

2021 No. 0000

CAPITAL GAINS TAX

CORPORATION TAX

**The UK Property Rich Collective Investment Vehicles
(Amendment of the Taxation of Chargeable Gains Act 1992)
Regulations 2021**

Made - - - - ***
Laid before the House of Commons ***
Coming into force - - ***

The Treasury make the following Regulations in exercise of the powers conferred by paragraph 48 of Schedule 5AAA to the Taxation of Chargeable Gains Act 1992(a).

Citation, commencement and effect

1.—(1) These Regulations may be cited as the UK Property Rich Collective Investment Vehicles (Amendment of the Taxation of Chargeable Gains Act 1992) Regulations 2021 and come into force on ** April 2021.

(2) The amendments made by regulations 3, 4(c), 5 and 6, and regulation 7 have effect from the day on which these Regulations come into force.

(3) The amendments made by regulation 4(a) and (b) have effect in relation to disposals made on or after 6th April 2019.

Amendment of Schedule 5AAA to the Taxation of Chargeable Gains Act 1992

2. Schedule 5AAA to the Taxation of Chargeable Gains Act 1992 (UK property rich collective investment vehicles etc) is amended as follows.

3. In paragraph 1 (meaning of collective investment vehicle etc)—

(a) in sub-paragraph (2A), omit “or (f)”;

(b) after sub-paragraph (2A), insert—

“(2B) A company meets the property income condition for the purposes of sub-paragraph (1)(f) if—

(a) at least half of the company’s income derives directly or indirectly from long-term property investments,

(a) 1992 c. 12; Schedule 5AAA was inserted by paragraph 21 of Schedule 1 to the Finance Act 2019 (c. 11) and amended by S.I. 2020/315.

- (b) all, or substantially all, of the company's profits from long-term property investments are distributed on an annual basis, and
- (c) the company is not liable to tax on its profits under the law of any territory in which it is resident so far as the profits derive directly or indirectly from long-term property investments.

(2C) In sub-paragraph (2B) a reference to the company, its income and profits includes a reference to companies that would form a group with the company as principal company, but for section 170(4).”.

4. In paragraph 6 (disposals by non-UK residents)—

- (a) at the end of sub-paragraph (1)(b), omit the full stop and insert—
“, and
(c) the person is not an overseas life insurance company or an offshore collective investment vehicle, in either case meeting the relevant description in sub-paragraph (1A) and the person holds an investment of less than 10% in a UK property rich collective investment vehicle.”,
- (b) after sub-paragraph (1) insert—
“(1A) For the purposes of sub-paragraph (1)(c)—
(a) an overseas life insurance company is an insurance company which is not resident in the United Kingdom and carries on life assurance business otherwise than through a permanent establishment in the United Kingdom,
(b) an offshore collective investment vehicle is a collective investment vehicle which meets the non-UK real estate condition set out in paragraph 7(4) and either—
(i) the genuine diversity of ownership condition set out in paragraph 7(5), or
(ii) the non-close condition set out in paragraph 7(6),
(c) a person holds an investment of less than 10% in a UK property rich collective investment vehicle if, applying the rule in paragraph 9 (but without regard to paragraph 10) of Schedule 1A as if the references to 25% were references to 10%, that person would not be regarded as having a 10% investment in that collective investment vehicle immediately before the disposal.”, and
- (c) in sub-paragraph (6)(b), omit the comma after “the vehicle”.

5. In paragraph 7(2) (disposals by non-UK residents)—

- (a) after “paragraph 6(3)(a) or (5)” omit “or (6)”, and
- (b) after “paragraph 6(3)(b)” insert “or (6)”.

6. In paragraph 12(7) (exemption for qualifying offshore CIV that is UK property rich etc), after “sub-paragraph (3)(a)” insert “and (3)(c)”.

Saving for elections for exemption under paragraph 12(3)

7. If an election under paragraph 12(3) of Schedule 5AAA has been made in respect of a company before [*date these Regulations come into force*], the election shall not cease to have effect because the company is a collective investment vehicle solely as a result of the amendments made by regulation 3.

date

name
name
Two of the Lords Commissioners of Her Majesty's Treasury

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations amend Schedule 5AAA to the Taxation of Chargeable Gains Act 1992 (c. 12). Schedule 5AAA (the Schedule) concerns the capital gains tax treatment of disposals of interests in UK land by non-UK residents and contains provisions relating to UK property rich collective investment vehicles (CIVs) and their investors.

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