

## SCHEDULES

### SCHEDULE 4

Section 10

#### REITs: STOCK DIVIDENDS

##### *Amendment of TCGA 1992*

1 After section 142 of TCGA 1992 (capital gains on stock dividends) insert—

##### **“142A REITs: chargeable gains on stock dividends**

- (1) This section applies if share capital issued in lieu of a cash dividend by—
  - (a) a company UK REIT, or
  - (b) the principal company of a group UK REIT,is attributed as mentioned in section 550(2)(a), (c) or (d) of CTA 2010 (attribution of distributions).
- (2) The case shall not constitute a reorganisation of the company’s share capital for the purposes of sections 126 to 128.
- (3) The person who acquires the share capital by means of its issue shall (notwithstanding section 17(1)) be treated for the purposes of section 38(1)
  - (a) as having acquired that asset for a consideration equal to the cash equivalent of the share capital.
- (4) Section 414A(2) to (4) of ITTOIA 2005 (meaning of “share capital issued in lieu of a cash dividend”) applies for the purposes of this section as it applies for the purposes of Chapter 5 of Part 4 of that Act.
- (5) Section 412(1), (2), (4) and (5) of that Act (meaning of “cash equivalent of share capital”) applies for the purposes of this section as it applies in relation to share capital issued as mentioned in section 410(1)(a) of that Act.
- (6) In this section “company UK REIT” and “principal company of a group UK REIT” are to be read in accordance with Part 12 of CTA 2010 (Real Estate Investment Trusts).”

##### *Amendment of ITA 2007*

2 In section 973 of ITA 2007 (REITs: income tax due in respect of distributions), after subsection (3) insert—

- “(3A) In this section, section 974 and any regulations under this section, “distribution” is to be read in accordance with section 554A of CTA 2010 (meaning of “distribution”).
- (3B) Section 599A of CTA 2010 (amount of distribution consisting of share capital issued in lieu of cash dividend) applies for the purposes of this

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*Status: This is the original version (as it was originally enacted).*

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section, section 974 and any regulations under this section as it applies for the purposes of Part 12 of that Act (Real Estate Investment Trusts).”

*Amendment of CTA 2010*

- 3       Part 12 of CTA 2010 (Real Estate Investment Trusts) is amended as follows.
- 4       (1) Section 530 (condition as to distribution of profits) is amended as follows.
  - (2) In subsection (1), omit paragraph (b) (but not the word “and” at the end of it).
  - (3) In subsection (4), omit paragraph (a) (including the word “and” at the end of it).
  - (4) After subsection (6) insert—
    - “(6A) In this section, references (however expressed) to a distribution are to either or both of the following—
      - (a) a dividend in cash, and
      - (b) share capital issued in lieu of a cash dividend.
    - (6B) Section 1051(2) to (4) (meaning of “share capital issued in lieu of a cash dividend”) applies for the purposes of subsection (6A) as it applies for the purposes of section 1049(1)(a).
    - (6C) Subsection (6D) applies if—
      - (a) (apart from that subsection) there would be a failure to meet the condition in this section in relation to an accounting period, and
      - (b) that failure would arise solely by reason of the operation, by virtue of section 599A(2), of section 412(2) of ITTOIA 2005 (substitution of market value) in relation to any distributions within subsection (6A) (b).
    - (6D) Subsection (1) or (4) (as the case may be) is to have effect in relation to that accounting period as if for the words “on or before” there were substituted “before the end of the period of three months beginning with”.
- 5       In section 549 (distributions: supplementary), after subsection (2) insert—
  - “(2A) Sections 409 to 414 of ITTOIA 2005 (stock dividend income from UK resident companies) do not apply to relevant distributions received by a shareholder.”
- 6       In section 550 (attribution of distributions), in subsection (2)(a), for “payments” substitute “distributions”.
- 7       In section 553 (meaning of “holder of excessive rights”), in subsection (2)(a), for “dividends” substitute “distributions”.
- 8       After section 554 (regulations: distributions to holders of excessive rights) insert—

**“554A Meaning of “distribution”**

- (1) In this Chapter, references (however expressed) to a distribution include share capital issued in lieu of a cash dividend.
- (2) Section 1051(2) to (4) (meaning of “share capital issued in lieu of a cash dividend”) applies for the purposes of this section as it applies for the purposes of section 1049(1)(a).”

- 9      (1) Section 564 (breach of condition as to distribution of profits) is amended as follows.
- (2) In subsection (5)(a), omit “by way of dividend”.
- (3) After subsection (9) insert—

                 “(10) In this section and section 565, “distribution” is to be read in accordance with section 530(6A) and (6B).”

- 10      After section 599 (calculation of profits) insert—

**“599A Amount of distribution consisting of share capital issued in lieu of cash dividend**

- (1) For the purposes of this Part, the amount of a distribution, so far as it consists of share capital issued in lieu of a cash dividend, is the cash equivalent of the share capital.
- (2) Section 412(1), (2), (4) and (5) of ITTOIA 2005 (meaning of “cash equivalent of share capital”) applies for the purposes of this section as it applies in relation to share capital issued as mentioned in section 410(1)(a) of that Act.”

- 11      In section 605 (property rental business: exclusion of business producing listed income), after subsection (2) insert—

         “(2A) The reference in class 7 of the table in subsection (2) to dividends from shares includes share capital issued in lieu of a cash dividend (and the reference in subsection (1) to income is to be read accordingly).

         (2B) Section 1051(2) to (4) (meaning of “share capital issued in lieu of a cash dividend”) applies for the purposes of subsection (2A) as it applies for the purposes of section 1049(1)(a).”

*Commencement*

- 12      The amendments made by this Schedule have effect in relation to distributions made on or after the day on which this Act is passed.