

**FOR IMMEDIATE RELEASE**

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**AITC CALLS FOR LEVEL PLAYING FIELD ON VAT TREATMENT OF  
MANAGEMENT FEES OF INVESTMENT TRUSTS**  
**- AITC estimates that extending the VAT exemption would save investment  
trusts £40m pa**

As the Budget approaches the Association of Investment Trust Companies (AITC) calls on the Chancellor to create a level playing field between investment trusts and unit trusts by extending the VAT exemption on management fees, currently enjoyed by unit trusts and OEICs, to investment trusts. This action could save investment trusts up to £40m a year.

Daniel Godfrey, Director General of the Association of Investment Trust Companies, said: "We have been lobbying to level the playing field between investment trusts and other mutual funds since the mid-1990s because we are concerned that the current VAT treatment unfairly discriminates against investment trusts. We welcomed Ron Sandler's Review that recognised the unfairness of the VAT position of investment trusts and the Government's decision to consult on this issue in November.

"Cost is an increasingly important factor in investment decisions and the Government has indicated that 1 % per year is a benchmark level for costs through the development of Stakeholder Pensions, CAT Standards ISAs and the new Sandler suite of products. Within such tight margins tax distortions shouldn't favour one product over another. An investment trust investing in the UK with a management fee of 0.85% should be cheaper than an equivalent OEIC or unit trust charging 1% per year but the fact that the investment trust has to pay 17.5% VAT on top means that the investor ends up paying 1%. We hope the Government will address this anomaly once and for all in this Budget."

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**Notes to Editors**

The Association of Investment Trust Companies was founded in 1932 to represent the interests of the investment trust industry – the oldest form of collective investment. Today, the AITC is the primary source for information and statistics on investment trusts. The AITC has 276 members and the industry has total assets of approximately £47 billion.