
STATUTORY INSTRUMENTS

2007 No. XXXX

CORPORATION TAX

**The Real Estate Investment Trusts (Joint Venture Groups)
Regulations 2007**

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

The Treasury make the following Regulations in exercise of the powers conferred by sections 138 and 144 of the Finance Act 2006(a).

PART 1

Introduction

Citation, commencement and effect

1.—(1) These Regulations may be cited as the Real Estate Investment Trusts (Joint Venture Groups) Regulations 2007 and shall come into force on [date].

(2) These Regulations shall have effect in relation to accounting periods beginning on or after 1st January 2007.

Interpretation

2.—(1) In these Regulations—

- (a) a reference to Part 4 of the Act is reference to Part 4 of the Finance Act 2006,
- (b) a reference to a section (without more) is a reference to that section of the Finance Act 2006, and
- (c) a reference to Schedule 17 is a reference to Schedule 17 to the Finance Act 2006.

(2) In these Regulations—

["joint venture" has the meaning it has for [GAAP] [IAS]];

"joint venture group" means—

- (a) a group of companies determined in accordance with section 134(2) to 134(5) carrying on a joint venture between a company to which Part 4 of the Act applies and another person, or
- (b) a group of companies determined in accordance with section 134(2) to 134(5) carrying on a joint venture in which a member of a group to which Part 4 of the Act applies has [an interest];

(a) 2006 c. 25; section 138 was amended by paragraph [12] of Schedule [] to the Finance Act 2007 (c.).

“joint venture group look through notice” means—

- (a) in the case of a company to which Part 4 of the Act applies, a notice given under regulation 3, and
- (b) in the case of a group to which Part 4 of the Act applies, a notice given under regulation 10;

“principal company” in relation to a joint venture group means the principal company referred to in section 132(2);

“venturing company” has the meaning given in regulation 3(1);

“venturing group” has the meaning given in regulation 10; and

other expressions defined for the purposes of Part 4 of the Act have the same meaning as they have there.

(3) In relation to a joint venture group—

- (a) “JVG (pre-entry)” means the group before these Regulations applied to the group,
- (b) “JVG (property rental business)” means the group while a notice under regulation 3 or regulation 10 applies to it in so far as it carries on property rental business which satisfies Conditions 1 to 3 of section 107 (as that section is modified by paragraph 6 of Schedule 17 but with references to the group in that paragraph treated as references to the joint venture group), and
- (c) “JVG (residual)” means the group in so far as it carries on business that is not property rental business.

(4) A reference to “equity holder” in relation to a member of a joint venture group means a person who—

- (a) holds ordinary shares in the member, or
- (b) is a loan creditor of the member in respect of a loan which is not a normal commercial loan,

and any references in these Regulations to profits or assets available for distribution to equity holders in a member of a joint venture group does not include a reference to any profits or assets available for distribution to an equity holder other than as an equity holder.

(5) A reference to UK business of a joint venture group is a reference to—

- (a) the property rental business of the UK resident members of the group, and
- (b) the property rental business in the United Kingdom of other members.

(6) A reference to a UK resident company is a reference to a company which—

- (a) is resident in the United Kingdom, and
- (b) is not resident in another place in accordance with the law of that place relating to taxation.

PART 2

Joint Venture Groups: Single Company Real Estate Investment Trusts

Notice

3.—(1) A company to which Part 4 of the Act applies may give notice (a “joint venture group look through notice”) for these Regulations to apply if the conditions in regulation 4(1) are satisfied.

The company which gives the notice is referred to in these Regulations as the venturing company.

(2) The notice must specify the accounting period of the venturing company from the beginning of which, and the principal company of the joint venture group to which [group], these Regulations apply.

(3) The notice must be given in writing to the Commissioners for Her Majesty's Revenue and Customs before the beginning of the specified accounting period.

(4) The notice must be accompanied by a statement by the venturing company that conditions 3 and 6 in regulation 4(1) are reasonably expected to be satisfied throughout the specified accounting period and in each subsequent accounting period.

