
STATUTORY INSTRUMENTS

2007 No. 3425

**The Real Estate Investment Trusts (Joint
Venture Groups) Regulations 2007**

PART 2

Joint Venture Groups: Single Company Real Estate Investment Trusts

Notice

5.—(1) If the Conditions in regulation 6 are satisfied, a company to which Part 4 applies (“venturing company”) may give notice for these Regulations to apply.

(2) The notice (a “joint venture group look through notice”) must specify—

(a) the accounting period of the venturing company from the beginning of which these Regulations are to apply, and

(b) the principal company of the joint venture group to which these Regulations are to apply.

(3) The notice must be given in writing to the Commissioners for Her Majesty’s Revenue and Customs.

(4) The notice must be signed by the company secretary or a director of—

(a) the venturing company, and

(b) the principal company of the joint venture group to which these Regulations are to apply.

(5) A venturing company may give a joint venture group look through notice—

(a) at the same time as it gives notice under section 109 (notice to enter the Real Estate Investment Trust regime)(1), or

(b) at any time when Part 4 applies to it.

(6) The notice must be given before the beginning of the specified accounting period.

This paragraph is subject to paragraphs (7) to (9).

(7) A venturing company may give, within a period of 60 days beginning with the day on which these Regulations come into force, a joint venture group look through notice in respect of an accounting period that began on or after 1st January 2007 but before the date on which these Regulations come into force.

Conditions for giving notice

6. The Conditions referred to in regulation 5(1) are as follows.

Condition 1

The venturing company is carrying on a joint venture with another person.

Condition 2

(1) Section 109 was amended by paragraph 5 of Schedule 17 to the Finance Act 2007.

The joint venture takes the form of a joint venture group.

Condition 3

At least one member of the joint venture group is carrying on a property rental business as defined in section 104 and as construed in accordance with regulation 4(4).

Condition 4

The venturing company is beneficially entitled to 40% or more of the profits available for distribution to equity holders in the principal company of the joint venture group.

Condition 5

The venturing company is beneficially entitled to 40% or more of the assets of the principal company of the joint venture group available to equity holders in the event of a winding up.

Duration and effect of notice

7.—(1) On giving notice in accordance with regulation 5 these Regulations shall apply to the venturing company and shall continue to apply unless and until—

- (a) the venturing company ceases to satisfy Condition 4 or 5 in regulation 6, or
- (b) Part 4 ceases to apply to the venturing company for any reason.

(2) On giving notice in accordance with regulation 5 these Regulations shall apply to each company that is or becomes a member of the joint venture group and (other than regulation 16) shall continue to apply unless and until—

- (a) the venturing company ceases to satisfy Condition 4 or 5 in regulation 6,
- (b) Part 4 ceases to apply to the venturing company for any reason, or
- (c) the member ceases to be a member of the joint venture group.

(3) Regulation 16 (early exit) shall continue to apply whether or not the circumstances are such that these Regulations otherwise cease to apply in accordance with this regulation.

(4) A notice under regulation 5 has effect—

- (a) in relation to a venturing company, and
- (b) for an accounting period of the venturing company,

only if the Conditions referred to in regulation 8 are satisfied by the joint venture group in relation to that accounting period.

Joint venture group: conditions for balance of business

8.—(1) This regulation applies where a joint venture group look through notice has been given under regulation 5 in respect of a joint venture group.

(2) The joint venture group, taken as a whole, must satisfy Condition 1 in section 108 (conditions for balance of business)(2), as modified by paragraph 7 of Schedule 17—

- (a) in the accounting period specified in the joint venture group look through notice, and
- (b) in each subsequent accounting period.

(3) The joint venture group, taken as a whole, must satisfy Condition 2 in section 108 (conditions for balance of business), as modified by paragraph 7 of Schedule 17—

- (a) at the beginning of the accounting period specified in the joint venture group look through notice, and

(2) Section 108 was amended by paragraph 4 of Schedule 17 to the Finance Act 2007.

- (b) at the beginning of each subsequent accounting period.
- (4) For the purposes of this regulation—
 - (a) references in section 108 and in paragraph 7 of Schedule 17 to tax-exempt business shall be treated as references to the UK business of the joint venture group,
 - (b) references in section 108 to the company shall be treated as references to the joint venture group,
 - (c) references in paragraph 7 of Schedule 17 to G (property rental business) shall be treated as references to JVG (property rental business), and
 - (d) references in paragraph 7 of Schedule 17 to G (residual) shall be treated as references to JVG (residual).

