



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.

(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)).

(3) The amount (“the excess”) given by subtracting—

(a) the property financing costs which would cause the calculation in subsection (2) to equal 1.25 for the accounting period, from

(b) the UK REIT's actual property financing costs for the period,

is charged to corporation tax in relation to the period under the charge to corporation tax on income.

Status: This is the original version (as it was originally enacted).

- (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).