(5) The notice must be signed by the company secretary or a director of the principal company of the joint venture group to which these Regulations are to apply.

(6) A venturing company may give a joint venture group look through notice at the same time it gives notice under section 109 (notice to enter the Real Estate Investment Trust regime) or at any time when Part 4 of the Act applies to it.

Conditions for giving notice

4.—(1) The conditions are as follows.

Condition 1

The venturing company is carrying on a joint venture with another person.

Condition 2

The joint venture [is conducted through a] [takes the form of a] joint venture group.

Condition 3

At least one member of the joint venture group is carrying on a property rental business as defined in section 104.

Condition 4

The venturing company is beneficially entitled to 40% or more of the profits available for distribution to equity holders in the principal company of the joint venture group.

Condition 5

The venturing company is beneficially entitled to 40% or more of the assets of the principal company of the joint venture group available to equity holders in the event of a winding up.

Condition 6

The property rental businesses carried on by members of the joint venture group do not involve property that would fall, in accordance with generally accepted accounting practice, to be described as owner-occupied.

(2) For the purposes of conditions 3 and 6 owner-occupied property includes property held by a member of the joint venture group and occupied by the venturing company.

(3) [For the purposes of these Regulations the property rental businesses [as defined in section 104] of the members of the joint venture group shall be treated as a single business.]

Duration and effect of notice

5.—(1) On giving notice in accordance with regulation 3 these Regulations shall apply to the venturing company and the members of the joint venture group and shall continue to apply unless and until the venturing company ceases to satisfy conditions 4 or 5 in regulation 4(1) or Part 4 of the Act ceases to apply to the venturing company for any reason.

This paragraph is subject to paragraph (2).

(2) Regulation 19 (anti-avoidance) shall not cease to apply if the circumstances are such that paragraph (1) otherwise disapplies these Regulations.

(3) In order for a notice under regulation 3 to have effect in relation to a venturing company in respect of an accounting period of the venturing company regulation 16 (joint venture groups: conditions for balance of business) must be satisfied by the joint venture group in relation to that accounting period.

Financial statements: venturing company

6.—(1) A venturing company shall prepare financial statements, in accordance with the Real Estate Investment Trusts (Financial Statements of Group Real Estate Investment Trusts) Regulations 2006(a) for each of its accounting periods in respect of a joint venture group in respect of which it has given a notice under regulation 3.

(2) Paragraph 31 of Schedule 17 shall apply to the financial statements required under paragraph (1) as if—

- (a) the reference in sub-paragraph (2) to the principal company were treated as a reference to the venturing company,
- (b) references in sub-paragraph (2) to G (property rental business) were references to the sum of C (tax exempt) and JVG (property rental business),
- (c) the reference in sub-paragraph (2) to G (residual) were a reference to the sum of C (residual) and JVG (residual),
- (d) references to a member of a group were references to the venturing company or members of the joint venture group, and
- (e) for sub-paragraphs (5) and (6) there were substituted—

“(5) The financial statements for JVG (property rental business) and JVG (residual) shall exclude that percentage of income, expenses, gains, losses, assets and liabilities of any principal company of any joint venture group or groups equalling the percentage of beneficial interest in the principal company of the joint venture group that is not held by the venturing company.

(6) For this purpose, the percentage of the beneficial interest shall be determined by reference to beneficial entitlement to profits available for distribution to equity holders.”.

Requirements for venturing companies

7.—(1) A venturing company must include the proportion of the profits of JVG (property rental business) to which it is beneficially entitled within the amount of the profits of its property rental business for the purposes of determining whether Condition 3 in section 107(8) is satisfied.

(2) A venturing company must include the proportion of the profits of JVG (property rental business) to which it is beneficially entitled within the amount of profits arising from tax-exempt business for the purposes of determining whether the venturing company has satisfied Condition 1 in section 108(2).

(3) A venturing company must include the percentage of the value of the assets of JVG (residual) to which it is beneficially entitled within the valuation of the assets involved in tax-exempt business for the purposes of calculating whether the venturing company has satisfied Condition 2 in section 108(3).

