



Corporation Tax Act 2010

2010 CHAPTER 4

PART 12

REAL ESTATE INVESTMENT TRUSTS

CHAPTER 8

BREACH OF CONDITIONS IN CHAPTER 2

561 Notice of breach of relevant Chapter 2 condition

- (1) The principal company of a group UK REIT must notify an officer of Revenue and Customs as soon as reasonably practicable if a relevant Chapter 2 condition ceases to be met in relation to the principal company or (as the case may be) the group.
 - (2) A company UK REIT must notify an officer of Revenue and Customs as soon as is reasonably practicable if a relevant Chapter 2 condition ceases to be met in relation to the company.
 - (3) Each of the following is a “relevant Chapter 2 condition”—
conditions C and D in section 528 (conditions for company),
[^{F1}the condition in section 528A (further condition relating to shares),]
[^{F2}the property rental business condition],
the condition in section 530 (distribution of profits), and
conditions A and B in section 531 (balance of business).
- [^{F3}(3A) For the purposes of this section, and sections 563 and 575, the “property rental business condition” is met if either conditions A and B or condition C in section 529 (property rental business) are met.]
- (4) A notification under subsection (1) or (2) must include—
 - (a) the date on which the condition first ceased to be met and the date (if any) on which it was met again,

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- (b) a description of the breach, and
- (c) details of the steps (if any) taken by the company to prevent a recurrence of the breach.

[^{F4}(5) The following subsections apply in relation to condition D in section 528.

- (6) In accordance with section 527(6) and (7), a notification does not have to be given under subsection (1) or (2) if condition D ceases to be met during the first 3-year period.
- (7) If condition D is not met at the start of the first day after the end of the first 3-year period, for the purposes of subsections (1) to (4) condition D is treated as having ceased to be met at the start of that day.
- (8) In subsections (6) and (7) “the first 3-year period” has the meaning given by section 527(8).]

Textual Amendments

F1 Words in s. 561(3) inserted (with effect in accordance with Sch. 4 para. 21 of the amending Act) by [Finance Act 2012 \(c. 14\)](#), [Sch. 4 para. 17](#)

F2 Words in s. 561(3) substituted (11.7.2023) by [Finance \(No. 2\) Act 2023 \(c. 30\)](#), [Sch. 4 para. 3\(3\)\(a\)](#)

F3 S. 561(3A) inserted (11.7.2023) by [Finance \(No. 2\) Act 2023 \(c. 30\)](#), [Sch. 4 para. 3\(3\)\(b\)](#)

F4 S. 561(5)-(8) inserted (with effect in accordance with Sch. 4 para. 13(2) of the amending Act) by [Finance Act 2012 \(c. 14\)](#), [Sch. 4 para. 7](#)

562 Breach of [^{F5}condition C] in section 528 (conditions for company)

- (1) This section makes provision about cases relating to breaches of condition C [^{F6}in section 528] in relation to—
 - (a) the principal company of a group UK REIT, or
 - (b) a company UK REIT.
- (2) If [^{F7}condition C is] not met—
 - (a) as a result of the principal company of a group UK REIT becoming a member of another group UK REIT, or
 - (b) as a result of a company UK REIT becoming a member of a group UK REIT, the [^{F8}breach is] to be ignored.
- ^{F9}(3)
- ^{F9}(4)
- (5) If—
 - (a) [^{F10}condition C] is not met in relation to an accounting period, and
 - (b) the case is not one within subsection (2) ^{F11}...,
 the group or company (as the case may be) is to be treated as having ceased to be a UK REIT at the end of the previous accounting period.