Joint venture group: financial statements

9.—(1) If a joint venture group look through notice has been given under regulation 5 in respect of a joint venture group, the principal company of that group shall prepare financial statements for each of its accounting periods in respect of the joint venture group.

(2) Paragraph 31 of Schedule 17 shall apply to the financial statements required under paragraph (1) with the following modifications.

- (3) References in paragraph 31 shall be construed as follows—
 - (a) references to the principal company shall be treated as references to the principal company of the joint venture group,
 - (b) references in sub-paragraph (2) to G (property rental business) shall be treated as references to JVG (property rental business),
 - (c) the reference in sub-paragraph (2) to G (residual) shall be treated as a reference to JVG (residual),
 - (d) the reference in sub-paragraph (2) to UK business shall be treated as a reference to UK business of the joint venture group, and
 - (e) references to a member of a group shall be treated as references to a member of the joint venture group.
- (4) For sub-paragraphs (5) and (6) there shall be treated as substituted—

“(5) The financial statements for JVG (property rental business) and JVG (residual) shall exclude that percentage of income, expenses, gains, losses, assets and liabilities of any member of the joint venture group equalling the percentage of beneficial interest in that member not held by the members of the joint venture group.

(6) For this purpose, the percentage of beneficial interest shall be determined by reference to the beneficial entitlement of the members of the joint venture group to profits available for distribution to them as equity holders in the member.”.

Venturing company: conditions for tax-exempt business and balance of business

10.—(1) For the purposes of determining whether Condition 3 in section 107(8)(3) is satisfied, a venturing company must include the profits of the UK business of the joint venture group to which it is beneficially entitled within the amount of the profits of its property rental business.

(2) For the purposes of determining whether the venturing company has satisfied Condition 1 in section 108(2), a venturing company must include the profits of JVG (property rental business) to which it is beneficially entitled within the amount of profits arising from tax-exempt business.

(3) Section 107(8) was amended by paragraph 3(f) of Schedule 17 to the Finance Act 2007 (c. 11).

(3) For the purposes of determining whether the venturing company has satisfied Condition 1 in section 108(2), a venturing company must include the profits of JVG (residual) to which it is beneficially entitled within the amount of profits arising from non-tax-exempt business.

(4) For the purposes of calculating whether the venturing company has satisfied Condition 2 in section 108(3), a venturing company must include the value of the assets of JVG (property rental business) to which it is beneficially entitled within the valuation of the assets involved in tax-exempt business.

(5) For the purposes of calculating whether the venturing company has satisfied Condition 2 in section 108(3), a venturing company must include the value of the assets of JVG (residual) to which it is beneficially entitled within the valuation of the total value of assets held by the company.

(6) For the purposes of this regulation—

- (a) the amount of the profits and the value of the assets of JVG (property rental business) is the amount shown in the financial statement for JVG (property rental business),
- (b) the amount of the profits and the value of the assets of JVG (residual) is the amount shown in the financial statement for JVG (residual), and
- (c) the profits or value of the assets of JVG (property rental business) or JVG (residual) to which the venturing company is beneficially entitled shall be determined by reference to the venturing company's beneficial entitlement to profits of the principal company of the joint venture group available for distribution to equity holders.

In this paragraph the references to financial statements means the financial statements prepared by the principal company of the joint venture group in accordance with paragraph 31(2) of Schedule 17 as applied by regulation 9.

Venturing company: financial statements

11.—(1) Where a joint venture group look through notice has been given under regulation 5, a venturing company shall prepare financial statements, in accordance with the Real Estate Investment Trusts (Financial Statements of Group Real Estate Investment Trusts) Regulations 2006(4), for each of its accounting periods in respect of the joint venture group in respect of which it has given a notice.

(2) Paragraph 31 of Schedule 17 shall apply to the financial statements required under paragraph (1) with the following modifications.

(3) References in paragraph 31 shall be construed as follows—

- (a) references to the principal company shall be treated as references to the venturing company,
- (b) references in sub-paragraph (2) to G (property rental business) shall be treated as references to the sum of C (tax exempt) and JVG (property rental business),
- (c) the reference in sub-paragraph (2) to G (residual) shall be treated as a reference to the sum of C (residual) and JVG (residual),
- (d) references to a member of a group shall be treated as references both to the venturing company and to each member of the joint venture group, and
- (e) for sub-paragraphs (5) and (6) there shall be treated as substituted—

“(5) The financial statements for JVG (property rental business) and JVG (residual) shall exclude that percentage of the income, expenses, gains, losses, assets and liabilities of each member of the joint venture group equalling the percentage of beneficial interest in the joint venture group that is not held by the venturing company.