(4) For the purposes of this regulation—

- (a) the amount of profits of JVG (property rental business) is the amount shown in the financial statement prepared by the principal company of the joint venture group in accordance with paragraph 31[(2)(b)] of Schedule 17 as applied by regulation 17,
- (b) the value of the assets of JVG (residual) is the amount shown in the financial statement prepared by the principal company of the joint venture group in accordance with paragraph 31[(2)(c)] of Schedule 17 as applied by regulation 17, and
- (c) the venturing company’s proportion of the profits of JVG (property rental business) or percentage of the value of the assets of JVG (residual) shall be determined by reference to the venturing company’s beneficial entitlement to profits of the principal company of the joint venture group available for distribution to equity holders.

(5) Section 115 and the regulations made under it shall apply as if for subsection (2) there were substituted—

(a) S.I. 2006/2865, amended by S.I. 2007/****

“(2) That sum is—

$$\frac{\text{Profits + Financing Costs (JVG)}}{\text{Financing Costs (external)}}$$

where—

- (a) Profits means the aggregate of—
 - (i) the profits of the tax-exempt business of the venturing company before the offset of capital allowances, and
 - (ii) the financing costs of the venturing company’s property rental business as claimed for tax purposes;
- (b) Financing Costs (JVG) means the aggregate of—
 - (i) the venturing company’s proportion of the profits of JVG (property rental business) of the joint venture group before the offset of capital allowances, and
 - (ii) the venturing company’s proportion of the financing costs of JVG (property rental business) of the joint venture group;
- (c) Financing Cost (external) means the sum of the financing costs of C (tax-exempt) and the venturing company’s proportion of the financing costs of the UK business of the joint venture group but disregarding in both cases financing costs owed by the venturing company to any member of the joint venture group and vice versa; and
- (d) the venturing company’s proportion of the financing costs of the UK business of the joint venture group shall be determined using the same proportion as is the proportion of the profits of the principal company of the joint venture group available for distribution to equity holders to which the venturing company is beneficially entitled.”.

Tax charges and exemptions: single company real estate investment trusts

8.—(1) This regulation specifies charges to, and exemptions from, tax which apply in the case of a venturing company and the members of a joint venture group to which these Regulations apply.

(2) Section 111 (effects of entry) as modified by paragraph 9 of Schedule 17 shall apply in relation to a member of a joint venture group with the following modifications—

- (a) references in paragraph 9 of Schedule 17 to G (pre-entry) shall be treated as a reference to JVG (pre-entry),
- (b) references in paragraph 9 of Schedule 17 to G (property rental business) shall be treated as a reference to JVG (property rental business), and
- (c) section 111(1) to 111(4) shall be treated as applying to the assets and business of the member only to the extent of the percentage of the beneficial interest which the venturing company has in the member.

(3) Section 112 (entry charge) as modified by paragraph 11 of Schedule 17 shall apply in relation to a member of a joint venture group with the following further modifications—

- (a) a reference to a company to which Part 4 of the Act applies shall be treated as a reference to a member of the joint venture group to which these Regulations apply,
- (b) a reference to G (residual) shall be treated as a reference to JVG (residual), and
- (c) the reference in subsection 3(a) to the aggregate market value of assets shall be treated as a reference to the percentage of the beneficial interest which the venturing company has in the aggregate market value of the assets of the property rental business of the member.

(4) Section 117 (cancellation of tax advantage) as modified by paragraph 15 of Schedule 17 shall apply to the members of a joint venture group as it applies to members of a group to which Part 4 of the Act applies.

(5) Section 119(1) (profits exemption from corporation tax) as modified by paragraph 17 of Schedule 17 and section 120 (calculation of profits) shall apply in relation to a member of a joint venture group with the following modifications—

- (a) references to G (property rental business) shall be read as a reference to JVG (property rental business),
- (b) references to G (residual) shall be read as a reference to JVG (residual), and
- (c) the reference in section 119(1) to profits arising from the business of C (tax exempt) shall be treated as a reference to the percentage of the beneficial interest the venturing company has in the profits of the member's property rental business.

