

FINANCE ACT 2013

EXPLANATORY NOTES

INTRODUCTION

Section 39, Schedule 19: Real Estate Investment Trusts: UK Reits Which Invest in Other UK Reits

Summary

1. **Section 39** and Schedule 19 allows the income from UK real estate investment trusts (REITs) investing in other UK REITs to be treated as income of the investing REIT's tax exempt property rental business. The property income distribution (PID) that a UK REIT receives from another UK REIT in which it invests will be tax exempt. For the purpose of the balance of business test, the investment by a REIT in another REIT will be included as an asset of the investing REIT's property rental business. The investing REIT must distribute 100 per cent of the PID it receives from investing in another REIT to its investors.