(6) For this purpose, the percentage of the beneficial interest shall be determined by reference to beneficial entitlement to profits available for distribution to equity holders.”.

Venturing company: profit:financing-cost ratio

12. Section 115(5) and the regulations made under it shall apply to a venturing company to which these Regulations apply as if for subsection (2) there were substituted—

“(2) That sum is—

$$\frac{\text{Profits}}{\text{Financing Costs (external)}}$$

where—

- (a) Profits means the aggregate of—
 - (i) the profits of the tax-exempt business of the venturing company (before the offset of capital allowances, of losses from a previous accounting period and of amounts taken into account under section 120(3)), and
 - (ii) the proportion of the profits of the UK business of the joint venture group arising in the accounting period as set out in the financial statements under regulation 9 to which the venturing company is beneficially entitled (before the offset of capital allowances, of losses from a previous accounting period and of amounts taken into account under section 120(3));
- (b) Financing Costs (external) means the aggregate of the amount of the financing costs of the tax-exempt business of the venturing company and of the venturing company’s proportion of the amount of the financing costs of the UK business of the joint venture group but disregarding in both cases—
 - (i) financing costs owed by the venturing company to any member of the joint venture group and vice versa, and
 - (ii) financing costs owed by one member of JVG (property rental business) to another member as set out in the financial statements under regulation 9; and
- (c) the venturing company’s proportion of the amount of the financing costs of the UK business of the joint venture group, as set out in the financial statements under regulation 9, shall be determined using the same proportion as the proportion of the profits of the principal company of the joint venture group available for distribution to equity holders to which the venturing company is beneficially entitled.”.

Tax charges and exemptions: single company real estate investment trusts

13.—(1) This regulation specifies charges to, and exemptions from, tax which apply in the case of a venturing company and the members of a joint venture group to which these Regulations apply.

(2) Section 111 (effects of entry), as modified by paragraph 9 of Schedule 17, shall apply in relation to a member of a joint venture group with the following further modifications—

- (a) references in paragraph 9 of Schedule 17 to G (pre-entry) shall be treated as references to the joint venture group before these Regulations applied to the group,
- (b) references in paragraph 9 of Schedule 17 to G (property rental business) shall be treated as references to JVG (property rental business), and

(5) Section 115 was amended by paragraph 6 of Schedule 17 to the Finance Act 2007.

- (c) section 111(1) to (4) shall be treated as applying to the assets and business of the member only to the extent of the percentage of the beneficial interest which the venturing company has in the principal company of the joint venture group.
- (3) Section 112 (entry charge), as modified by paragraph 11 of Schedule 17, shall apply in relation to a member of a joint venture group with the following further modifications—
- (a) a reference to each member of a group to which Part 4 applies shall be treated as a reference to each member of the joint venture group to which these Regulations apply,
 - (b) references to G (residual) shall be treated as references to JVG (residual),
 - (c) the reference in subsection (3)(a) to the aggregate market value of assets shall be treated as a reference to the amount of the aggregate market value of the assets of the property rental business of the member to the extent of the percentage of the beneficial interest which the venturing company has in the principal company of the joint venture group, and
 - (d) the reference in paragraph 11(2) of Schedule 17 to a company which joins a group to which Part 4 applies shall be treated as a reference to a company which joins a joint venture group in respect of which a notice under regulation 5 has been given.
- (4) Section 117 (cancellation of tax advantage)(6), as modified by paragraph 15 of Schedule 17, shall apply to the members of a joint venture group as it applies to members of a group to which Part 4 applies.
- (5) Section 119(1) (profits exemption from corporation tax), as modified by paragraph 17 of Schedule 17, shall apply in relation to a UK resident member of a joint venture group with the following further modifications—
- (a) references to G (property rental business) shall be treated as references to JVG (property rental business),
 - (b) references to G (residual) shall be treated as references to JVG (residual),
 - (c) references to C (tax-exempt) shall be treated as references to the member if or in so far as it is a member of JVG (property rental business), and
 - (d) the reference in section 119(1) to profits arising from the business of C (tax-exempt) shall be treated as a reference to the profits arising from the member's property rental business to which the venturing company is beneficially entitled.
- (6) Section 120 (calculation of profits)(7) shall apply in relation to a member of a joint venture group.
- (7) Section 124(1) and (2) (gains exempt from corporation tax), as modified by paragraph 21 of Schedule 17, shall apply in relation to a member of a joint venture group to the extent of the percentage of the beneficial interest which the venturing company has in the principal company of the joint venture group with the following further modifications—
- (a) references to G (property rental business) shall be treated as references to JVG (property rental business),
 - (b) references to G (residual) shall be treated as references to JVG (residual), and
 - (c) the reference in paragraph 21(2) of Schedule 17 to paragraph 31(5) shall be treated as a reference to that paragraph as substituted by regulation 9(4).
- (8) Section 125 (movement of assets out of ring-fence) and section 126 (movement of assets into ring-fence), as modified by paragraphs 21 and 22 of Schedule 17, shall apply in relation to a UK resident member of the joint venture group to the extent of the percentage of the beneficial

