



Corporation Tax Act 2010

2010 CHAPTER 4

PART 12

REAL ESTATE INVESTMENT TRUSTS

CHAPTER 5

ASSETS ETC

Profits: financing-cost ratio

543 Profit: financing-cost ratio

- (1) This section applies to a UK REIT if the result of the calculation in subsection (2) is less than 1.25 for an accounting period [^{F1}(unless it is nil or a negative amount)] .
- (2) The calculation is—

$$\frac{PP}{PFC}$$

where—

PP is the UK REIT's property profits for the accounting period (see section 544(1)), and

PFC is the UK REIT's property financing costs for the accounting period (see section 544(3)).

[^{F2}(3) The excess is charged to corporation tax in relation to the accounting period under the charge to corporation tax on income.

- (3A) “The excess” means—
- (a) the amount equal to—
- (i) PFC, minus

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Changes to legislation: There are currently no known outstanding effects for the Corporation Tax Act 2010, Section 543. (See end of Document for details)

- (ii) the property financing costs which would cause the calculation in subsection (2) to equal 1.25 for the accounting period, or
- (b) if less, the amount equal to 20% of PP.]
- (4) The excess is treated as profits of residual business—
 - (a) in the case of a group UK REIT, of the principal company of the group, and
 - (b) in the case of a company UK REIT, of the company.
- (5) Accordingly it is charged to corporation tax at the rate mentioned in section 534(3) (rate at which profits of residual business are charged).
- (6) No loss, deficit, expense or allowance may be set off against the excess.
- (7) The Commissioners for Her Majesty's Revenue and Customs may waive a charge to corporation tax under this section in respect of an accounting period if they think that—
 - (a) the company was in severe financial difficulties at a time in the accounting period,
 - (b) the result of the calculation in subsection (2) is less than 1.25 in respect of the accounting period because of circumstances that arose unexpectedly, and
 - (c) in those circumstances the company could not reasonably have taken action to avoid the result being less than 1.25.
- (8) The Treasury may make regulations which specify criteria to be applied by the Commissioners in determining whether to waive a charge under subsection (7).

Textual Amendments

- F1** Words in s. 543(1) inserted (with effect in accordance with Sch. 4 para. 42 of the amending Act) by [Finance Act 2012 \(c. 14\)](#), **Sch. 4 para. 40(2)**
- F2** S. 543(3)(3A) substituted for s. 543(3) (with effect in accordance with Sch. 4 para. 42 of the amending Act) by [Finance Act 2012 \(c. 14\)](#), **Sch. 4 para. 40(3)**

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