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Textual Amendments

- F5** Words in s. 562 heading substituted (with effect in accordance with Sch. 4 para. 13(2) of the amending Act) by [Finance Act 2012 \(c. 14\)](#), [Sch. 4 para. 8\(2\)](#)
- F6** Words in s. 562(1) substituted (with effect in accordance with Sch. 4 para. 13(2) of the amending Act) by [Finance Act 2012 \(c. 14\)](#), [Sch. 4 para. 8\(3\)](#)
- F7** Words in s. 562(2) substituted (with effect in accordance with Sch. 4 para. 13(2) of the amending Act) by [Finance Act 2012 \(c. 14\)](#), [Sch. 4 para. 8\(4\)\(a\)](#)
- F8** Words in s. 562(2) substituted (with effect in accordance with Sch. 4 para. 13(2) of the amending Act) by [Finance Act 2012 \(c. 14\)](#), [Sch. 4 para. 8\(4\)\(b\)](#)
- F9** S. 562(3)(4) omitted (with effect in accordance with Sch. 4 para. 13(2) of the amending Act) by virtue of [Finance Act 2012 \(c. 14\)](#), [Sch. 4 para. 8\(5\)](#)
- F10** Words in s. 562(5)(a) substituted (with effect in accordance with Sch. 4 para. 13(2) of the amending Act) by [Finance Act 2012 \(c. 14\)](#), [Sch. 4 para. 8\(6\)\(a\)](#)
- F11** Words in s. 562(5)(b) omitted (with effect in accordance with Sch. 4 para. 13(2) of the amending Act) by virtue of [Finance Act 2012 \(c. 14\)](#), [Sch. 4 para. 8\(6\)\(b\)](#)

[^{F12}562A] **Breach of condition D in section 528 (conditions for company)**

- (1) This section makes provision about cases relating to breaches of condition D in section 528 in relation to—
 - (a) the principal company of a group UK REIT, or
 - (b) a company UK REIT.
- (2) In accordance with section 527(6) and (7), a breach of condition D during the first 3-year period is to be ignored.
- (3) If condition D is not met at the start of the first day after the end of the first 3-year period, the group or company (as the case may be) is to be treated as having ceased to be a UK REIT at the end of the first 3-year period.
- (4) If condition D is not met at any time after the start of the day mentioned in subsection (3), the group or company (as the case may be) is to be treated as having ceased to be a UK REIT at—
 - (a) the end of the accounting period preceding the accounting period in which the breach began, or
 - (b) if later, the end of the first 3-year period.
- (5) Neither subsection (3) nor subsection (4) applies if condition D is not met as a result of—
 - (a) the principal company of a group UK REIT becoming a member of another group UK REIT, or
 - (b) a company UK REIT becoming a member of a group UK REIT,and, accordingly, the breach is to be ignored.
- (6) Subsection (4) does not apply if—
 - (a) condition D is not met as a result of anything done (or not done) by a person other than the company in question, and
 - (b) the company remedies the breach not later than the end of the accounting period after that in which the breach began,and, accordingly, the breach is to be ignored.

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- (7) But if, in a case within subsection (6), the breach of condition D is not remedied by the time mentioned in that subsection, the group or company (as the case may be) is treated as having ceased to be a UK REIT at the end of the accounting period in which the breach began.
- (8) In this section “the first 3-year period” has the meaning given by section 527(8).]

Textual Amendments

F12 S. 562A inserted (with effect in accordance with Sch. 4 para. 13(2) of the amending Act) by [Finance Act 2012 \(c. 14\)](#), [Sch. 4 para. 9](#)

[^{F13}562B Breach of further condition relating to shares

- (1) Subsection (2) applies if the condition in section 528A (further condition relating to shares) is not met in relation to an accounting period.
- (2) The group or company (as the case may be) is to be treated as having ceased to be a UK REIT at the end of the previous accounting period.
- (3) But subsection (2) does not apply if the condition is not met as a result of—
- (a) the principal company of a group UK REIT becoming a member of another group UK REIT, or
 - (b) a company UK REIT becoming a member of a group UK REIT,
- and, accordingly, the breach is to be ignored.
- (4) This section is subject to section 562C.]

Textual Amendments

F13 Ss. 562B 562C inserted (with effect in accordance with Sch. 4 para. 21 of the amending Act) by [Finance Act 2012 \(c. 14\)](#), [Sch. 4 para. 18](#)

[^{F13}562C Breach of further condition relating to shares in accounting periods 1, 2 and 3

- (1) Subsection (2) applies if the condition in section 528A, as relaxed by section 528B, is not met in relation to accounting period 1, accounting period 2 and accounting period 3.
- (2) The group or company (as the case may be) is to be treated as having ceased to be a UK REIT at the end of accounting period 2.
- (3) But subsection (2) does not apply if the condition, as relaxed, is not met as a result of—
- (a) the principal company of a group UK REIT becoming a member of another group UK REIT, or
 - (b) a company UK REIT becoming a member of a group UK REIT,
- and, accordingly, the breach is to be ignored.
- (4) In this section “accounting period 2” and “accounting period 3” have the same meaning as in section 528B.]

