None	20%
Higher Rate Tax Players	None	None	40%
Tax Payers who earn over £150,000	None	None	45%
Direct Holdings (Gains above the £11,100 annual exempt amount)			
Basic Rate Tax Payers	10%	10%	20%
Higher Rate Tax Players	20%	20%	40%
Tax Payers who earn over £150,000	20%	20%	45%

*This is the annual exemption rate for the tax year ending 5 April 2017.

WHAT IS REPORTING FUND STATUS?

The Reporting Fund Status of a fund determines whether returns made following a sale are treated as either income or capital gains for tax purposes.

- Gains on the disposal of funds with Reporting Fund Status are subject to Capital Gains Tax (CGT) and an investor can utilise their annual CGT exemption.
- Gains on the disposal of funds without Reporting Fund Status are classified as Offshore Income Gains and are subject to UK income tax, without the benefit of the CGT annual exemption.

GLOSSARY

“ISA”	An individual savings account, a scheme allowing individuals to hold cash, shares, and unit trusts free of income and capital gain tax.
“Nominee Account”	An account set up by a ‘registered owner’ or nominee, usually a fund platform or broker, to hold shares/units on behalf of individual investors ‘the beneficial owner’, to help facilitate transactions. Investors are still the legal owners of the shares but their names do not appear on the company’s share register.
“OEIC”	Open-Ended Investment Company. A type of company or fund in the UK that is structured to invest in other companies with the ability to adjust constantly its investment criteria and fund size.
“SICAV”	Société d’Investissement à Capital Variable. An open-ended investment fund in which the amount of capital in the fund varies according to the number of investors.
“SIPP”	Self Invested Personal Pension; a pension plan that enables the holder to choose and manage the investments made.

This leaflet is based on UK tax law at the time of publication, which may be subject to change. Any tax information provided is intended to be a general guide and should not be relied upon as a basis for calculating individual liabilities. The information does not take into consideration your / your clients / or any personal circumstances and may be subject to change in the future. If you are in any doubt about the impact of tax on your investment you should consult a qualified tax adviser.

Issued by Franklin Templeton Investment Management Limited, Cannon Place, 78 Cannon Street, London EC4N 6HL. FTIML is authorised and regulated by the Financial Conduct Authority.



FRANKLIN TEMPLETON INVESTMENTS
Cannon Place
78 Cannon Street
London, EC4N 6HL

Tel: 0800 305 306
www.franklintempleton.co.uk
enquires@franklintempleton.co.uk