
Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 2023, Part 2. (See end of Document for details)

SCHEDULES

SCHEDULE 4

INVESTMENT VEHICLES

PART 2

REAL ESTATE INVESTMENT TRUSTS

Amendment of CTA 2010

- 2 CTA 2010 is amended in accordance with [paragraphs 3 to 5](#).

REITs involving single commercial property

- 3 (1) In section 527 (being a UK REIT in relation to an accounting period)—
- (a) in subsection (2)(b), after “met” insert “or in relation to which condition C is met”;
 - (b) in subsection (3)(b) after “met” insert “or in relation to which condition C is met”.
- (2) In section 529 (conditions as to property rental business)—
- (a) after subsection (2) insert—
 - “(2A) Condition C is that the property rental business involves at least 1 property—
 - (a) the value of which is equal to, or exceeds, £20 million at the relevant time, and
 - (b) which is designed, fitted or equipped for the purpose of being rented, and is rented or available for rent, as a commercial unit.
 - (2B) For the purposes of subsection (2A) the “relevant time” means—
 - (a) where the group or company is a UK REIT and its property rental business previously met conditions A and B, the first day on which at least one of those conditions ceased to be met, or
 - (b) otherwise, entry.”;
 - (b) in subsection (3), for “and B” substitute “to C”;
 - (c) in subsection (4), in the words before paragraph (a), for “and B” substitute “to C”.
- (3) In section 561—
- (a) in subsection (3) for “conditions A and B in section 529 (property rental business)” substitute “the property rental business condition”;

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- (b) after that subsection insert—
 - “(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) In section 563 (breach of conditions as to property rental business)—
 - (a) in the heading, for “conditions as to property rental business” substitute “property rental business condition”;
 - (b) in subsection (1), for “condition A or B in section 529 (property rental business)” substitute “the property rental business condition (see section 561(3A))”.
- (5) In section 575 (breach of conditions as to property rental business)—
 - (a) in subsection (1), for “condition A or B in section 529 (property rental business)” substitute “the property rental business condition (see section 561(3A))”;
 - (b) in subsection (2)—
 - (i) omit the “or” after paragraph (a);
 - (ii) at the end of paragraph (b) insert “, or
 - (c) more than twice in relation to Condition C in that section.”;
 - (c) in subsection (4), in Rule 2, for “condition A or B in section 529” substitute “the property rental business condition”.

3-year development rule

- 4 (1) Section 556 (disposal of assets) is amended as follows.
- (2) In subsection (3), in paragraph (b)—
 - (a) omit “fair”, and
 - (b) omit the words from “(determined)” to the end.
- (3) After that subsection insert—
 - “(3ZA) For the purposes of subsection (3)(b) the value of a property is to be treated as its fair value (determined in accordance with international accounting standards) at whichever of the following times that value is the greatest—
 - (a) on entry;
 - (b) when the property was acquired;
 - (c) the beginning of the accounting period in which the development commenced.”
- (4) In subsection (3A), in paragraph (b)—
 - (a) omit “fair”, and
 - (b) omit the words from “(determined)” to the end.
- (5) After that subsection insert—
 - “(3AA) For the purposes of subsection (3A)(b) the value of a property is to be treated as its fair value (determined in accordance with international accounting standards) at whichever of the following times that value is the greatest—
 - (a) on entry;

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- (b) when the property was acquired;
- (c) the beginning of the accounting period in which the development commenced.”

(6) The amendments made by this paragraph have effect in relation to disposals of assets made on or after 1 April 2023.

Genuine diversity of ownership

5 (1) Section 528ZB of CTA 2010 is amended as follows.

(2) In subsection (2)—

- (a) in the words before paragraph (a), for “it meets” substitute “the scheme meets or, if the scheme is part of multi-vehicle arrangements, the arrangements meet”;
- (b) omit the words after paragraph (b).

(3) After that subsection insert—

“(2A) For the purposes of subsection (2), those Regulations have effect as if references to a fund included—

- (a) multi-vehicle arrangements, and
- (b) a collective investment scheme which is not an offshore fund.”

(4) In subsection (3), for “the vehicle” substitute “the scheme”.

(5) In subsection (4), for “vehicle”, in both places it occurs, substitute “scheme”.

(6) After subsection (5) insert—

“(6) Where the collective investment scheme is part of multi-vehicle arrangements, subsections (3) to (5) apply as if references to “the scheme” included the multi-vehicle arrangements.

(7) In this section “multi-vehicle arrangements” means arrangements comprising two or more schemes under which an investor in one of those schemes would reasonably regard that investment as an investment in the arrangements as a whole rather than exclusively in any particular scheme.”

Amendment of the Real Estate Investment Trusts (Assessment and Recovery of Tax) Regulations 2006

6 (1) The Real Estate Investment Trusts (Assessment and Recovery of Tax) Regulations 2006 ([S.I. 2006/2867](#)) are amended as follows.

(2) After regulation 7 insert—

Partial gross payment of distributions to partnerships

“7A(1) This regulation applies to the payment of a relevant distribution by a company if—

- (a) the company reasonably believes that the recipient is a partnership whose partners include a person or body—
 - (i) to which paragraph (2) or (3) of regulation 7 applies, or

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- (ii) to which paragraph (4) of that regulation applies where the partner’s share of the partnership profits are to be applied for the purposes of the fund, scheme, account or plan in respect of which that partner has duties,
 - (b) the company has a reasonable belief as to the share of partnership profits that each partner is entitled to,
 - (c) the company reasonably believes that arrangements exist that will result in each partner’s share of the partnership profits reflecting whether or not tax was deducted in relation to that partner (as a result of regulation 3(2) and this regulation), and
 - (d) the company elects to make the payment in accordance with paragraph (2) (by making it in accordance with that paragraph).
- (2) The relevant proportion of the relevant distribution is to be paid without deduction of income tax.
- (3) The relevant proportion is equal to the sum of the shares of the partnership profits (expressed as proportions) to which each partner who falls within paragraph (1)(a)(i) or (ii) is entitled.
- (4) But—
- (a) paragraph (2) is subject to the qualification in paragraph (7) of regulation 7, and
 - (b) if the company’s belief as to any of the matters referred to in paragraph (1) is incorrect, these Regulations apply to the payment as if it were never one to which this regulation applied.
- (5) Upon discovering that a payment that was made in accordance with paragraph (2) should not have been made in accordance with that paragraph (as a result of paragraph (4) or otherwise), the company who made it must deliver an amended return in accordance with regulation 11.
- (6) Where this paragraph applies to the payment of a relevant distribution, the company making it must (in addition to its duty under regulation 6(1)) furnish the partnership with a statement in writing in respect of each partner that is not a partner who falls within paragraph (1)(a)(i) or (ii) showing the amount of tax deducted in relation to each such partner.
- (7) The duty imposed by paragraph (6) is enforceable at the suit or instance of the partnership.”
- (3) In regulation 3(2) (deduction of tax), after “regulation 7” insert “or 7A”.

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