(6) Section 117 of the Finance Act 2006 was amended by paragraph 8 of Schedule 17 to the Finance Act 2007.

(7) Section 120 of the Finance Act 2006 was amended by paragraph 9 of Schedule 17 to the Finance Act 2007.

interest which the venturing company has in the principal company of the joint venture group with the following further modifications—

- (a) references to G (property rental business) shall be treated as references to JVG (property rental business),
- (b) references to G (residual) shall be treated as references to JVG (residual), and
- (c) the reference in paragraph 21(2) of Schedule 17 to paragraph 31(5) shall be treated as a reference to that paragraph as substituted by regulation 9(4).

(9) Section 131 (effects of cessation), as modified by paragraph 25 of Schedule 17, shall apply in relation to a member of a joint venture group with the following further modifications—

- (a) references in paragraph 25 of Schedule 17 to G (property rental business) shall be treated as references to JVG (property rental business),
- (b) the reference in paragraph 25 of Schedule 17 to G (residual) shall be treated as a reference to JVG (residual)
- (c) the reference in paragraph 25 of Schedule 17 to G (post-cessation) shall be treated as a reference to the joint venture group after these Regulations (other than regulation 16 (early exit)) cease to apply to the group, and
- (d) section 131(1) to (4) shall be treated as applying to the assets and business of the member only to the extent of the percentage of the beneficial interest which the venturing company has in the principal company of the joint venture group.

(10) For the purposes of this regulation the percentage of the beneficial interest which a venturing company has in the principal company of the joint venture group is the percentage of the profits of the principal company available for distribution to equity holders to which the venturing company is beneficially entitled.

Changes in company shareholdings: entry charges

14.—(1) Paragraph (2) applies if a venturing company to which these Regulations apply—

- (a) becomes the principal company of a group to which Part 4 applies,
- (b) gives a joint venture group look through notice under regulation 17 in respect of that group and a joint venture group to which Part 2 of these Regulations applies, and
- (c) the venturing company’s shareholding in a member of the joint venture group remains the same.

(2) Sections 111 and 112 shall not operate to impose on the member of the joint venture group a charge to corporation tax under section 112(1)—

- (a) if the member is UK resident, in respect of the assets involved in its property rental business, and
- (b) if the member is non-UK resident, in respect of the assets involved in its property rental business in the United Kingdom.

(3) Paragraph (4) applies if a venturing company to which these Regulations apply—

- (a) becomes the principal company of a group to which Part 4 applies,
- (b) gives a joint venture group look through notice under regulation 17 in respect of that group and a joint venture group to which Part 2 of these Regulations applies, and
- (c) the venturing company’s shareholding in a member of the joint venture group increased in the period between the date on which the venturing company gave a joint venture group look through notice under regulation 5 in respect of the member (“the first notice”) and the date on which the notice under regulation 17 is given.

(4) The notional income calculated under section 112, as modified by paragraph 11 of Schedule 17, and as further modified by regulation 23, shall be reduced by the amount of the notional income that was calculated as arising under section 112, as modified by paragraph 11 of Schedule 17 and as further modified by regulation 13—

- (a) if the member is UK resident, in respect of the assets involved in its property rental business at the beginning of the accounting period specified in the first notice, and
- (b) if the member is non-UK resident, in respect of the assets involved in its property rental business in the United Kingdom at the beginning of the accounting period specified in the first notice.

