



Corporation Tax Act 2010

2010 CHAPTER 4

PART 12

REAL ESTATE INVESTMENT TRUSTS

CHAPTER 3

TAX TREATMENT OF PROFITS AND GAINS OF UK REITS

534 Profits

- (1) Profits of property rental business of a UK company which is, or is a member of, a UK REIT are not charged to corporation tax.
- (2) Profits of UK property rental business of a non-UK member of a group UK REIT are not charged to corporation tax.
- [^{F1}(3) Profits which—
 - (a) arise from the residual business of a UK company which is, or is a member of, a UK REIT, and
 - (b) are charged to corporation tax,are to be charged at a rate determined without reference to sections 18A and 18B (companies with small profits).]
- ^{F2}(3)
- (4) If a percentage of the profits of property rental business of a member of a group UK REIT is excluded from a financial statement in accordance with section 533(3), that percentage of those profits is to be treated for corporation tax purposes as profits of residual business of the member.
- (5) For the purposes of subsections (1) and (2) profits are to be calculated in accordance with section 599.

Changes to legislation: There are currently no known outstanding effects for the Corporation Tax Act 2010, Chapter 3. (See end of Document for details)

Textual Amendments

- F1** S. 534(3) inserted (with effect in accordance with Sch. 1 para. 34 of the amending Act) by [Finance Act 2021 \(c. 26\)](#), [Sch. 1 para. 22](#)
- F2** S. 534(3) omitted (with effect in accordance with Sch. 1 para. 22 of the amending Act) by virtue of [Finance Act 2014 \(c. 26\)](#), [Sch. 1 para. 14\(2\)](#)

Modifications etc. (not altering text)

- C1** S. 534(1)(2) excluded by 2010 c. 8, s. 452(4) (as inserted (with effect in accordance with Sch. 5 para. 25(1)-(3) of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 5 para. 1](#) (with [Sch. 5 paras. 27, 32-34](#)))

535 Gains

- (1) A gain on the disposal of an asset is not a chargeable gain if—
 - (a) the gain accrues to a company which is, or is a member of, a UK REIT, and
 - (b) condition A or B is met in relation to the asset.
- (2) Condition A is that the asset was used wholly and exclusively for the purposes of property rental business of the company.
- (3) Condition B is that the asset was used during one or more periods of (in total) less than a year—
 - (a) partly for the purposes of property rental business of the company, and
 - (b) partly for the purposes of residual business of the company,
 but was otherwise used as mentioned in subsection (2).
- (4) Subsection (5) applies if a gain accrues to a company which is, or is a member of, a UK REIT on the disposal of an asset which for one or more periods of (in total) at least a year has been used—
 - (a) partly for the purposes of property rental business of the company, and
 - (b) partly for the purposes of residual business of the company.
- (5) Such part of the gain as may reasonably be attributed to property rental business of the company, having regard to—
 - (a) the extent to which the asset was used for the different purposes, and
 - (b) the length of the periods during which it was used for those purposes,
 is not a chargeable gain.
- ^{F3}(6) Gains which—
 - (a) accrue to residual business of a company which is, or is a member of, a UK REIT, and
 - (b) are charged to corporation tax,
 are to be charged at a rate determined without reference to sections 18A and 18B (companies with small profits).]
- ^{F4}(6)
- (7) If a percentage of the gains of property rental business of a member of a group UK REIT is excluded from a financial statement in accordance with section 533(3), that

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percentage of those gains is to be treated for corporation tax purposes as gains of the member's residual business.

- (8) This section has effect in relation to a non-UK member of a group UK REIT as if references to property rental business of the member were to its UK property rental business.
- (9) This section is to be read as if it were contained in TCGA 1992.

Textual Amendments

- F3** S. 535(6) inserted (with effect in accordance with Sch. 1 para. 34 of the amending Act) by [Finance Act 2021 \(c. 26\)](#), [Sch. 1 para. 23](#)
- F4** S. 535(6) omitted (with effect in accordance with Sch. 1 para. 22 of the amending Act) by virtue of [Finance Act 2014 \(c. 26\)](#), [Sch. 1 para. 14\(3\)](#)

Modifications etc. (not altering text)

- C2** S. 535(1) excluded by 2010 c. 8, s. 452(4) (as inserted (with effect in accordance with Sch. 5 para. 25(1)-(3) of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 5 para. 1](#) (with [Sch. 5 paras. 27, 32-34](#)))
- C3** S. 535(5) excluded by 2010 c. 8, s. 452(4) (as inserted (with effect in accordance with Sch. 5 para. 25(1)-(3) of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 5 para. 1](#) (with [Sch. 5 paras. 27, 32-34](#)))