(6) Section 124(1) and (2) (gains exempt from corporation tax) as modified by paragraph 21 of Schedule 17 shall apply in relation to a member of a joint venture group to the extent of the percentage of the beneficial interest which the venturing company has in the member with the following modifications—

- (a) references to G (property rental business) shall be read as references to JVG (property rental business),
- (b) references to G (residual) shall be read as references to JVG (residual), and
- (c) [the reference in paragraph 21(2) of Schedule 17 to paragraph 31(5) shall be read as a reference to that paragraph as substituted by regulation 17(2)(f).]

(7) Section 125 (movement of assets out of ring-fence) and section 126 (movement of assets into ring-fence) as modified by paragraphs 21 and 22 of Schedule 17 shall apply in relation to a member of the joint venture group to the extent of the percentage of the beneficial interest which the venturing company has in the member as they apply to a member of Group to which Part 4 of the Act applies with the following modification—

- (a) [the reference in paragraph 21(2) of Schedule 17 to paragraph 31(5) shall be read as a reference to that paragraph as substituted by regulation 17(2)(f).]

(8) Section 131 (effects of cessation) as modified by paragraph 25 of Schedule 17 shall apply in relation to a member of a joint venture group with the following modifications—

- (a) references in paragraph 25 of Schedule 17 to G (property rental business) shall be treated as a reference to JVG (property rental business),
- (b) the reference in paragraph 25 of Schedule 17 to G (residual) shall be treated as a reference to JVG (residual), and
- (c) section 131(1) to 131(4) shall be treated as applying to the assets and business of the member only to the extent of the percentage of the beneficial interest which the venturing company has in the member.

(9) For the purposes of this regulation the percentage of the beneficial interest which a venturing company has in a member or the assets or profits of a member [is the percentage of the profits of the member of joint venture group available for distribution to equity holders to which the venturing company is beneficially entitled.] [is the same as the percentage of the ordinary shares of the member of the joint venture group held [directly or indirectly] by the venturing company.]

(10) This regulation is subject to regulation 18.

Non-resident members of joint venture group: single company real estate investment trusts

9.—(1) This regulation applies to a venturing company and a non-UK resident member of a joint venture group to which these Regulations apply.

(2) Paragraph 32 of Schedule 17 shall apply with the following modifications—

- (a) in sub-paragraph (1) the reference to a member of a group to which Part 4 of the Act applies shall be read as a reference to a member of the joint venture group to which these Regulations apply,
- (b) references to the company shall be read as references to the member of the joint venture group to which these Regulations apply, and

(c) in sub-paragraph (7)—

- (i) the reference to a “UK resident member of a group to which Part 4 of the Act applies” shall be read as a reference to the venturing company to which these Regulations apply, and
- (ii) the reference to a “non-UK resident member of the group” shall be read as a reference to a non-UK resident member of a joint venture group to which these Regulations apply.

(3) Section 112 as modified by paragraph 11 of Schedule 17 shall apply to the non-UK resident member of the joint venture group as if the reference in paragraph 11(1)(d) of Schedule 17 to a “non-UK resident member” was read as a reference to a non-UK resident member of a joint venture group to which these Regulations apply.

PART 3

Joint Venture Groups: Group Real Estate Investment Trusts

Notice

10.—(1) A group of companies to which Part 4 of the Act applies may give notice (a “joint venture group look through notice”) for these Regulations to apply if the conditions in regulation 13(1) are satisfied.

The group which gives the notice is referred to in these Regulations as the venturing group.

(2) The notice must specify the accounting period of the principal company of the venturing group from the beginning of which, and the principal company of the joint venture group to which [group], these Regulations apply.

(3) The notice must be given in writing by the principal company of the venturing group to the Commissioners for Her Majesty’s Revenue and Customs before the beginning of the specified accounting period.

(4) The notice must be accompanied by a statement by the principal company of the venturing group that conditions 3 and 6 in regulation 11(1) are reasonably expected to be satisfied throughout the specified accounting period and in each subsequent accounting period.

