

Helping Asset Managers manage HMRC

HMRC appear to have been targeting Asset Managers in recent years. Whether that is intentional or otherwise is not for us to say, but we have seen numerous UK managers (both UK-based managers and offices of US and other global managers) face HMRC enquiries involving a number of technical areas.

In particular, Asset Manager arrangements have faced HMRC enquiries in relation to:

- the UK Salaried Member Rules ("SMR") in relation to UK operations structured as UK LLPs. The decision in the recent Bluecrest case, the first before the UK Tax Tribunals, will likely increase HMRC's appetite to challenge certain LLP members as being employed under the SMR;
- equity incentivisation arrangements involving both UK LLP partnership interests and equity interests in a US or other global parent. Such challenges include HMRC alleging that equity interests should be taxed in some form as income under the UK Mixed Member partnership rules ("MMR") or as miscellaneous income ("MI");
- the Transfer Pricing rules ("TP") in respect of the level of intra-group sub-advisory UK fee income;
- Carried Interest arrangements including issues where carried interest is structured through US LLCs and more generally in relation to the UK Income Based Carried Interest rules ("IBCI").

Some managers may also have structures that may give rise to potential HMRC challenges under the UK Disguised Investment Fee Rules ("DIMF").

Andersen UK can assist Asset Managers manage HMRC. We can:

- undertake a health check of your UK structure and arrangements with a view to identifying areas of possible HMRC challenge to enable you to both make changes if needed and prepare for any future challenge;
- where HMRC have already challenged your arrangements, we can assist you in dealing with the HMRC enquiry;
- where you have existing advisers, we can provide a second opinion on the merits of any HMRC challenge and/or on how best to conduct the dispute with HMRC to ensure a speedy and positive outcome. If your existing advisers are also your auditors, it is likely that at some point they will need to stop advising you on any litigation with HMRC.

Whether it be SMR, MMR, MI, TP, IBCI or DIMF, we have the expertise and experience to assist in trying to both pre-empt HMRC challenges and ensure any HMRC enquiries get resolved as soon as possible.

Please feel free to contact the Tax Disputes team below or your regular Andersen UK contact if you would like to arrange an introductory discussion.

The Tax Disputes Team



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Andrew is a highly experienced international tax specialist who worked at a senior level in HMRC's international teams for over 10 years. He has a wealth of experience and technical knowledge.



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Bradley advises clients on corporate, partnership and other matters with a particular focus on advising asset managers. He has advised numerous asset managers in relation to tax disputes and HMRC investigations and has experience acting for taxpayers in cases before the Tax Tribunals and other courts.

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