1 Qualifying Conditions for the Company:

- Resident in the UK (and must not be a UK real estate investment trust (REIT));
- Must meet the ownership, activity and investment strategy conditions (please see below for further details of these conditions);
- Not listed or traded on a recognised stock exchange or any other public market or exchange; and
- Must have elected to be a QAHC (this is a revocable election).

2 Effect of Qualification

A QAHC will have tax advantages at both the QAHC level and the investor level.

More specifically the regime provides for expemptions on;

- Capital gains on a disposal of non-UK property or shares (provided that the shares do not derive more than 75% of their market value from land in the UK);
- Corporation tax on profits of a non-UK property business where the profits are subject to tax in another jurisdiction;
- Withholding tax on interest payments paid by the QAHC;
- Stamp duty and stamp duty reserve tax for buybacks of shares and loan capital previously issued by the QAHC (but there is no exemption where QAHC shares are transferred);
- Capital, as opposed to income, treatment on buybacks of shares from individual investors by the QAHC will apply.; and
- Interest deductions for profit participating debt of the QAHC will be allowed.

3 Other Aspects of the QAHC Regime

- Qualifying and non-qualifying activities and assets within the QAHC will be ring-fenced, so that losses from one type of activity or asset cannot be set off against the profits of the other. Similarly, group relief will work in the same way. It will be separately available for a non-qualifying group of entities and a qualifying group of entities.
- Assets entering the ring-fence will be deemed to have been disposed of for market value immediately prior to entering the ring-fence, leading to a corporation tax charge in the non-ring-fence business. There will, however, be an extended version of the substantial shareholder exemption which may be applicable.
- To prevent tax avoidance, QAHCs are subject to stricter transfer pricing rules: the exemption for small and medium-sized entities does not apply, and the 'participation condition' will be deemed satisfied by all persons with relevant interests in the QAHC, regardless of the size of their holding.

Definitions

Ownership Condition

At least 70% of investors in the QAHC must be Category A investors. Category A investors are 'good' investors, such as investment funds and institutional investors, such as pension funds.

A 'qualifying' fund that is itself held 70% by Category A investors also meets the ownership condition. Private equity funds should also qualify by proving the 'diversity of ownership' condition.

Activity Condition

Generally, this is satisfied if the main activity of the QAHC is carrying on an investment business and is not trading to a substantial extent.

The QAHC Regime does not consider investments in the following "qualifying activities": UK real estate; shares in UK real estate-rich companies; and overseas property when its income is not subject to tax in the overseas jurisdiction.

Investment Strategy Condition

Broadly, the investment strategy condition is satisfied if the QAHC's investment strategy does not involve the acquisition of listed or traded securities.

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