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Textual Amendments

F13 Ss. 562B 562C inserted (with effect in accordance with Sch. 4 para. 21 of the amending Act) by [Finance Act 2012 \(c. 14\)](#), [Sch. 4 para. 18](#)

563 Breach of [^{F14}property rental business condition]

- (1) Subsection (2) applies if [^{F15}the property rental business condition (see section 561(3A))] is not met in the case of a UK REIT throughout an accounting period of—
- (a) in the case of a group UK REIT, the principal company of the group, and
 - (b) in the case of a company UK REIT, the company.
- (2) The breach is to be ignored.

Textual Amendments

F14 Words in s. 563 heading substituted (11.7.2023) by [Finance \(No. 2\) Act 2023 \(c. 30\)](#), [Sch. 4 para. 3\(4\)\(a\)](#)

F15 Words in s. 563(1) substituted (11.7.2023) by [Finance \(No. 2\) Act 2023 \(c. 30\)](#), [Sch. 4 para. 3\(4\)\(b\)](#)

564 Breach of condition as to distribution of profits

- (1) Subsection (2) applies if the condition in section 530 (distribution of profits) is not met in relation to an accounting period.
- (2) The breach is to be ignored; but the amount given by section 565 (“the section 565 amount”) is charged to corporation tax under the charge to corporation tax on income.
- (3) The section 565 amount is to be treated as profits of residual business—
- (a) of the principal company of the group UK REIT, or
 - (b) of the company UK REIT,
- as the case may be.

[^{F16}(4) Accordingly, it is charged to corporation tax at the main rate of corporation tax.]

^{F17}(4)

^{F18}(5)

^{F18}(6)

^{F18}(7)

^{F18}(8)

(9) No loss, deficit, expense or allowance may be set off against the section 565 amount.

[^{F19}(10) In this section and section 565, “ distribution ” is to be read in accordance with section 530(6A) and (6B).]

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Textual Amendments

- F16** S. 564(4) inserted (with effect in accordance with Sch. 1 para. 34 of the amending Act) by [Finance Act 2021 \(c. 26\)](#), [Sch. 1 para. 26](#)
- F17** S. 564(4) omitted (with effect in accordance with Sch. 1 para. 22 of the amending Act) by virtue of [Finance Act 2014 \(c. 26\)](#), [Sch. 1 para. 14\(7\)](#)
- F18** S. 564(5)-(8) omitted (with effect in accordance with Sch. 4 para. 26(2) of the amending Act) by virtue of [Finance Act 2012 \(c. 14\)](#), [Sch. 4 para. 24](#)
- F19** S. 564(10) inserted (with effect in accordance with Sch. 4 para. 12 of the amending Act) by [Finance \(No. 3\) Act 2010 \(c. 33\)](#), [Sch. 4 para. 9\(3\)](#)

565 “The section 565 amount”

- (1) For the purposes of section 564 “the section 565 amount” is found by subtracting D from P.
- (2) In the case of a group UK REIT—
 P is 90% of the group's UK profits (as defined by section 530(2)) arising in the accounting period, and
 D is the gross amount of those profits distributed in respect of the period [^{F20}within] —
 (a) the [^{F21}deadline set by] section 530(1), or
 (b) any later [^{F22}deadline set] by an officer of Revenue and Customs.
- (3) In the case of a company UK REIT—
 P is 90% of the company's profits from property rental business arising in the accounting period, and
 D is the gross amount of those profits distributed in respect of the accounting period [^{F23}within] —
 (a) the [^{F24}deadline set by] section 530(4), or
 (b) any later [^{F25}deadline set] by an officer of Revenue of Customs.
- [^{F26}(4) The definition of “D” in subsections (2) and (3) needs to be read with section 530A (so far as applicable).]

