
EXPLANATORY NOTE

(This note is not part of the Order)

These Regulations provide the details as to how the Real Estate Investments Trusts regime (“the UK-REIT regime”) which was introduced by Part 4 of the Finance Act 2006 (c.25) (“the Act”) shall apply to joint ventures. Joint ventures (which are not group REITs) may elect for the UK-REIT regime to apply in accordance with these Regulations.

Regulation 1 provides for citation, commencement and interpretation.

Regulation 2 to 8 cover the situation where a single company which is a member of the UK-REIT regime carries on a joint venture with another person.

Regulation 2 provides for details of the notice to be given by the single company (“the venturing company”) who is carrying on a joint venture with another person or company and wishes for the UK-REIT regime to apply to that joint venture (“the joint venture company”).

Regulation 3 sets out the conditions that must be met by the venturing company and the joint venture company to join the UK-REIT regime.

Regulation 4 sets out the length of time that the Regulations will apply.

Regulation 5 provides for the financial statements that the venturing company must prepare in respect of the joint venture company. Paragraph 31 of Schedule 17 of the Act (which provides details of the financial statements that must be prepared by Group Real Estate Investment Trusts) will apply with the modifications set out in the regulation.

Regulation 6 sets out certain requirements with which the venturing company must comply. The venturing company must include the proportion of profits of the joint venture company to which it is beneficially entitled within the amount of profits of its property rental business and tax-exempt business for the purposes of determining whether conditions set out in section 107(8) and 108(2) are met. The venturing company must also include the percentage of assets in the joint venture company to which it is beneficially entitled within the valuation that must be made to see if the venturing company meets balance of business condition 2 set out in section 108(3). Regulation 6(4) provides that section 115 of the Act (which sets out the profit: financing-cost ratio) and the regulations made under it shall apply with the modifications set out.

Regulation 7 provides for the modification of certain tax charges and exemptions in respect of the venturing company and the joint venture company.

Regulation 8 provides for the modification of paragraph 32 of Schedule 17 (modifications to the UK-REIT regime for non-UK resident companies which are members of a group to which Part 4 of the Act applies) in respect of non-resident joint venture companies and single company UK-REITs.

Regulations 9 to 15 deal with groups to which Part 4 of the Act applies (“venturing groups”) who carry out joint ventures with another company or person.

Regulation 9 sets out details of the notice that must be given by the principal company of the venturing group.

Regulation 10 sets out the conditions that must be met by the venturing group and joint venture company.

Regulation 11 sets out the length of time that the Regulations will apply for.

Status: This is the original version (as it was originally made). This item of legislation is currently only available in its original format.

Regulation 12 provides for the financial statements that the principal company of the venturing company must prepare in respect of the joint venture company. Paragraphs 5(2) and 31 of Schedule 17 of the Act will apply with the modifications set out in the regulation.

Regulation 13 provides for the application and modification of certain tax charges and exemptions in respect of the group venturing company and the joint venture company.

Regulation 14 deals with the situation where—

- (a) a single company UK-REIT to which these Regulations apply joins a group REIT, or makes a fresh election under section 109 as modified by paragraph 8 of Schedule 17 to be a group REIT;
- (b) a joint venturing company to which these Regulations apply becomes a member of a group REIT.

The regulation prevents the entry charge legislation (section 112) operating to impose a double tax charge.

Regulation 15 provides for the modification of paragraph 32 of Schedule 17 and section 112 (entry charges) in respect of non-resident joint venture companies and venturing groups.

A regulatory impact assessment for the introduction of the UK-REIT regime was published in March 2006 and can be found at www.hmrc.gov.uk/ria.