(5) The notice must be signed by the company secretary or a director of the principal company of the joint venture group to which these Regulations are to apply.

(6) The principal company of the venturing group may give a joint venture group look through notice at the same time it gives notice under section 109 (as modified by paragraph 8 of Schedule 17) (notice to enter the Real Estate Investment Trust regime) or any later time when Part 4 of the Act applies to it.

Conditions

11.—(1) The conditions are as follows.

Condition 1

The venturing group is carrying on a joint venture with another company or person.

Condition 2

The joint venture [is conducted through a] [takes the form of a] joint venture group.

Condition 3

At least one member of the joint venture group is carrying on property rental business as defined in section 104.

Condition 4

One or more members of the venturing group are beneficially entitled to 40% or more of the profits available for distribution to equity holders in the principal company of the joint venture group.

Condition 5

One or more members of the venturing group are beneficially entitled to 40% or more of the assets of the principal company of the joint venture group available to equity holders in the event of a winding up.

Condition 6

The property rental businesses carried on by members of the joint venture group do not involve property that would fall, in accordance with generally accepted accounting practice, to be described as owner-occupied.

(2) For the purposes of conditions 3 and 6 owner-occupied property includes property held by a member of the joint venture group and occupied by a member of the venturing group.

(3) [For the purposes of these Regulations the property rental businesses of the venturing group and the joint venture group shall be treated as a single business.]

Duration and effect of notice

12.—(1) On giving notice in accordance with regulation 10 these Regulations shall apply to the venturing group and the members of the joint venture group and shall continue to apply unless and until the venturing group ceases to satisfy condition 4 or 5 in regulation 10(1) or Part 4 of the Act ceases to apply to the venturing group for any reason.

This paragraph is subject to paragraph (2).

(2) Regulation 19 (anti-avoidance) shall not cease to apply if the circumstances are such that paragraph (1) otherwise disapplies these Regulations.

(3) In order for a notice under regulation 10 to have effect in relation to a venturing group in respect of an accounting period of the principal company of the venturing group regulation 16 (joint venture group: conditions for balance of business) must be satisfied by the joint venture group in relation to that accounting period.

Financial statements: venturing group

13.—(1) The principal company of a venturing group shall include the information referred to in paragraph (2) in the financial statements submitted in accordance with the provisions of paragraphs 5(2) and 31 of Schedule 17.

In the application of those provisions for the purposes of this paragraph—

- (a) references to each member are to be read as references to each member of a joint venture group in respect of which a joint venture group look through notice has been given, and
- (b) references to a non-member are references to a person or body which is neither a member of the venturing group nor a member of a joint venture group in respect of which a joint venture group look through notice has been given.

(2) The information is the percentage of income, expenses, gains, losses, assets and liabilities of the member of the joint venture group which represents interests of a member of the venturing group in that member of the joint venture group.

For this purpose the percentage shall be the same as the percentage of the member of the joint venture group's profits available for distribution to equity holders to which the member of the venturing group is beneficially entitled.

Tax charges and exemptions: group real estate investment trusts

14.—Regulation 8 shall apply in the case of a venturing group and the members of a joint venture group to which these Regulations apply as it does in the case of a venturing company and the members of a joint venture group but with references in that regulation to a venturing company read as references to [the joint venture group].

Non-resident members of joint venture group: group real estate investment trusts

15.—(1) This regulation applies to a venturing group and a non-UK resident member of a joint venture group to which these Regulations apply.

(2) Paragraph 32 of Schedule 17 shall apply with the following modifications—

- (a) in sub-paragraph (1) the reference to a member of a group to which Part 4 of the Act applies shall be read as a reference to a member of the joint venture group to which these Regulations apply,
- (b) references to the company shall be read as references to the member of the joint venture group to which these Regulations apply, and
- (c) in sub-paragraph (7) the reference to a “UK resident member of a group to which Part 4 of the Act applies” shall be read as a reference to a UK resident member of a venturing group to which these Regulations apply.