(5) Paragraphs (6) and (7) apply if a venturing company to which these Regulations apply—

- (a) becomes the principal company of a group to which Part 4 applies,
- (b) increases its shareholding to 75% or more in a member of a joint venture group to which Part 2 of these Regulations applies, and
- (c) gives a notice under section 109 (as modified by paragraph 8 of Schedule 17) making the member and the venturing company members of a group to which Part 4 applies.

(6) Sections 111 and 112, as modified by paragraphs 9 to 11 of Schedule 17, shall continue to apply subject to paragraph (7).

(7) The notional income shall be reduced by the amount of notional income that was calculated as arising under section 112, as modified by paragraph 11 of Schedule 17 and as further modified by regulation 13—

- (a) if the member is UK resident, in respect of the assets involved in its property rental business at the beginning of the accounting period specified in the joint venture group look through notice given under regulation 5 in respect of the member, and
- (b) if the member is non-UK resident, in respect of the assets involved in its property rental business in the United Kingdom at the beginning of the accounting period specified in the joint venture group look through notice given under regulation 5 in respect of the member.

This is subject to paragraph (8).

(8) If the member joined the joint venture group after the end of the accounting period specified in the notice under regulation 5 applying these regulations to the joint venture group, paragraph (7) shall apply with references to the accounting period specified in the joint venture group look through notice treated as references to the date the member joined the joint venture group.

Non-resident members of joint venture group: single company real estate investment trusts

15.—(1) This regulation applies if a notice under regulation 5 has been given applying these Regulations to a joint venture group which includes a non-UK resident member.

(2) Paragraph 32 of Schedule 17 shall apply with the following modifications—

- (a) in sub-paragraph (1) the reference to a “non-UK resident company which is a member of a group to which Part 4 applies” shall be treated as a reference to a non-UK resident company which is a member of the joint venture group to which these Regulations apply,
- (b) in sub-paragraph (7)—
 - (i) the reference to a “UK resident member of a group to which Part 4 applies” shall be treated as a reference to the venturing company to which these Regulations apply, and
 - (ii) the reference to a “non-UK resident member of the group” shall be treated as a reference to a non-UK resident member of the joint venture group to which these Regulations apply, and

(c) in sub-paragraph (8) the reference to “UK resident member of the group” shall be treated as a reference to a UK resident member of the joint venture group.

(3) Section 112, as modified by paragraph 11 of Schedule 17, shall apply to the non-UK resident member of the joint venture group as if the reference in sub-paragraph (1)(d) of that paragraph to “non-UK resident members” were a reference to non-UK resident members of a joint venture group to which these Regulations apply.

Early exit

16.—(1) Paragraph (2) applies if a joint venture group look through notice has been given in accordance with regulation 5 applying these Regulations to a member of a joint venture group and—

- (a) these Regulations (other than this regulation) cease to apply in accordance with regulation 7, and
- (b) these Regulations had applied to the member for a continuous period, immediately before these Regulations (other than this regulation) ceased to have effect, of less than ten years.

(2) Section 132(2) and (3), as modified by paragraph 27 of Schedule 17, shall apply with the following further modifications—

- (a) the reference in paragraph 27(a) to a member of the group shall be treated as a reference to the member of the joint venture group,
- (b) the reference in paragraph 27(b) to G (property rental business) shall be treated as a reference to JVG (property rental business),
- (c) the references in section 132(2) to sections 111(2), 125(2) and 131(3) shall be treated as references to each of those sections as applied by these Regulations, and
- (d) in section 132(3)(b) the date of cessation shall be treated as the date on which these Regulations (other than this regulation) ceased to apply.

(3) Paragraph (4) applies if a UK resident member of a joint venture group in respect of which a joint venture group look through notice has been given in accordance with regulation 5 ceases to be a member of that group, and

- (a) the notice applied these Regulations to the member for a continuous period of less than ten years, or
- (b) the member had been a member of the joint venture group for a continuous period of less than ten years.

(4) Section 132(2) and (3), as modified by paragraph 28(2) of Schedule 17, shall apply with the following further modifications—

- (a) the reference in paragraph 28(2)(a) to G (property rental business) shall be treated as a reference to JVG (property rental business),
- (b) the reference in paragraph 28(2)(b) to a member of the group shall be treated as a reference to a member of the joint venture group,
- (c) the reference in section 132(2) to a company shall be treated as a reference to the member of the joint venture group, and
- (d) the references in section 132(2) to sections 111(2), 125(2) and 131(3) shall be treated as references to each of those sections as applied by these Regulations.