
NOTICES OF AMENDMENTS

given on

Wednesday 26 June 2013

*For other Amendment(s) see the following page(s) of Supplement to Votes:
387-88 and 389*

CONSIDERATION OF BILL

FINANCE BILL, AS AMENDED

Mr Chancellor of the Exchequer

30

Schedule **18**, page **310**, line **36**, at end insert—

‘(1A) After subsection (4) insert—

“(4A) In the case of a group, for the purposes of subsections (1) and (2) a distribution falling within section 549A(5) or (7) received by a member of the group is to be treated as profits of a property rental business in accordance with section 549A(1) notwithstanding section 549A(4A).

(4B) In the case of a company, for the purposes of subsections (1) and (3) a distribution falling within section 549A(5) or (7) received by the company is to be treated as profits of a property rental business in accordance with section 549A(1) notwithstanding section 549A(4A).”’.

Mr Chancellor of the Exchequer

31

Schedule **18**, page **311**, line **9**, leave out paragraphs 5 and 6 and insert—

‘5(1) Section 548 (distributions: liability to tax) is amended as follows.

(2) In subsection (5) after “2009” insert “so far as the distribution is a distribution of exempt profits”.

(3) In subsection (6) after “2005” insert “so far as the distribution is a distribution of exempt profits”.

(4) After subsection (8) insert—

“(9) This section does not apply in relation to a distribution falling within section 549A(5) or (7) so far as the distribution is a distribution of exempt profits.

(10) For the purposes of this Chapter a distribution is a “distribution of exempt profits” so far as the distribution falls within section 550(2)(a), (aa), (c) or (d).

(11) In applying section 550 for the purposes of subsection (10) in relation to a distribution made by the principal company of a post-cessation group or by a post-cessation company—

Notices of Amendments: 26 June 2013

Finance Bill, *continued*

- (a) subsection (1)(a) is to be read as referring to the principal company of the post-cessation group, or (as the case may be)
- (b) subsection (1)(b) is to be read as referring to the post-cessation company.”
- 6(1) Section 549 (distributions: supplementary) is amended as follows.
- (2) In subsections (2) and (2A) after “shareholder” insert “so far as they are distributions of exempt profits”.
- (3) After subsection (3) insert—
- “(3A) “Relevant distribution” does not include a distribution falling within section 549A(5) or (7) so far as the distribution is a distribution of exempt profits.”
- (4) In subsection (4) after the first “shareholder” insert “(so far as they are distributions of exempt profits)”.

Mr Chancellor of the Exchequer

32

Schedule 18, page 311, line 31, at end insert—

- “(4A) Subsection (1) applies in relation to a distribution only so far as the distribution is a distribution of exempt profits.
This is subject to section 531(4A) and (4B).”.

Mr Chancellor of the Exchequer

33

Schedule 18, page 312, line 39, leave out ‘4’ and insert ‘4(2) to (4)’.

Mr Chancellor of the Exchequer

34

Schedule 18, page 312, line 41, leave out sub-paragraph (2) and insert—

- ‘(2) Subject to what follows, the amendments made by paragraphs 5 to 7 above have effect in relation to distributions received on or after the day on which this Act is passed.
 - (3) A distribution received by a member of a group UK REIT does not fall within section 549A(5) or (7) of CTA 2010 if it is received in an accounting period of the principal company of the group beginning before the day on which this Act is passed.
 - (4) A distribution received by a company UK REIT does not fall within section 549A(5) or (7) of CTA 2010 if it is received in an accounting period of the company beginning before the day on which this Act is passed.’.
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EXPLANATORY NOTE

**CLAUSE 38, SCHEDULE 18: REAL ESTATE INVESTMENT TRUSTS:
UK REITs WHICH INVEST IN OTHER UK REITs**

AMENDMENTS 30 – 34

SUMMARY

1. Clause 38 and Schedule 18 allow the income from UK Real Estate Investment Trusts (REITs) investing in other UK REITs to be treated as income of the investing REIT's tax exempt property rental business. The proposed amendments will ensure that the new rules in Schedule 18 and the rules within sections 531, 548, 549 and 550 Corporation Tax Act 2010 (CTA 2010) operate correctly in relation to the calculation of UK Real Estate Investment Profits.

DETAILS OF THE AMENDMENTS

2. Amendment 30 amends section 531 CTA 2010 in relation to the balance of business profits condition to insert subsections (4A) and (4B). This amendment ensures that for groups and companies the whole of a distribution falling within new section 549A(5) or (7) is treated as profits of a property rental business (notwithstanding the restriction relating to exempt profits imposed by Amendment 32 and so fall within the term “aggregate profits” in section 531(1).
3. Amendment 31 replaces paragraphs 5 and 6 with new paragraphs 5 and 6.
4. New Paragraph 5 amends section 548. New subsection 548(9) states that the section does not apply in relation to distributions under s549A(5) or (7) in so far as it is a distribution of exempt profits. New subsection 548(10) defines a “distribution of exempt profits” as one falling within the subsections of section 550(2) that relate to property income distributions (PIDs). New subsection (11) applies section 550 for the purposes of new subsection 548(10).
5. New Paragraph 6 amends section 549 to take into account the new definition of a distribution of exempt profits.
6. Amendment 32 adds a new subparagraph (4A) to section 549A to ensure that distributions are treated as profits of a UK property rental business only if they are a distribution of exempt profits.
7. Amendment 33 is a consequential amendment that relates to the date that the changes within the Schedule are to take effect.

8. Amendment 34 removes sub-paragraph 13(2) and replaces it with new sub-paragraphs (2) to (4). These set out the date that the amendments in paragraphs 5 to 7 are to take effect.

BACKGROUND

9. UK real estate investment trusts (REITs) are tax advantaged vehicles introduced to encourage investment in the property sector.
10. A REIT is exempt from corporation tax on its profits from a property rental business. It is required to distribute 90 per cent of its profits by way of a property income distribution (PID). A PID is treated in the hands of investors as income from property and taxed accordingly.
11. Changes were made in the Bill to facilitate the investment in UK REITs by other UK REITs.
12. These Government amendments are in response to representations on the current wording of the Bill. They ensure that the new and the pre-existing legislation operate as intended so that profits of a property rental business comprising the new type of tax exempt income do not include amounts attributable to capital allowances and other tax adjustments.