



# Corporation Tax Act 2010

## 2010 CHAPTER 4

### PART 12

#### REAL ESTATE INVESTMENT TRUSTS

### CHAPTER 9

#### LEAVING THE UK REIT REGIME

##### *Notice to leave regime*

#### **571 Termination by notice: group or company**

- (1) Subsection (2) applies if—
  - (a) the principal company of a group UK REIT, or
  - (b) a company UK REIT,gives a notice specifying a date at the end of which the group or company is to cease to be a UK REIT.
- (2) The group or company ceases to be a UK REIT at the end of that date.
- (3) A notice under subsection (1) must be given in writing to an officer of Revenue and Customs.
- (4) The date specified in a notice under subsection (1) must be after the date on which the officer receives the notice.

#### **572 Termination by notice: officer of Revenue and Customs**

- (1) If an officer of Revenue and Customs gives a notice in writing—
  - (a) to the principal company of a group UK REIT, or
  - (b) to a company UK REIT,

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the group or company ceases to be a UK REIT.

- (2) An officer of Revenue and Customs may give a notice under subsection (1) only in a case within section 573, [<sup>F1</sup>573A,]<sup>[F2</sup>573B,] 574, 575, 576 or 577.
- (3) A notice under subsection (1) must state the reason for it.
- (4) If a notice is given under subsection (1)—
  - (a) the group or company (as the case may be) is to be taken to have ceased to be a UK REIT at the end of the accounting period before the accounting period during which the event occurs (or the last event occurs) which caused the officer to give the notice, and
  - (b) the company to which the notice is given may appeal.
- (5) An appeal under subsection (4)(b) must be made by notice given in writing to an officer of Revenue and Customs during the period of 30 days beginning with the date on which the notice under subsection (1) is given.

[<sup>F3</sup>5A) Subsection (4)(a) has effect subject to section 573A(8).]

[<sup>F4</sup>5B) Subsection (4)(a) has effect subject to section 573B(9).]

- (6) Section 574(3) modifies subsection (4)(a) for the case described in section 574(2) (breach of condition B in section 531 in accounting period 1).

#### Textual Amendments

- F1** Word in s. 572(2) inserted (with effect in accordance with Sch. 4 para. 13(2) of the amending Act) by [Finance Act 2012 \(c. 14\), Sch. 4 para. 10\(2\)](#)
- F2** Word in s. 572(2) inserted (with effect in accordance with Sch. 4 para. 21 of the amending Act) by [Finance Act 2012 \(c. 14\), Sch. 4 para. 19\(2\)](#)
- F3** S. 572(5A) inserted (with effect in accordance with Sch. 4 para. 13(2) of the amending Act) by [Finance Act 2012 \(c. 14\), Sch. 4 para. 10\(3\)](#)
- F4** S. 572(5B) inserted (with effect in accordance with Sch. 4 para. 21 of the amending Act) by [Finance Act 2012 \(c. 14\), Sch. 4 para. 19\(3\)](#)

### 573 Notice under section 572: tax advantage

- (1) An officer of Revenue and Customs may give a notice under section 572(1) if the condition in this section is met.
- (2) The condition is met in the case of a group UK REIT if, during the relevant 10-year period, two notices have been given under section 545 (cancellation of tax advantage) to members of the group.
- (3) The condition is met in the case of a company UK REIT if, during the relevant 10-year period, two notices have been given under section 545 to the company.
- (4) “The relevant 10-year period” is the period of 10 years beginning with the day on which the first notice was given under section 545.

### [<sup>F5</sup>573A Notice under section 572: condition D in section 528 not met

- (1) An officer of Revenue and Customs may give a notice under section 572(1) if—

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- (a) at any time during the first 3-year period, condition D in section 528 is not met, and
  - (b) as at that time, subsection (2) has applied to a member of the group or the company (as the case may be) for a period exceeding 3 years or for a number of periods which in total exceed 3 years.
- (2) This subsection applies to a company at any time when—
- (a) the company is, or is a member of, a UK REIT,
  - (b) condition D in section 528 is not met in relation to the UK REIT, and
  - (c) the first 3-year period in relation to the UK REIT has not ended.
- (3) Neither subsection (1)(a) nor subsection (2)(b) covers cases in which condition D in section 528 is not met as a result of—
- (a) the principal company of a group UK REIT becoming a member of another group UK REIT, or
  - (b) a company UK REIT becoming a member of a group UK REIT.
- (4) Subsection (5) applies if—
- (a) a company ceases to carry on a business (“the transferred business”) which it carried on at a time (“the relevant time”) when subsection (2) applied to the company, and
  - (b) another company (“company X”) begins to carry on the transferred business.
- In paragraph (a) the reference to a business includes a part of a business.
- (5) Subsection (2) is to be taken to have applied at the relevant time to the following companies—
- (a) company X, and
  - (b) if company X subsequently ceases to carry on the transferred business (or any part of it), any other companies which from time to time carry on the transferred business (or any part of it).
- (6) In this section “the first 3-year period” has the meaning given by section 527(8).
- (7) If a notice is given under section 572(1) in a case within this section, subsection (8) applies instead of section 572(4)(a).
- (8) The group or company (as the case may be) is to be taken to have ceased to be a UK REIT on—
- (a) the first day of accounting period 1, or
  - (b) such later day as may be specified by the officer of Revenue and Customs in the notice.]