(3) Section 112 as modified by paragraph 11 of Schedule 17 shall apply to the non-UK resident member of the joint venture group as if the reference in paragraph 11(1)(d) of Schedule 17 to a “non-UK resident member” was read as a reference to a non-UK resident member of a joint venture group to which these Regulations apply.

PART 4

Joint Venture Group Provisions and Anti-Avoidance

Joint venture group: conditions for balance of business

16.—(1) This regulation applies where a joint venture group look through notice has been given in respect of a joint venture group.

(2) On the first day of accounting period specified in the joint venture group look through notice and on the first day of each subsequent accounting period the joint venture group taken as a whole and in aggregate must satisfy Conditions 1 and 2 in section 108 (conditions for balance of business) as that section is applied by paragraph 7 of Schedule 17.

(3) For the purposes of this regulation—

- (a) references in section 108 to tax-exempt business shall be read as references to the UK business of the joint venture group,
- (b) references in section 108 to the company shall be read as references to the joint venture group,
- (c) references in paragraph 7 of Schedule 17 to G (property rental business) shall be read as references to JVG (property rental business),
- (d) references in paragraph 7 of Schedule 17 to G (residual) shall be read as references to JVG (residual), and
- (e) owner-occupied property includes property held by a member of the joint venture group and occupied by—
 - (i) the venturing company, or
 - (ii) a member of the venturing group.

Joint venture group: financial statements

17.—(1) Where a joint venture group look through notice has been given in respect of a joint venture group the principal company that group shall prepare financial statements for each of its accounting periods in respect of the joint venture group.

(2) Paragraph 31 of Schedule 17 shall apply to the financial statements required under paragraph (1) as if —

- (a) the reference in sub-paragraph (2) to the principal company were a reference to the principal company of the joint venture group,
- (b) references in sub-paragraph (2) to G (property rental business) were references to JVG (property rental business),
- (c) the reference in sub-paragraph (2) to G (residual) were a reference to JVG (residual),
- (d) the reference to UK business in sub-paragraph (2) were a reference to UK business of the joint venture group,
- (e) references to a member of a group were references to members of the joint venture group, and
- (f) for sub-paragraphs (5) and (6) there were substituted—

“(5) The financial statements for JVG (property rental business) and JVG (residual) shall exclude that percentage of income, expenses, gains, losses, assets and liabilities of any member of the joint venture group equalling the percentage of beneficial interest in that member not held by the principal company of the joint venture group.

(6) For this purpose, the percentage of beneficial interest shall be determined by reference to the beneficial entitlement of the principal company of the joint venture group to profits available for distribution to it as equity holder in that member.”.

Joint venture group: further entry charges

18.—(1) Where a venturing company to which Part 2 of these Regulations applies—

- (a) becomes the principal company of a group to which Part 4 of the Act applies, and
- (b) gives a new joint venture group look through notice under regulation 10 (in this regulation referred to as a “new notice”) in respect that group and a member of a joint venture group to which Part 2 of these Regulations previously applied, and
- (c) the venturing company’s [ordinary] shareholding in that member of the joint venture group remains the same

the provisions of paragraph (2) apply.

(2) Sections 111, 112, and 131 shall not operate to impose a charge to corporation tax under section 112(1)—

- (a) if the member is UK resident, in respect of the assets involved in its property rental business, and
- (b) if the member is non-UK resident, in respect of the assets involved in its UK property rental business.

(3) Where a venturing company to which Part 2 of these Regulations applies—

- (a) becomes the principal company of a group to which Part 4 of the Act applies, and
- (b) gives a new notice in respect of that group and a member of a joint venture group to which Part 2 of these Regulations previously applied, and
- (c) the venturing company’s [ordinary] shareholding in the member [had] increased in the period between the date on which the venturing company first gave a joint venture group look through notice under regulation 3 (the “first notice”) and the date on which the new notice was given

the provisions of paragraph (4) apply.

