

**Bill 6: Real Estate Investment Trusts (“UK REITs”)**

**Summary**

1. This paper presents draft clauses which rewrite sections 103 to 145 of, and Schedules 16 and 17 to, FA 2006.
2. These clauses provide that where the members of a group UK REIT or a company UK REIT meet certain conditions there is no charge to corporation tax (or income tax in the case of certain non-UK companies) on profits or gains arising in respect of “property rental business” (or “UK property rental business” in the case of non-UK companies).
3. The paper contains:
  - the draft clauses, with origins;
  - draft explanatory notes; and
  - draft notes outlining eight proposed changes in the law.
4. Despite the fact that the provisions are recent, the opportunity presented by the rewrite has been used to propose some significant departures from the approach taken in the source legislation in the interests of those who use them.
5. First, as the majority (if not all) UK REITs operate as groups of companies, the rewritten legislation focuses on a group UK REIT rather than a company UK REIT.
6. Second, paragraph 32 of Schedule 17 to FA 2006 (which deals with non-UK companies) has been incorporated into the rewritten legislation. As a consequence of this it will no longer be necessary to cross refer to modified legislation.
7. Third, certain regulations which modify the primary legislation through layers of cross references have been included, in particular the regulations dealing with joint venture companies (SI 2006/2866) and breach of conditions (SI 2006/2864 and SI 2007/3540).
8. Fourth, we have reorganised the legislation in a number of respects. The exemptions from tax in Chapter 3 are now more prominent. The breach of conditions legislation (which incorporates SI 2006/2864 and SI 2007/3540) has been placed in Chapter 8, before the Chapter on leaving the UK REIT regime. The rewritten joint venture legislation (which currently incorporates SI 2006/2866 but in due course will also include SI 2007/3425) has been placed towards the end of the Part (Chapter 10). Finally a number of definitions are at the end of the Part (Chapter 11).
9. We would also draw attention to two other features of the clauses.

10. The clauses include references to provisions in ICTA, even though we know that those references will in due course change. This has been done to make it easier for consultees to review the clauses.

11. The clauses do however refer to the relevant draft clauses in Bill 5 which rewrite the references to Schedule A.

*Questions for the committee*

12. We would be grateful for any comments you may have on these draft clauses. In particular we would welcome comments on the changes in approach we have proposed.

13. Of the proposed changes, two replicate changes made for income tax purposes. They have already been consulted on and scrutinised by the Joint Committee as the Income Tax Bill was being considered by Parliament. If there are nonetheless any comments on these proposed changes we should be grateful to have them.

14. The other six changes are new and we would be particularly grateful for comments on these.

*Closing date for comments*

15. We would welcome any comments by 23 July 2008. If possible, they should be sent by e-mail to:

[jackie.bartlett@hmrc.gsi.gov.uk](mailto:jackie.bartlett@hmrc.gsi.gov.uk)

Written comments should be sent to:

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16. Please note that the names of respondents may be published unless they ask for their comments to be treated in confidence.

25 April 2008