[^{F5}535A Gains: disposals of rights or interests in UK property rich companies

- (1) This section applies if—
- a company (“A”) which is, or is a member of, a UK REIT disposes of an asset, and
 - the asset consists of a right or an interest in a company (“B”) which is UK property rich.
- (2) The appropriate proportion of a gain accruing to A on the disposal is not a chargeable gain.
- (3) The asset disposed of is regarded for the purposes of section 550 as used for the purposes of A’s property rental business to an extent equal to the appropriate proportion.
- (4) In the case of a non-UK member of a group UK REIT, this section has effect as if any reference to property rental business of the member were to its UK property rental business.
- (5) In relation to a disposal of a right or interest in B—
- B is “UK property rich” for the purposes of this section if the disposal would be regarded for the purposes of Schedule 1A to TCGA 1992 as a disposal of an asset deriving at least 75% of its value from UK land, and
 - any reference in this section to “the appropriate proportion” is to the proportion that, at the beginning of the accounting period in which the disposal is made, the value of B’s relevant PRB assets bears to the total value of B’s assets.
- (6) For the purposes of subsection (5)(b)—

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- (a) “the value of B’s relevant PRB assets” means the value of B’s assets deriving (directly or indirectly) from assets used for the purposes of UK property rental business,
 - (b) B’s assets are to be valued in accordance with section 533(1)(d), and
 - (c) if the asset disposed of was acquired after the beginning of the accounting period, it is to be assumed that an accounting period began on the day on which the disposal is made.
- (7) Any reference in this section to the disposal of a right or interest in B includes the disposal of a right or interest in an offshore collective investment vehicle (a “relevant fund”)—
- (a) to which paragraph 8 of Schedule 5AAA to TCGA 1992 applies, but
 - (b) in relation to which an election under that paragraph has not been made.
- (8) In the case of a disposal which is, as a result of subsection (7), a disposal of a right or interest in B, the value of B’s relevant PRB assets for the purposes of subsection (5) (b) is taken to be—
- (a) the value of B’s assets that are used for the purposes of UK property rental business, plus
 - (b) the value of B’s assets deriving indirectly from assets held by a relevant fund that are used for the purposes of UK property rental business.
- (9) This section is to be read as if it were contained in TCGA 1992.
- (10) Apart from subsection (7) of section 535, nothing else in that section applies in relation to a disposal to which this section applies.
- (11) This section does not apply to a gain—
- (a) if sub-paragraph (3) of paragraph 3A of Schedule 7AC to TCGA 1992 applies in relation to the gain (no chargeable gain accruing on disposals of certain shares by qualifying institutional investors), or
 - (b) so far as sub-paragraph (4) of that paragraph applies to reduce the amount of the gain.

Textual Amendments

F5 Ss. 535A, 535B inserted (with effect in accordance with Sch. 1 paras. 120, 123 of the amending Act) by [Finance Act 2019 \(c. 1\)](#), [Sch. 1 para. 115](#)

535B Section 535A: use of pre-April 2019 residual business losses or deficits

- (1) In determining the amount of a gain accruing to a company which is not to be a chargeable gain as a result of section 535A, any pre-April 2019 residual business losses or deficits which—
- (a) have not been deducted from (or taken into account in calculating) other profits or gains (of any kind) of the company or any other person, and
 - (b) have not previously been deducted under this subsection,
- may be deducted from the gain.
- (2) For this purpose “pre-April 2019 residual business losses or deficits” means—
- (a) allowable losses accruing on disposals made before 6 April 2019, or

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- (b) deficits or other losses for accounting periods ending before that date, which would otherwise have been deducted from (or taken into account in calculating) profits or gains (of any kind) accruing to residual business of the company.
- (3) If an accounting period (a “straddling period”) begins before and ends on or after 6 April 2019—
- (a) so much of the straddling period as falls before that date, and so much of it as falls on or after that date, are to be treated as separate accounting periods, and
- (b) if it is necessary to apportion an amount for the straddling period to the two separate accounting periods, it is to be apportioned—
- (i) on a time basis according to the respective length of the separate accounting periods, or
- (ii) if that would produce a result that is unjust or unreasonable, on a just and reasonable basis.]
- [^{F6}(4) In determining, for the purposes of subsection (2)(a), the amount of allowable losses accruing on disposals made before 6 April 2019 which would otherwise have been deducted from gains accruing to residual business of the company, section 269ZBA (restriction on deductions) is to be ignored.]

Textual Amendments

- F5** Ss. 535A, 535B inserted (with effect in accordance with Sch. 1 paras. 120, 123 of the amending Act) by [Finance Act 2019 \(c. 1\)](#), [Sch. 1 para. 115](#)
- F6** S. 535B(4) inserted (with effect in relation to accounting periods beginning on or after 1.4.2020 of the amending Act) by [Finance Act 2020 \(c. 14\)](#), [Sch. 4 paras. 20, 42](#) (with [Sch. 4 paras. 43-46](#))

Changes to legislation:

There are currently no known outstanding effects for the Corporation Tax Act 2010, Chapter 3.