



# Corporation Tax Act 2010

## 2010 CHAPTER 4

### PART 12

#### REAL ESTATE INVESTMENT TRUSTS

### CHAPTER 5

#### ASSETS ETC

#### *Profits: financing-cost ratio*

#### **543 Profit: financing-cost ratio**

- (1) This section applies to a UK REIT if the result of the calculation in subsection (2) is less than 1.25 for an accounting period.
- (2) The calculation is—

$$\frac{PP}{PFC}$$

where—

PP is the UK REIT's property profits for the accounting period (see section 544(1)), and

PFC is the UK REIT's property financing costs for the accounting period (see section 544(3)).

- (3) The amount (“the excess”) given by subtracting—
  - (a) the property financing costs which would cause the calculation in subsection (2) to equal 1.25 for the accounting period, from
  - (b) the UK REIT's actual property financing costs for the period,

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*Status: Point in time view as at 24/07/2010. This version of this provision has been superseded.*

*Changes to legislation: Corporation Tax Act 2010, Section 543 is up to date with all changes known to be in force on or before 07 October 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)*

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is charged to corporation tax in relation to the period under the charge to corporation tax on income.

- (4) The excess is treated as profits of residual business—
  - (a) in the case of a group UK REIT, of the principal company of the group, and
  - (b) in the case of a company UK REIT, of the company.
- (5) Accordingly it is charged to corporation tax at the rate mentioned in section 534(3) (rate at which profits of residual business are charged).
- (6) No loss, deficit, expense or allowance may be set off against the excess.
- (7) The Commissioners for Her Majesty's Revenue and Customs may waive a charge to corporation tax under this section in respect of an accounting period if they think that—
  - (a) the company was in severe financial difficulties at a time in the accounting period,
  - (b) the result of the calculation in subsection (2) is less than 1.25 in respect of the accounting period because of circumstances that arose unexpectedly, and
  - (c) in those circumstances the company could not reasonably have taken action to avoid the result being less than 1.25.
- (8) The Treasury may make regulations which specify criteria to be applied by the Commissioners in determining whether to waive a charge under subsection (7).

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