
1 Real estate investment trusts

Schedule 1 makes changes to Part 12 of CTA 2010 (real estate investment trusts) in relation to—

- (a) the conditions for companies in relation to UK REITs in section 528 of that Act;
- (b) the balance of business test in section 531 of that Act;
- (c) the requirement to prepare financial statements under section 532 of that Act;
- (d) the meaning of “holder of excessive rights” in section 553 of that Act.

SCHEDULE 1

REAL ESTATE INVESTMENT TRUSTS

- 1 Part 12 of CTA 2010 (real estate investment trusts) is amended as follows.

Conditions for companies in relation to UK REITs

- 2 In section 528 (conditions for company) –
- (a) in subsection (3) –
 - (i) the words from “the shares” to the end become paragraph (a), and
 - (ii) after that paragraph insert “, or
 - (b) at least 99% of the shares forming the company’s ordinary share capital are owned by one or more institutional investors.”;
 - (b) after subsection (3) insert –
 - “(3A) For the purposes of subsection (3)(b), where shares are owned by a person acting on behalf of a limited partnership which is a collective investment scheme as mentioned in subsection (4A)(c), Condition C may be met only if the collective investment scheme meets the genuine diversity of ownership condition.
 - (3B) For the purposes of subsection (3A), a collective investment scheme meets the genuine diversity of ownership condition if it meets conditions A to C in regulation 75 of the Offshore Funds (Tax) Regulations 2009 (S.I. 2009/3001).
 - (3C) For the purposes of determining whether those conditions are met, the 2009 Regulations apply as if any collective investment scheme which is not an offshore fund were regarded as an offshore fund.
 - (3D) Subsection (3E) applies where Condition C ceases to be met in relation to a company UK REIT or the principal company of a group UK REIT as a result of subsection (3)(b) ceasing to apply in relation to that company.
 - (3E) The company is to be treated as if Condition C continued to be met in relation to that company as a result of that subsection for the period of 12 months beginning with the day on which this subsection begins to apply.”;
 - (c) in subsection (4A)(j) omit “, under the law of that territory,”.

Requirements for financial statements

- 3 (1) In section 531 (conditions as to balance of business), in subsection (2) –

- (a) in paragraph (a) omit “(as shown in the financial statement under section 532(2)(a))”;
 - (b) in paragraph (b) omit “(as shown in the financial statement under section 532(2)(c))”.
- (2) After subsection (2) insert –
- “(2A) Where the matters mentioned in section 533(1)(a) to (c) must be specified in a financial statement under section 532(2)(a) or (c) in relation to each member of a group (see section 533(1C)) –
- (a) the reference in subsection (2)(a) to the profits of property rental business of members of the group are to those profits as shown in the financial statement under section 532(2)(a), and
 - (b) the reference in subsection (2)(b) to the profits of residual business of members of the group are to those profits as shown in the financial statement under section 532(2)(c).”
- (3) In subsection (6), in the words before paragraph (a), after “group” insert “, where the matters mentioned in section 533(1)(d) must be specified in a financial statement under section 532(2)(a) and (c) in relation to each member of the group (see section 533(1F))”.
- (4) In section 533 (financial statements: supplementary) –
- (a) in subsection (1), in the words before paragraph (a), omit “each member of”;
 - (b) after subsection (1A) insert –
- “(1B) Subsection (1C) applies where in the accounting period for which statements are prepared under section 532(2) profits of the group’s property rental business are less than 80% of the sum of –
- (a) the profits of property rental business of the group, and
 - (b) the profits of residual business of the group.
- (1C) In addition to being specified in relation to the group, the matters mentioned in subsection (1)(a) to (c) must be specified in a financial statement under section 532(2)(a) or (c) in relation to each member of the group.
- (1D) For the purposes of establishing whether subsection (1C) applies –
- (a) the references to profits in subsection (1B) are to profits determined in the same way as profits of a company are determined in accordance with section 531(4);
 - (b) any expenses relating to both property rental business and residual business are to be apportioned on a just and reasonable basis.
- (1E) Subsection (1F) applies where, at the beginning of the accounting period for which statements are prepared under section 532(2), the sum of –
- (a) the value of the assets relating to property rental business, and

- (b) the value of the assets relating to residual business so far as consisting of cash or relevant UK REIT shares, is less than 80% of the total value of assets held by the group.
- (1F) In addition to being specified in relation to the group, the matters mentioned in subsection (1)(d) must be specified in a financial statement under section 532(2)(a) or (c) in relation to each member of the group.”

Balance of business test

- 4 In section 531 (conditions as to balance of business), in subsection (4) –
 - (a) omit the “and” at the end of paragraph (b);
 - (b) at the end of paragraph (c) insert “, and
 - (d) profits of residual business of the company resulting from compliance with planning obligations entered into in accordance with section 106 of the Town and Country Planning Act 1990.”

Holders of excessive rights

- 5 In section 553 (meaning of “holder of excessive rights”), in subsection (1), after paragraph (b) insert “,
other than a person to whom a payment of a distribution must be made without deduction of income tax in accordance with regulation 7 of the Real Estate Investment Trusts (Assessment and Recovery of Tax) Regulations 2006 (S.I. 2006/2867) (gross payment of distributions).”

Application

- 6 The amendments made by paragraphs 2 to 4 apply in relation to accounting periods (within the meaning of Part 12 of CTA 2010) that begin on or after the day on which this Schedule comes into force.