Textual Amendments

- F20** Word in s. 565(2) substituted (with effect in accordance with Sch. 4 para. 26(2) of the amending Act) by [Finance Act 2012 \(c. 14\)](#), [Sch. 4 para. 25\(2\)\(a\)](#)
- F21** Words in s. 565(2) substituted (with effect in accordance with Sch. 4 para. 26(2) of the amending Act) by [Finance Act 2012 \(c. 14\)](#), [Sch. 4 para. 25\(2\)\(b\)](#)
- F22** Words in s. 565(2) substituted (with effect in accordance with Sch. 4 para. 26(2) of the amending Act) by [Finance Act 2012 \(c. 14\)](#), [Sch. 4 para. 25\(2\)\(c\)](#)
- F23** Word in s. 565(3) substituted (with effect in accordance with Sch. 4 para. 26(2) of the amending Act) by [Finance Act 2012 \(c. 14\)](#), [Sch. 4 para. 25\(2\)\(a\)](#)
- F24** Words in s. 565(3) substituted (with effect in accordance with Sch. 4 para. 26(2) of the amending Act) by [Finance Act 2012 \(c. 14\)](#), [Sch. 4 para. 25\(2\)\(b\)](#)
- F25** Words in s. 565(3) substituted (with effect in accordance with Sch. 4 para. 26(2) of the amending Act) by [Finance Act 2012 \(c. 14\)](#), [Sch. 4 para. 25\(2\)\(c\)](#)

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F26 S. 565(4) inserted (with effect in accordance with Sch. 4 para. 26(2) of the amending Act) by [Finance Act 2012 \(c. 14\)](#), [Sch. 4 para. 25\(3\)](#)

566 Breach of condition B in section 531 in accounting period 1

(1) Subsection (2) applies if condition B in section 531 (balance of business: assets involved in property rental business)—

- (a) is not met in relation to accounting period 1, but
- (b) is met at the beginning of the next accounting period.

(2) The breach is to be ignored; ^{F27} ...

^{F28}(3)

^{F28}(4)

^{F28}(5)

^{F28}(6)

Textual Amendments

F27 Words in s. 566(2) omitted (with effect in accordance with Sch. 4 para. 32(2) of the amending Act) by virtue of [Finance Act 2012 \(c. 14\)](#), [Sch. 4 para. 29\(2\)](#)

F28 S. 566(3)-(6) omitted (with effect in accordance with Sch. 4 para. 32(2) of the amending Act) by virtue of [Finance Act 2012 \(c. 14\)](#), [Sch. 4 para. 29\(3\)](#)

^{F29}567 Meaning of “the notional amount”

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Textual Amendments

F29 S. 567 omitted (with effect in accordance with Sch. 4 para. 32(2) of the amending Act) by virtue of [Finance Act 2012 \(c. 14\)](#), [Sch. 4 para. 30](#)

568 Breach of balance of business conditions after accounting period 1

(1) If—

- (a) condition A in section 531 (balance of business: profits) is not met in relation to an accounting period other than accounting period 1, but
- (b) the profits of property rental business of the UK REIT in question are at least 50% of its aggregate profits for the period,

the breach is to be ignored.

(2) If—

- (a) condition B in section 531 (balance of business: assets) is not met in relation to an accounting period other than accounting period 1, but
- (b) the [^{F30}sum of the values mentioned in section 531(5)(a) and (b)] is at least 50% of the total value of assets held by the UK REIT,

the breach is to be ignored.

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(3) Subsections (1) and (2) are to be read in accordance with section 531.

Textual Amendments

F30 Words in s. 568(2)(b) substituted (with effect in accordance with Sch. 4 para. 32(1) of the amending Act) by [Finance Act 2012 \(c. 14\)](#), [Sch. 4 para. 31](#)

569 Chapter subject to section 572

This Chapter is subject to section 572 (under which an officer of Revenue and Customs may terminate the UK REIT status of a group or company in certain circumstances).

Changes to legislation:

There are currently no known outstanding effects for the Corporation Tax Act 2010, Chapter 8.