



Finance Act 2006

2006 CHAPTER 25

PART 4

REAL ESTATE INVESTMENT TRUSTS

Assets etc

118 Funds awaiting re-investment

- (1) This section applies where a company to which this Part applies—
 - (a) disposes of an asset used wholly and exclusively for the purposes of tax-exempt business, and
 - (b) holds the proceeds in cash.
- (2) Profits or losses arising from a loan relationship entered into in connection with the proceeds—
 - (a) shall be disregarded for the purposes of section 120, and
 - (b) shall be treated for all tax purposes as arising from a loan relationship entered into in connection with business of C (residual).
- (3) For the purposes of section 108—
 - (a) the proceeds shall, during the period of 24 months beginning with the date of the disposal, be treated for the purposes of Condition 2 as assets held in connection with the tax-exempt business, but
 - (b) any income derived from the proceeds is income from non-tax-exempt business.
- (4) For the purposes of this section proceeds are held in cash if—
 - (a) held on deposit (whether or not in sterling),
 - (b) invested in stocks or bonds of any of the descriptions included in Part 1 of Schedule 11 to FA 1942 (gilts), or

Status: This is the original version (as it was originally enacted).

- (c) held or invested in such other form as the Commissioners for Her Majesty's Revenue and Customs may specify for the purposes of this section in regulations.
- (5) In the case of the disposal of an asset which for one or more periods of at least a year has been used partly for the purposes of the business of C (tax-exempt) and partly for the purposes of C (residual), this section shall apply to such part of the proceeds as may reasonably be attributed to the tax-exempt business (having regard to the extent to which, and the length of the periods during which, the asset was used for the different purposes).