Alternative Domicile Intelligence
Incorporating the AIFMD Tracker Service

News, research and advice on the future structure of the alternative fund industry

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DPT will cause chaos

The Diverted Profits Tax will be a nightmare for UK managers and fund domiciles. It won't help the OECD with BEPS, nor is it welcome in the US. The DPT targets UK businesses, including fund managers, that HMRC believes have 'contrived' to avoid tax. HMRC will levy a 25% tax on guilty parties. Guilty parties are companies that HMRC considers are not following the spirit of the UK's tax laws.

In future UK companies will have to prove that they are meeting the spirit as well as the letter of the law when it comes to tax. Whilst most press attention has been on the DPT's impact on large corporates, particularly the digital sector (it has been dubbed 'the Google tax'), it will apply to a wide range of transactions across all industries, especially to the fund industry.

One immediate consequence of the DPT is that it will force fund managers, and their offshore service providers, to increase transparency on their transfer pricing policies. And it will almost certainly require them to increase their substance offshore too.

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Ireland introduces the ICAV

Ireland has introduced a new regulated fund category, which has just been enacted into law: the ICAV (Irish Collective Asset-management Vehicle). The ICAV is intended for use by both AIFs and UCITS fund managers. "The ICAV will also provide an additional option for promoters, complementing the established range of Irish fund vehicles available here," said Pat Larnder, CEO of the (IFIA) Irish Funds Industry Association.

The IFIA also announced that the Permal Group is in final preparations to move a number of its BVI separate accounts, totalling initially almost $4 billion, to a newly launched Permal ICAV. "By creating ICAVs, Ireland has developed a first class onshore structure - a move that enhances its status as a leading jurisdiction for regulated funds. This is the direction of investor tide, particularly for Europe where investors are seeking EU-domiciled fund structures and enhanced supervision by the likes of the Central Bank of Ireland," said Permal's Omar Kodmani.

The ICAV is intended to be used for UCITS, RIAIFs and QIAIFs, can be open or closed-ended and where established as a QIAIF, can take advantage of the 24 hour fast track application process for authorisation.

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