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Qualifying Asset Holding Company regime

The introduction of the QAHC regime is an **exciting development** and the first part of an anticipated **wider suite of reforms** which are expected to further **increase the competitiveness** of the UK as an investment holding jurisdiction.

The QAHC regime is expected to be an **attractive proposition** for fund managers and investors across a range of **alternative investment strategies**.

Overview

A new Qualifying Asset Holding Company (**QAHC**) tax regime is set to be introduced in the UK from **April 2022.**

The QAHC regime is a new **simplified holding company tax regime** and will be available to certain institutional and fund investors.

The QAHC reforms come after a period of **HM Treasury consultation**, which focused on (i) the reasons that institutional investors and funds use asset holding companies, (ii) the possible benefits of these being located in the UK, and (iii) barriers preventing the broader use of UK structures. The reforms seek to address these barriers.

The QAHC reforms are an **exciting development** and form part of the UK Government's **strategic focus** on the asset management industry.

Further developments are anticipated this year as the broader consultation into UK fund structures progresses – expected to further **increase the attractiveness of the UK as an asset management hub**.

The separate consultation on new provisions to allow foreign companies to redomicile to the UK may further **facilitate transition to a UK holding platform.**

Available strategies

The QAHC regime can be used for **new** and **existing** fund investments and is applicable across asset classes, including:

- **Private Equity**
- **Credit**
- **Infrastructure**
- **Overseas Real Estate**

The regime is available where certain eligibility conditions are met, provides **reliefs to promote investment**, and is expected to be **straightforward to operate**.

HMRC are developing **guidance** to ensure investors and fund managers have clarity on its application.

An **advantage of the regime** is that institutional investors can utilise existing capability, operations, and resources in the UK, alongside **accessing UK asset management infrastructure and expertise.**

QAHCs may be used as 'master' holding companies within funds and/or acquisition / financing vehicles for investments.

What businesses should be doing

- Consider existing holding company structures in light of current and future expected international tax developments.
- Consider feasibility of the UK as a viable holding platform location for existing and new investment holding structures.
- Perform impact assessment of using the QAHC regime, including considerations such as cost and operational efficiencies.
- Evaluate QAHC regime in context of expected investment locations and operations / expertise in the UK and the expected benefits of aligning legal and operating structures.
- Review QAHC regime alongside investment profile and other comparable regimes.
- Assess broader implications of use of QAHC on fund operating model and repatriation.
- Assess additional use cases for AHCs – such as within segregated account / fund of one structures.
- Monitor broader reforms to UK fund structures.

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The QAHC regime **simplifies** the UK tax system for qualifying companies, and **increases the UK's competitiveness** as a holding company jurisdiction for investment structures.

KPMG has **extensive experience of the QAHC regime**, contributing to the development of the new law and the guidance being developed to support its implementation.

KPMG can provide support in relation to both existing and new investment structures, supporting impact assessment and implementation work in applying the new regime.

Further reading & resources

[The Qualifying Asset Holding Company regime](#)
[Development of the UK AHC regime – an update](#)
[UK AHCS: Consultation response and draft legislation](#)
[UK's position as an international centre for asset management](#)

Eligibility

Three main conditions must be met by a company in order to be a QAHC.

- **Ownership**: QAHCs must be at least 70% owned by **"Category A"** investors. These include qualifying funds, certain qualifying investors (such as sovereign wealth and pension funds), public authorities, some intermediate companies and other QAHCs.
- **Activity**: a QAHC's main activity must be the carrying on of an **investment business**.
- **Investment strategy**: cannot include the acquisition of **listed** equity securities (other than in certain take private scenarios).

A QAHC must also be **UK tax resident**, **not a UK REIT**, and not have equity securities **listed or traded** on a recognised stock exchange, or other public market / exchange.

Key regime benefits

- **Interest withholding tax exemption**: straightforward exemption applying to all interest payments made by the QAHC.
- **Chargeable gains** on **qualifying shares** (not UK property-rich) and **overseas land** exempt from corporation tax on chargeable gains.
- No liability to corporation tax in respect of QAHC's **overseas property income**, provided the income is taxable elsewhere.
- **Repurchase** of QAHC's **own shares** or **loan capital** exempt from Stamp Duty and SDRT.
- **Repatriation of capital**: payments by QAHC on redemption, repayment or purchase of its own shares not treated as distributions.
- Interest arising on **profit-participating loans** and certain other "**special securities**" treated as deductible.
- Availability of the **remittance basis** for fund managers.

Entry, exit and group considerations

Entry:

- Prior notification to HMRC required.
- Deemed market value disposal and reacquisition of certain assets. However, in most cases an 'entry' charge is not expected to apply.

Breaches and exit:

- HMRC must be notified of any **breaches**. However, **legislation provides flexibility** in certain cases to ensure a breach of the activity or ownership conditions will not result in an AHC immediately ceasing to be a QAHC.
- The benefits of the regime are available until exit and assets will be rebased when leaving the regime without an exit charge.

Losses:

- Special rules to allow losses to be utilised across a group or 'stack' of QAHCs.
- However, QAHCs will not be able to form a group with non-QAHC entities.

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