(4) The notional income calculated under sections 111 and 112 (as modified by paragraphs 9 to 11 of Schedule 17 and further modified by regulation 14), shall be reduced by the amount of the notional income that was calculated as arising under sections 111 and 112 (as modified by regulation 8)—

- (a) if the member is UK resident, in respect of the assets involved in its property rental business at the time the first notice was given, and
- (b) if the member is non-UK resident, in respect of the assets involved in its UK property rental business at the time the first notice was given.

(5) Where a venturing company to which Part 2 of these Regulations applies—

- (a) becomes the principal company of a group to which Part 4 of the Act applies, and
- (b) gives new notice in respect of that group and a member of a joint venture group to which Part 2 of these Regulations previously applied, and
- (c) increases its [ordinary] shareholding in the member to 75% or more, and
- (d) gives a notice under section 109 (as modified by paragraph 8 of Schedule 17) making the member and the venturing company members of a group to which Part 4 of the Act applies,

sections 111 and 112 (as modified by paragraphs 9 to 11 of Schedule 17) shall continue to apply with the modifications set out in paragraph (6).

(6) The notional income shall be reduced by the amount of notional income that was calculated as arising under sections 111 and 112 (as modified by regulation 8)—

- (a) if the member is UK resident, in respect of the assets involved in its property rental business at the time the first notice was given, and
- (b) if the member is non-UK resident, in respect of the assets involved in its UK property rental business at the time the first notice was given.

(7) Where a member of a venturing group to which Part 3 of these Regulations applies—

- (a) increases its shareholding to 75% or more in a member of a joint venture group to which Part 3 of these Regulations applies, and
- (b) the member becomes a member of the group to which Part 4 of the Act applies

sections 111 and 112 (as modified by paragraphs 9 to 11 of Schedule 17) shall continue to apply with the modifications set out in paragraph (8).

(8) The notional income shall be reduced by the amount of notional income that was calculated as arising under sections 111 and 112 (as modified by regulation 14)—

- (a) if the member is UK resident, in respect of the assets involved in its property rental business at the time the principal company of the venturing group first gave notice under regulation 10 in respect of the member, and
- (b) if the member is non-UK resident, in respect of the assets involved in its UK property rental business at the time the principal company of the venturing group first gave notice under regulation 10 in respect of the member.

Anti-avoidance

19.—(1) Where a joint venture group look through notice has been given applying these Regulations to a member of a joint venture group and —

- (a) these Regulations (other than this regulation) cease to apply in accordance with regulation 5(1) or 12(1), and
- (b) the notice had applied these Regulations to the member for a continuous period immediately before these Regulations (other than this regulation) ceased to have effect of less than ten years

the provisions of paragraph (2) shall apply.

(2) Sections 132(2) and (3) as modified by paragraph 27 of Schedule 17 shall apply as if—

- (a) the reference in paragraph 27(a) to a member of the group were read as a reference to the member of the joint venture group,
- (b) the reference in paragraph 27(b) to G (property rental business) were read as a reference to JVG (property rental business),
- (c) the reference in section 132(2) to section 111(2), section 131(3) and section 125(2) were a reference to those sections as applied by these Regulations, and
- (d) in section 132(3)(b) the date of cessation is the date on which these Regulations (other than this regulation) ceased to apply.

(3) Where a [UK resident] member of a joint venture group in respect of which a joint venture group look through notice has been given ceases to be a member of that group, and

- (a) the notice applied these Regulations to the member for a continuous period of less than ten years, or
- (b) the member had been a member of the joint venture group for a continuous period of less than ten years

the provisions of paragraph (4) shall apply.

(4) Sections 132(2) and (3) as modified by paragraph 28(2) of Schedule 17 shall apply as if—

- (a) the reference in paragraph 28(2)(a) to G (property rental business) were read as a reference to JVG (property rental business),
- (b) the reference in paragraph 28(2)(b) to a member of the group were read as a reference to a member of the joint venture group,
- (c) the reference in section 132(2) to a company were a reference to the member of the joint venture group, and
- (d) the reference in section 132(2) to section 111(2), section 131(3) and section 125(2) were a reference to those sections as applied by these Regulations.

Name
Name

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

EXPLANATORY NOTE

(This note is not part of the Order)