#### Textual Amendments

- F5** S. 573A inserted (with effect in accordance with Sch. 4 para. 13(2) of the amending Act) by [Finance Act 2012 \(c. 14\)](#), [Sch. 4 para. 11](#)

#### [<sup>F6</sup>573B Notice under section 572: further condition relating to shares not met

- (1) In the case of a group UK REIT, an officer of Revenue and Customs may give a notice under section 572(1) if—

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- (a) the condition in section 528A (further condition relating to shares) would not be met in relation to an accounting period (“the relevant accounting period”) but for section 528B, and
  - (b) subsection (2) applies to a company which is a member of the group at any time during the relevant accounting period.
- (2) This subsection applies to a company if it has benefited from the relaxation of the condition in section 528A in relation to 3 or more accounting periods (apart from the relevant accounting period).
- (3) In the case of a company UK REIT, an officer of Revenue and Customs may give a notice under section 572(1) if—
- (a) the condition in section 528A (further condition relating to shares) would not be met in relation to an accounting period (“the relevant accounting period”) but for section 528B, and
  - (b) the company has benefited from the relaxation of the condition in section 528A in relation to 3 or more accounting periods (apart from the relevant accounting period).
- (4) For the purposes of this section a company benefits from the relaxation of the condition in section 528A if—
- (a) it is a member of a group UK REIT at any time during an accounting period in relation to which the condition in section 528A would not be met but for section 528B, or
  - (b) at any time it is a company UK REIT and the condition in section 528A would not be met in relation to an accounting period but for section 528B,
- and the accounting period “in relation to” which the company benefits from the relaxation of the condition in section 528A is the accounting period mentioned in paragraph (a) or (b) (as the case may be).
- (5) None of subsections (1)(a), (3)(a), (4)(a) and (4)(b) covers cases in which the condition in section 528A would not be met as a result of—
- (a) the principal company of a group UK REIT becoming a member of another group UK REIT, or
  - (b) a company UK REIT becoming a member of a group UK REIT.
- (6) Subsection (7) applies if—
- (a) a company ceases to carry on a business (“the transferred business”) which it carried on at any time during an accounting period in relation to which the company benefits from the relaxation of the condition in section 528A, and
  - (b) another company (“company X”) begins to carry on the transferred business.
- In paragraph (a) the reference to a business includes a part of a business.
- (7) The following companies are to be taken to benefit from the relaxation of the condition in section 528A in relation to the accounting period in question—
- (a) company X, and
  - (b) if company X subsequently ceases to carry on the transferred business (or any part of it), any other companies which from time to time carry on the transferred business (or any part of it).
- (8) If a notice is given under section 572(1) in a case within this section, subsection (9) applies instead of section 572(4)(a).

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- (9) The group or company (as the case may be) is to be taken to have ceased to be a UK REIT on—
- (a) the first day of accounting period 1, or
  - (b) such later day as may be specified by the officer of Revenue and Customs in the notice.]

#### Textual Amendments

- F6** S. 573B inserted (with effect in accordance with Sch. 4 para. 21 of the amending Act) by [Finance Act 2012 \(c. 14\)](#), [Sch. 4 para. 20](#)

#### 574 Notice under section 572: serious breach

- (1) An officer of Revenue and Customs may give a notice under section 572(1) if the officer thinks that—
- (a) a breach of a condition in section 529, 530 or 531, or
  - (b) an attempt by a member of the group or (as the case may be) by the company to obtain a tax advantage,
- is so serious that the group or company should cease to be a UK REIT.
- (2) Subsection (3) applies if—
- (a) the case is one relating to a breach of condition B in section 531 (balance of business: assets) in relation to accounting period 1, and
  - (b) that condition is not met at the beginning of the next accounting period.
- (3) In that case, section 572(4) has effect as if for paragraph (a) there were substituted—
- “(a) the group or company (as the case may be) is to be taken to have ceased to be a UK REIT on the first day of accounting period 1, and”

#### 575 Notice under section 572: breach of conditions as to property rental business

- (1) An officer of Revenue and Customs may give a notice under section 572(1) if, in 3 consecutive accounting periods, there is a breach of condition A or B in section 529 (property rental business).
- (2) An officer of Revenue and Customs may also give a notice under section 572(1) if, during the relevant 10-year period, section 563(2) has been relied on—
- (a) more than twice in relation to condition A in section 529, or
  - (b) more than twice in relation to condition B in that section.
- (3) “The relevant 10-year period” is the period of 10 years beginning with the first day on which section 563(2) was relied on.
- (4) The following rules apply for the purposes of subsection (2)—
- Rule 1* If a breach of condition B in section 529 is a necessary consequence of a breach of condition A in that section in the same accounting period, the breach of condition B is to be ignored (and accordingly the UK REIT is not to be treated as having relied on section 563(2) in relation to the breach of condition B).
- Rule 2* If a breach of condition A or B in section 529 lasts for—
- (a) more than one accounting period, but

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(b) not more than two accounting periods,  
 the UK REIT is to be treated as having relied on section 563(2) only once.

#### **576 Notice under section 572: breach of conditions as to balance of business**

- (1) An officer of Revenue and Customs may give a notice under section 572(1) if there is a breach of condition A or B in section 531 (balance of business) in 3 consecutive accounting periods.
- (2) An officer of Revenue and Customs may also give a notice under section 572(1) if, during the relevant 10-year period, either subsection (1) or (2) of section 568 has been relied on more than twice.
- (3) “The relevant 10-year period” is the period of 10 years beginning with the first day on which subsection (1) or (as the case may be) subsection (2) of section 568 was relied on.
- (4) In the case of a breach of condition A in section 531, section 568(1) is to be treated for the purposes of subsection (3) as having first been relied on on the last day of the accounting period in which profits are assessed for the purposes of that condition.
- (5) If a breach of condition A or B in section 531 lasts for—
  - (a) more than one accounting period, but
  - (b) not more than two accounting periods,
 the UK REIT is to be treated for the purposes of subsection (2) as having relied on section 568(1) or (2) (as the case may be) only once.
- (6) References in this section to an accounting period do not include a reference to accounting period 1.

#### **577 Notice under section 572: multiple breaches of conditions in Chapter 2**

- (1) An officer of Revenue and Customs may give a notice under section 572(1) if conditions A, B and C are met.
- (2) Condition A is that at least two of the conditions in sections 528 to 531 have been breached during the relevant 10-year period.
- (3) Condition B is that the breached conditions are not both (or all) contained in the same section; and for this purpose the condition in section 530 (distribution of profits) is to be treated as contained in section 529.
- (4) Condition C is that the UK REIT has relied on some or all of the provisions mentioned in subsection (5)(a) more than 4 times (in total) during the relevant 10-year period.
- (5) For the purposes of this section—
  - (a) the provisions referred to in subsection (4) are—
    - [<sup>F7</sup>section 562A(6)] ,
    - section 563(2), and
    - section 568(1) and (2), and
  - (b) “the relevant 10-year period” is the period of 10 years beginning with the day on which the first of the conditions to be breached was first breached.

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- (6) If the first of the conditions to be breached is condition A in section 531 (balance of business: profits), that condition is to be treated for the purposes of subsection (5)(b) as breached from the last day of the accounting period in which profits are assessed for the purposes of the condition.
- (7) For the purposes of this section the following breaches are to be ignored—
- (a) a breach of condition C or D in section 528 (conditions for company) occurring as a result of—
    - (i) a member of a group UK REIT becoming a member of another group UK REIT, or
    - (ii) a company UK REIT becoming a member of a group UK REIT,
  - (b) a breach of condition C<sup>F8</sup> ... in section 528 in respect of which section 525(2) to (4)<sup>F8</sup> ... applies,
  - (c) a breach of any of conditions [F9C, E and F] in section 528 in respect of which section 558(3) or 559(6) applies,
  - (d) a breach of condition A in section 531 in accounting period 1, and
  - (e) a breach of condition B in section 531 at the beginning of that period.
- [F10(8) In accordance with section 527(6) and (7), a breach of condition D in section 528 during the first 3-year period (as defined in section 527(8)) is also to be ignored for the purposes of this section.]

#### Textual Amendments

- F7** Words in s. 577(5)(a) substituted (with effect in accordance with Sch. 4 para. 13(2) of the amending Act) by [Finance Act 2012 \(c. 14\)](#), [Sch. 4 para. 12\(2\)](#)
- F8** Words in s. 577(7)(b) omitted (with effect in accordance with Sch. 4 para. 13(2) of the amending Act) by virtue of [Finance Act 2012 \(c. 14\)](#), [Sch. 4 para. 12\(3\)\(a\)](#)
- F9** Words in s. 577(7)(c) substituted (with effect in accordance with Sch. 4 para. 13(2) of the amending Act) by [Finance Act 2012 \(c. 14\)](#), [Sch. 4 para. 12\(3\)\(b\)](#)
- F10** S. 577(8) inserted (with effect in accordance with Sch. 4 para. 13(2) of the amending Act) by [Finance Act 2012 \(c. 14\)](#), [Sch. 4 para. 12\(4\)](#)

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